Ultimate Guide to Product Bundling

Image credit: orderhive.com

Flow of content:

Are you struggling with a slow-moving stock? Or products that aren't moving at all?

You're not alone. Many SMBs find it hard to sell their stocks or to sustain a certain level of sales volume. The competition among many players in the market forces businesses to combine multiple marketing strategies. Product bundling is one of them.

> "Product Bundling is a trending practice in the market right now."

Retailers combine several products in one package and make it a better deal via several types of attractive offers. When it's used correctly, it can boost your sales and improve your conversions. You can combine it with other marketing strategies, and it's not actually costly.

Since it's an effective strategy on so many levels, it's worth trying. In this post, we'll talk about the bundling strategy, how you can benefit from it, and the examples to help you understand the difference between a well-combined product bundle and a bad one.

What is product bundling?

> "Product bundling is a marketing strategy where several products are sold as a package. Usually three or more, the bundled products can be related, similar, or multiples."

In some cases where there is a specific audience, say, kids, the bundled products don't have to be related or similar. Think of the Happy Meal. The toy and the food are in a bundle, and the toy is not related to any of the items in that bundle. However, the audience loves both, therefore it works.

While bundles can be presented as an option, it's also possible to offer some products only within bundles. In the first scenario, logically, the price of the bundle should be at least a little cheaper than the total amount of the bundled products' separate sales prices.

What's the use of bundling?

It's a marketing strategy that helps sellers get rid of dead or slow-moving stock and increase the average basket size.

First of all, bundles help businesses draw attention to their low-demand products without significant cuts in prices.

> "People tend to forget peripheral products if not exposed to them, but product bundles solve this problem."

Let's say, a person is buying a cycling computer from your store. In case he/she's a new cyclist, he/she might also need sensors and mirrors. However, the possibility that he/she'll forget to buy them now, and buy them later from a different store gives retailers an incentive to offer these products in bundles. Why would he/she bother coming to your store again? The reasonable thing to do is bundling peripheral products to make sure customers see them.
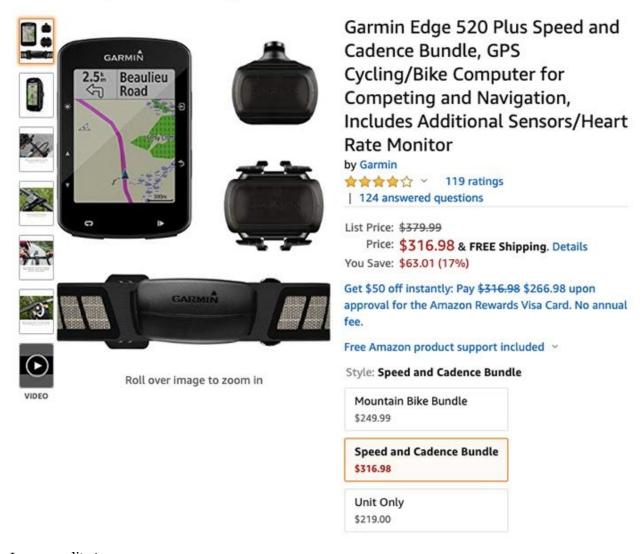
Image credit: Amazon.com

More to that, it's practical. We know that **consumers want an easy shopping experience**. **Time is a valuable resource that many people avoid wasting.** What if a shopper looks for a capsule espresso machine and a milk frother. Bingo! You just offered him a perfect bundle with a discounted price, and he didn't have to spend any extra time searching for it.
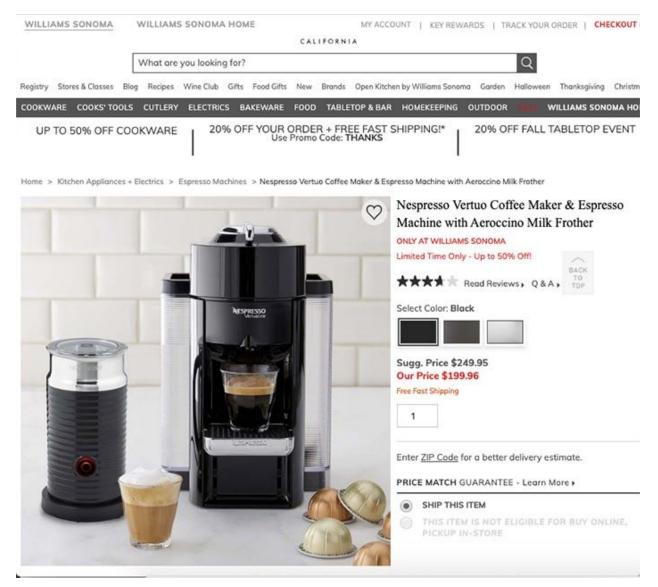
Image credit: [Williams Sonoma](#)

How to decide which products should be bundled

Suppose you sell PCs, its accessories and peripherals.

Now, let's say one of your laptops sells more than all the other products in that category. To be precise, you sell 250 of this model per month, and the closest competition remains at 150. There is a best-seller mouse, and you decided to bundle a mouse and a laptop. If you bundle the mouse with the

best-seller laptop, the number of people who see the offer will likely be higher.

However, it's not necessary to put best-seller products together. It depends on your target market.

What if a large portion of your consumer base likes to shop from a single brand? A teenager might like having Apple-branded products, and his/her father might enjoy using Lenovo's products. Both would like to purchase single-branded bundles rather than best-sellers. You can either analyze your sales data and get to know your consumer profile, or you can offer various kinds of bundles that could attract a vast consumer base.

> "The fact that bundling does not require a physical effort for online retailers makes it super easy to offer various bundles."

Now, suppose you bundled a PC with a smartphone. Both are under the category of consumer electronics, but are they actually related? If the customer didn't come to your store to buy both, which is a very low possibility, he/ she might perceive your bundle as an aggressive marketing strategy rather than a favorable offer that he/she can benefit from.

Benefits of Product Bundling

As you can see from the above discussion, product bundling is beneficial for both retailers and customers. Let's discuss the benefits from both business and customer perspectives.

Business Perspective

1. **Higher Speed and Efficiency in Order Fulfillment**

Product bundling increases profits in many indirect ways. When a customer places an order for multiple items separately from an e-commerce platform, the individual vendors must prepare each item's packaging, shipping, and after-shipment tracking. When a bundled package is prepared for delivery, it is quicker to fulfill more orders in comparison to individual items. Additionally, bundling increases efficiency because while taking stock of inventory in a warehouse, it is much quicker to count bundled merchandise than to have employees spread their time traveling across the warehouse, auditing for multiple items.

2. **Increase Average Order value**

Average Order Value is the total revenue generated per checkout. The main aim of bundling products is to entice customers to buy more products at once. As a result, you can increase your average order value, consequently your overall sales and revenues from your e-commerce store as well.

3. **Easier Inventory Management for Related Products**

Bundling relevant products together eases inventory management for those related items. This works in two ways. First, you can club a new product with an already popular one. This way you test the new offering in the market and evaluate customer acceptance towards it. By grouping a new product with an established item, you can promote the former more easily amongst customers.

Second, bundling products that are slow-moving with bestseller items for a reasonable price can clear out the sluggish inventory and help to balance out any imminent losses.

4. **Opportunity to Cross-Sell**

Since not all products are compatible with each other to bundle together, the first step is to curate products that naturally go together, which you can cross-sell. Important questions to ask would be which products are more likely to be purchased together, adding which low-priced product could

increase the overall value of the package or which additional product could increase the value of the product purchased.

From the customer point-of-view, many times, customers purchasing multiple products have to wait until after buying to check whether their purchase matches with each other or not. If not, their frustration could lead to negative reviews for your brand.

To avoid such dissatisfaction, customers depend on sellers to enlighten them about compatible items. For eg., if a retailer bundles a smartphone with a portable charger or phone case, then the customer will have made an expert-based buying decision, without doing any research of their own.

Taking a clothing example, a customer is looking at a pair of jeans and wondering how to make an ensemble from it. You can specifically curate a bundle that pairs those jeans with other items from your store like a shirt and shoes. The bundle gives your customers the variability to decide whether to purchase the whole item or each item separately.

Customer Perspective

1. **Combo packs make a good deal**

The idea behind product bundling is that when purchasing a combo, customers feel like they are getting a good deal. With this positive association, they are more likely to return to your store in the future. Since most of the bundled products are available to the consumers at discounted rates it makes it for an affordable package deal as well for the consumers.

2. **Bundled products are convenient to buy in a single click**

An additional benefit for customers is convenience. With a single click, customers can buy a set of products without having to browse through your store and manually add each item to the cart. For example, think about a home decor store selling a range of curtains, pillow covers, and bedspreads in the same style. If you wanted to encourage customers to purchase the whole set, you could advertise to customers with pop-ups before they navigate away, or show related products to guide their purchase.

3. Bundle products help in customer retention

As discussed earlier, consumers prefer to come back to the same shop or online portal that offers a variety of combo deals since it is cheaper and convenient. Thus, increasing the chances of getting repeat customers and building a loyal customer base.

A guide to pricing the bundles

so, what's the criterion when setting the price of your bundle?

First and foremost, be sure that your costs are covered. Big companies can benefit from lower profit margins since they have incredible sales volumes. Think of Walmart. The giant benefits from economies of scale and reduce supplier costs to a minimum.

SMBs can't lower the costs as much as a big company. What SMB owners need to do is to set a price that'll yield a high demand, but at the same time, generate a reasonable revenue.

Price your products competitively

What if you price a bundle of three products and it turns out that a competitor sells a bigger bundle with a better deal. It will look like you are trying to deceive your customers, which is the last thing you want.

To compete on price, you need to know competitor prices. This is where the pricing software comes in. [Pricing software](#) not only collects price data, but it also provides smart pricing rules that constantly adjust prices against competitors'.

Why is Product Bundling a success?

One of the biggest reasons why product bundling is such a great success is **because it is based on customer value perception**.

Value perception is founded on the basis of consumer impressions, awareness and acceptance towards a brand and its offerings. If consumers see some value in a product, only then will they be motivated to purchase it.

Customers basically look for 4 types of value in products-

- **Functional value**
- **Monetary value**
- **Emotional value**
- **Social value**

The primary reason for the success of product bundling is that it increases the value perception in the eyes of the consumer.

Product Bundles are at a discounted price range and along with it, it also adds the convenience of buying matched products for the consumers.

This makes for a great shopping experience and a cost-efficient bargain in the mind of customers.

Product bundling also influences subconscious buying decisions.

It's a great strategy for e-commerce fashion sellers. Shoppers have to shuffle between multiple tabs to determine which top matches with which pair of trousers. Instead of them going through this elongated process, you can offer an entire outfit at a discounted rate to make their buying decision easier. This also leaves the customer feeling like they've struck a great bargain!

Bundling Products with an Inventory Management System

On a slightly technical note, you could use an inventory management system for bundling products. With sophisticated software in place, you can sell your Bundles while keeping track of inventory levels for individual SKUs.

A good inventory management system draws your attention to lowest-selling products. Hence, providing you the opportunity to eliminate products that aren't selling well by bundling it with high selling items before they turn into dead stock.

Final Takeaways

If you haven't explored it yet, product bundling is worth a try.

If you get the correct product combination, you can see visible results in unit sales volumes, value for each customer and greater exposure to new customers.

Bundling products also give you a competitive edge over rivals since it makes your pricing-intelligence elusive.

It's a mutually beneficial selling tactic for customers and sellers. Buyers can get speedy solutions to their shopping needs along with a good bargain,

while businesses can increase efficiency in order fulfillment and revenue generation.

If you have any suggestions, please share in the comments. We would love to hear from you.

In the meantime, happy product bundling to you!

Essential Resources:

Articles:

https://www.forbes.com/sites/hbsworkingknowledge/2013/01/18/product-bundling-is-a-smart-strategy-but-theres-a-catch/

https://medium.com/informed/amazon-product-bundling-38fc1dad7fa0

https://www.bigcommerce.com/ecommerce-answers/what-are-product-bundles/

https://woocommerce.com/products/product-bundles/

https://www.shopify.in/retail/bundling-for-retail

Videos:

- Watch this video to learn "How To Create A Grouped Product WooCommerce"
https://www.youtube.com/watch?v=UCuVK53sSzY

- Watch this video to learn on "How to create 5 types of product bundles on Shopify"
https://www.youtube.com/watch?v=TXdS56z0USQ