

The definitive guide to bundling or roll-your-own pricing



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Introduction to bundle pricing

SaaS companies have adapted roll-your-own or bundle pricing for subscription services. Recurring revenue bundles, sometimes shortened to “rundles”, combine multiple subscription services or products into one package. Bundling allows retailers to take advantage of the consumer surplus to increase their sales volume and average order volume while also potentially subsidizing long-tail product development.

However, achieving a bundled billing model with the right mix of desirability and profitability is no easy feat. You will need a strong understanding of your buyer personas, excellent product management, and accurate revenue allocation to perform frequent margin analyses. Read on to discover the perks and pitfalls of bundling.

Achieving a bundled billing model with the right mix of desirability and profitability is no easy feat.

A quick glance at the pros and cons of bundling



Long-term revenue growth



One-stop shopping



Personalized pricing



Reduced pricing disputes



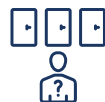
Boost product sales



Partnership opportunities



Cross-platform data sharing



Limited options



Tricky revenue allocation



Presenter's paradox



Barrier to entry



Partner pricing



Shared subscribers



Renewal gap

Understanding the **pros** of bundling



Discounted pricing for the customer leads to revenue growth for the retailer

Customers are paying less while also buying more, which generates revenue for the seller and subsidizes long-tail product development. It's a win-win.



One-stop shopping simplifies the buyer's journey

It can be tedious to keep track of multiple billing invoices and go through different customer service channels. Customers will appreciate only having to manage one subscription and interact with one provider of customer support.



Bundling can create a personalized experience

If customers are given the choice to select limited customizations to their bundles, they can feel like the experience is more personal.



The likelihood of pricing disputes decreases with bundled billing

Without the pressure of a line-by-line breakdown, customers tend to be more accepting of the overall pricing.



Bundling allows you to boost sales of certain products

You can promote new products or sell underperformers by including them in bundles with your more popular products.



Partnerships benefit companies and provide more options for consumers

Smaller companies can build brand awareness and expand their customer base, while helping larger companies to grow partner revenue, before supporting their own subscription service.



Cross-platform data sharing enhances partner marketing and promotion

Companies can develop a better understanding of the market to improve their offerings and business strategies.

Understanding the **cons** of bundling



Bundling offers less choice than a la carte services

Customers may be unable to pick the exact options they want and decide to look elsewhere.



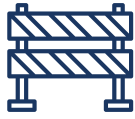
It can be complicated to attribute revenue to the appropriate stream

Without robust accounting processes handling revenue allocation, it may not be easy to track which elements are generating the most revenue. Errors can skew product analytics and create problems for management.



Bundles can hurt the sales of popular products due to the presenter's paradox

Customers may not view the deal as valuable enough and would rather buy the products individually, which can hurt the sales of your popular products if they're only accessible through bundles.



Bundles can create a barrier to entry

Some customers may feel pressured into buying more than they want and decline the offer outright.



Your partner might bundle your offer at too low a price

Therefore, the market learns that your product is an add-on or low value.



Partnerships may cause you to lose connection with your subscribers

You may not have as much control over the end-to-end customer experience. You won't be able to harvest data on their behaviours or quickly respond to feedback.



Customers may choose not to renew their subscriptions after the initial discount

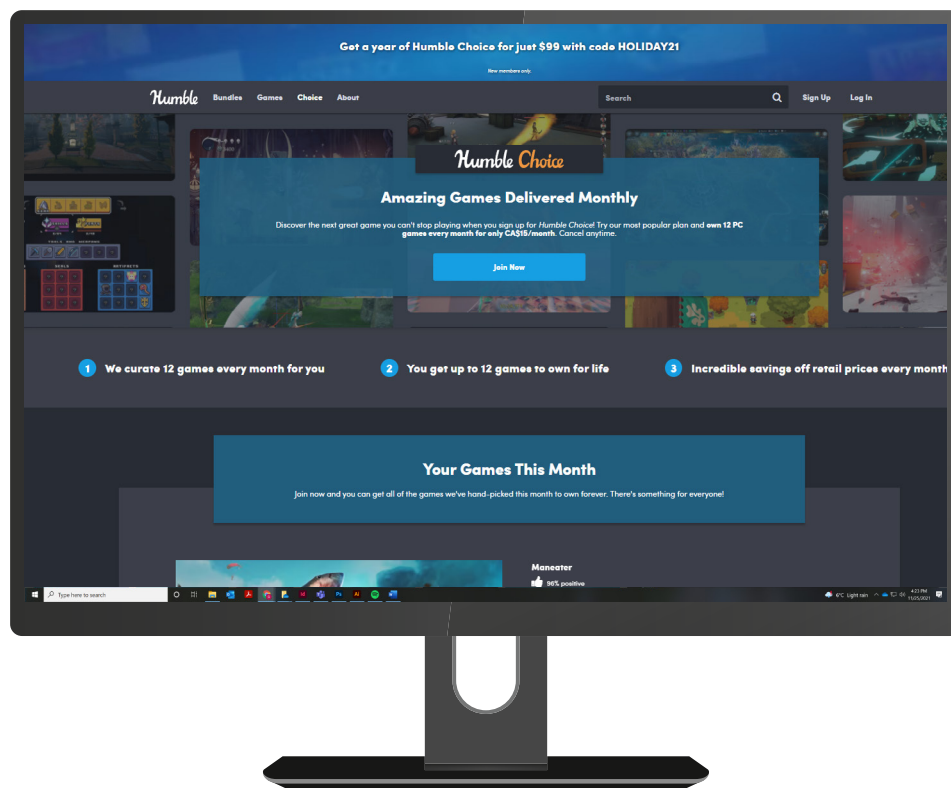
Many bundles charge a reduced price for new subscribers for a set amount of time, if this is poorly managed you can increase your churn metrics.



Organic bundling (with example)

If the customer can only purchase specific products or services through bundles, that's known as organic bundling. This pricing strategy takes advantage of the psychology principles of exclusivity scarcity and uniqueness theory to entice buyers by enhancing the rarity of their offering and allowing them to feel special.

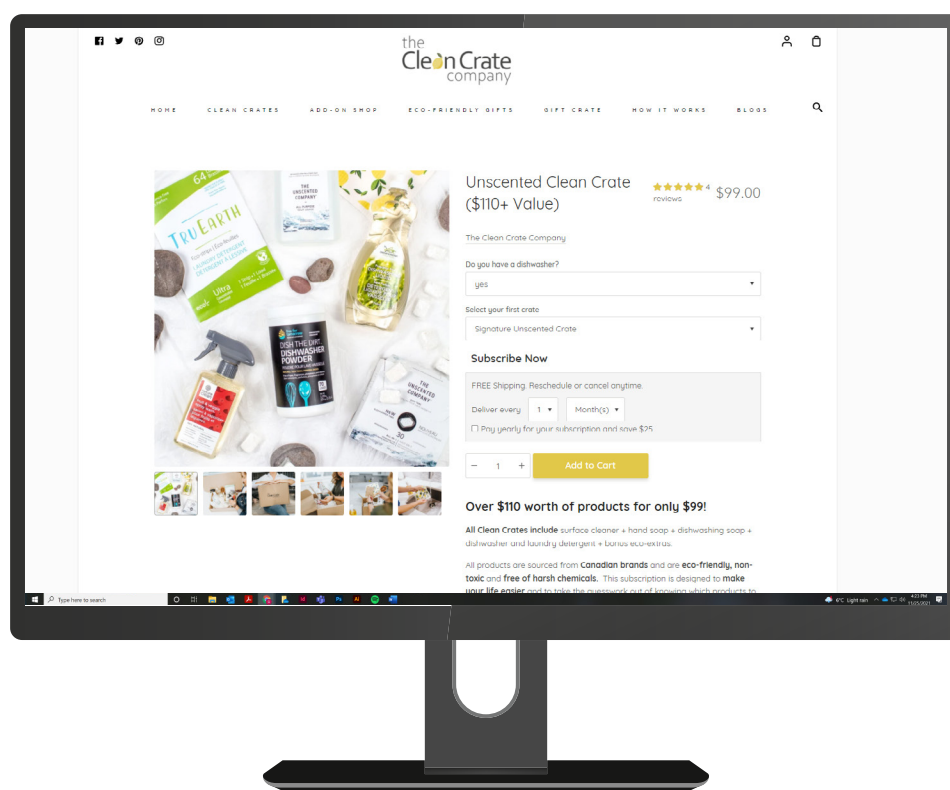
Humble Choice is a membership subscription service that provides the user with 12 PC games to own for \$15/mo. The membership can be counted as an organic bundle because it also gives you exclusive access to over 75+ data-rights-management-free games and Humble originals via the Humble Trove.



Mixed bundling (with example)

Mixed bundles are ones where all the items or services associated with the bundle can also be purchased individually by the same retailer. This pricing strategy helps to counteract one of the common pitfalls of bundling—accidentally hurting the sales of popular products. Some customers just want the individual leader products, it's better to have them purchase less than nothing at all, and you don't have to sacrifice bundles to give them that option.

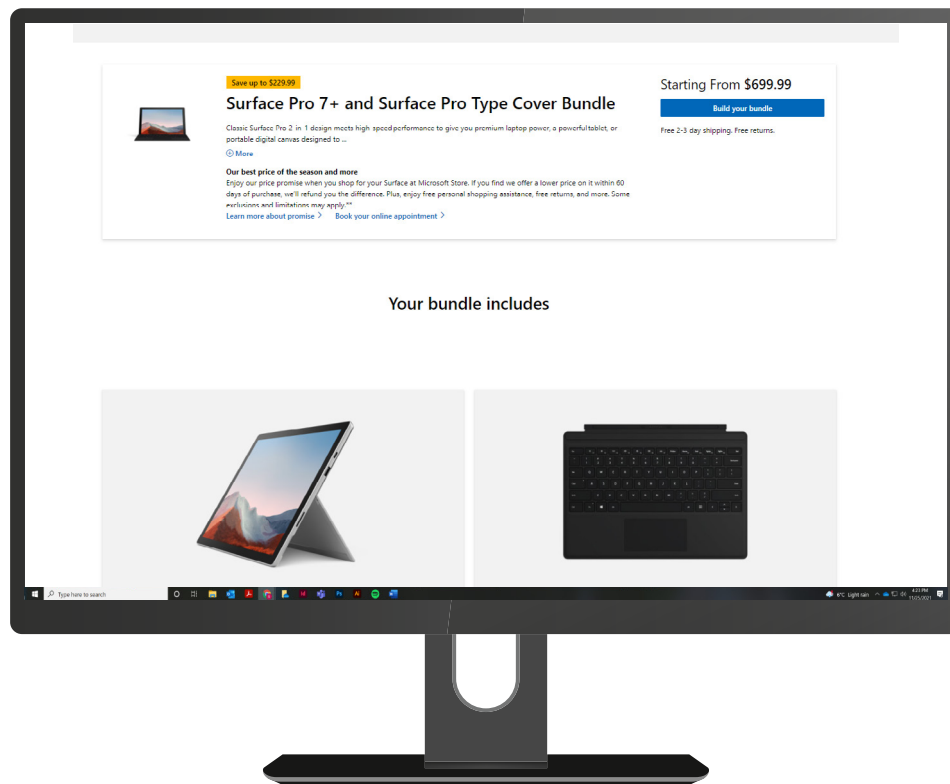
The Clean Crate Company sells Canadian brand cleaning products that are eco-friendly, non-toxic and free of harsh chemicals. You can either purchase the individual cleaning items that you need or subscribe to one of their crates and have seasonal cleaning essentials delivered monthly, bi-monthly or semi-annually.



Aggregator bundling (with example)

Aggregator bundling offers maximal choice to the customer. Buyers can customize their bundles by selecting elements from limited options. In traditional cost-based pricing, aggregator bundles can look like buy one get one free or pick-three deals. When it comes to subscription services, the model can support either choices that are locked in at the start of the contract or choices that can be changed at the start of each pay period.

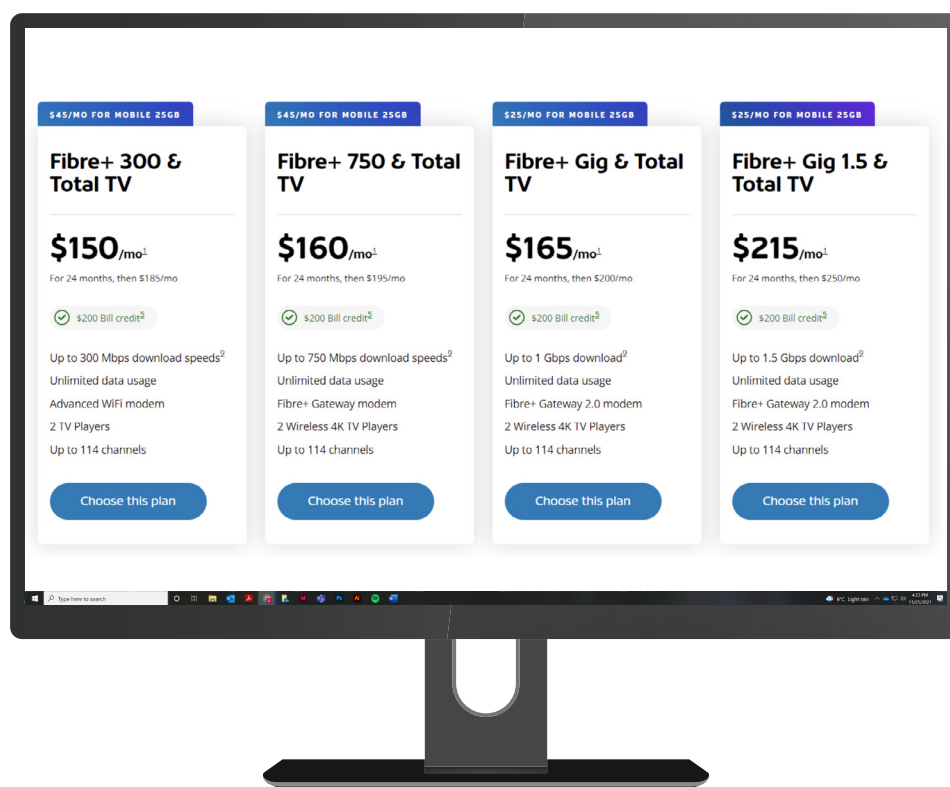
To promote their Surface products, Microsoft allows buyers to build a bundle that includes their choice of a Surface device, an annual subscription to Microsoft 365 with an additional three months free, and a two-, three- or four-year protection plan.



Limited time bundles (with example)

Limited time bundles are typically rotating offers that provide discounted access to a set of services or products for a specified amount of time. Each offer is usually only available to purchase for a short period of time, which creates a sense of urgency and makes the savings seem even more desirable.

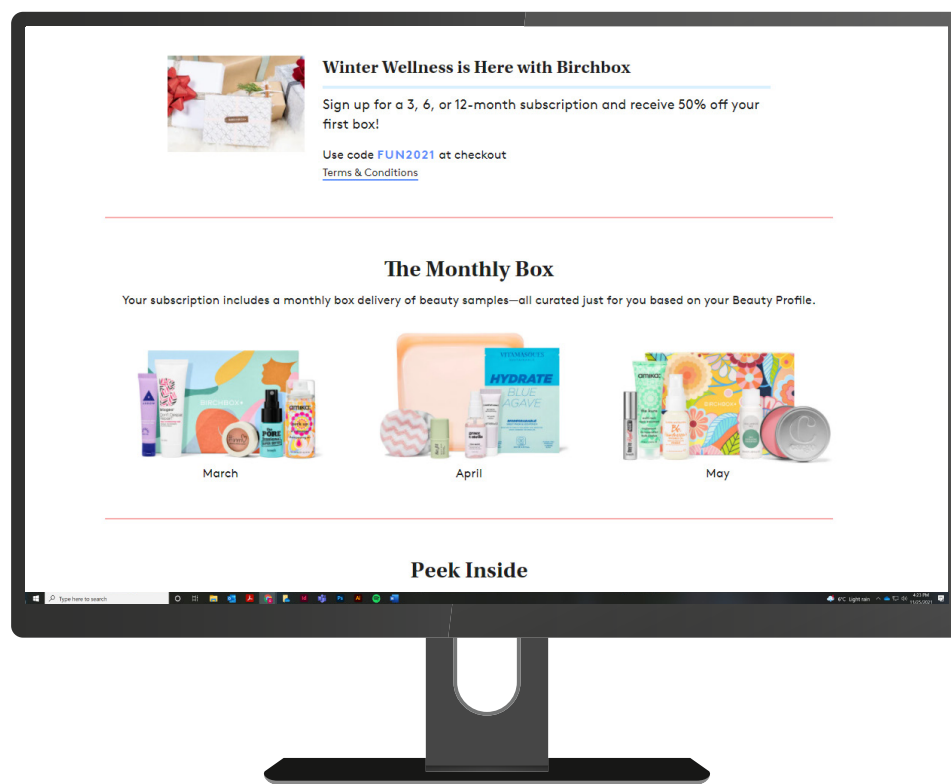
Phone, cable, and Internet companies often sell their services in limited time bundles. Shaw offers a range of television and internet bundles on two-year plans. After the two years are up, you go month-to-month until you cancel or sign up for another value plan; however, if you cancel your subscription early, you're required to pay early cancellation fees.



Partnership bundles (with example)

Partnerships allow one retailer to sell the services or products of other companies through bundles with their own products. Collaborating with other companies can offer a host of competitive advantages like expanding or tapping into new customer bases, sharing cross-platform market research, trialing subscription services before committing to the costs, and so on.

Birchbox is a beauty and grooming subscription service. For \$15/month for the beauty box and \$10/month for the grooming box, you will receive five curated deluxe samples based on preference settings in your user profile. You can also buy individual full-sized products from their website. The company currently carries 40 prestigious brands and, in 2015, launched their own line of products.



Revenue recognition for bundle pricing

The most important aspect of revenue recognition for bundled billing, in addition to remaining compliant with accounting standards like ASC 606 and IFRS 15, is ensuring that you're able to accurately attribute income to the correct revenue stream.



Margin analyses are crucial for making strategic business decisions and understanding the performance of each of your products or services. However, errors in your revenue allocation data could jeopardize these processes—leaving you unable to tell how much is being earned by each revenue stream.

Investing in a robust recurring billing solution is one way to eliminate manual errors and simplify revenue allocation. It can also help you to maintain compliance and efficiently handle changes to your customers' bundles and invoices.

Managing the complexity of bundle pricing

Avoid subpar management of your bundling strategy by familiarizing yourself with these three critical elements of the pricing model that will aid your growth journey.

The 3 critical elements of your bundle pricing strategy

1. Understand target customers

Take your time to ensure that the pricing and value metrics are aligned for each of your bundles. If customers are unable to grasp why your bundle is a great bargain, it's highly likely that they will search for a better deal elsewhere. Analyze your customers' behaviour and build your bundles to meet specific needs or desires that are currently not being fulfilled.

2. Boost sales of certain products/services

Bundles are great for adding another layer of control to your pricing management. In the same way that you want to carefully craft your bundles to be desirable to your customers, you should also appropriately pair products and services to maximize your overall sales. Bundles that are not well balanced can hurt sales of your popular offers and lead to frustrating overstock.

3. Manage revenue allocation

Keeping track of which earnings are coming from what revenue stream doesn't have to be complex. A powerful recurring billing solution can automate revenue allocation with an internal line-by-line breakdown, so you'll always be ready to perform margin analyses. The right system will also help you maintain compliance with ASC 606 and IFRS 15, as well as streamline any additions to your billing model or updates to your customers' invoices.

Introducing Subscription Billing Suite

A comprehensive solution for billing, deferrals, and recognition that streamlines the entire quote to cash process at every step from billing and invoicing to reporting and forecasting. It provides consistent and reliable invoicing for a wide range of pricing models and allows you to take control of your pricing and billing schedules at the line-item level within Microsoft Dynamics 365 for Finance and Operations, Microsoft Dynamics 365 Business Central, and Microsoft Dynamics GP.

What our customers say

Wonderful, wonderful, wonderful. A joy to work with Binary Stream. Everyone was super helpful and positive, which had a big impact on the success of the implementation.



What makes Binary Stream different from other software companies we have worked with is their ability to truly listen to customer input and enhance their subscription solution to meet those needs.



Since I have come on board, Subscription Billing Suite has paid for itself more than once over. Having this solution to help us manage over 10,000 deferred contracts is an essential part of our financial processing.



I've long been a fan of Dynamics, and Subscription Billing Suite met and exceeded every feature of our previous solution. However, the factor that made this project a success is having a partner who augmented our internal integration efforts.





Start your financial transformation journey today

Learn more by reading our complete guide to subscription management, offering insights into billing models, pricing page psychology, and plenty more.

[Discover more](#)