

Strategic Services Marketing
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Week – 08

Lecture - 38

Bundling and Packaging Strategies in Service Pricing

Hello everyone. In this session, let's try to comprehend bundling and packaging strategies in service pricing. What is bundling? Bundling and packaging strategies in service pricing involve combining multiple services or service components into a single offering or package, often at a discounted or bundled price. This approach allows service providers to create value for customers by offering a comprehensive solution that meets multiple needs or preferences. So, what are the different bundling approaches that are there when it comes to service pricing? Bundling can take various forms. For example, as shown in this figure, there can be a product bundling, wherein two or more services have been combined.

There can be mixed bundling, for example, offering both complementary and unrelated services together or it can be pure bundling, wherein selling services only as a part of bundle and not individually. Whereas, price bundling is also another format of bundling, wherein service provider can either go for price bundling, that is offering discounts for bundled services or they can also opt for value based pricing, that is charging premium for the perceived value of the bundle. Consider a telecom company that offers internet, TV and phone services, for example Airtel. Instead of selling these services individually, the company bundles them together into a comprehensive package known as triple play bundle.

Customers subscribing to the triple play bundle receive all three services at a discounted rate compared to purchasing them separately. This bundling strategy not only simplifies the purchasing process for customers but also offers them cost savings and convenience. So why it is important? Let's understand the importance of bundling and packaging with respect to services. Bundling and pricing can offer multiple roles. For example, when it comes to maximizing revenue, bundling and packaging strategies enable service providers

to increase revenue by encouraging customers to purchase additional services beyond their initial needs.

By offering bundled packages at a discounted price, service providers can attract more customers and upsell higher value services, thereby maximizing overall revenue potential. Coming to enhance customer value, bundling and packaging create value for customers by providing them with a comprehensive solution that meets multiple needs or preferences in one convenient package. Customers appreciate the simplicity and convenience of bundled offerings, which can include a range of services tailored to the specific requirements. This enhances the overall customer experience and fosters loyalty by strengthening the relationship between the service provider and the customer. When it comes to differentiating from your competitors, bundling and packaging strategies allow service providers to differentiate themselves from competitors and stand out in a crowded marketplace.

By offering unique and attractive bundled packages, service providers can position themselves as comprehensive solution providers and capture market share from competitors who offer individual services. When it comes to increase customer retention, bundling and packaging strategies can improve customer retention by incentivizing customers to consolidate their services with a single provider. Once customers are subscribed to a bundled package, they are less likely to switch to competitors offering individual services, thereby increasing customer loyalty and reducing churn rates. Overall, bundling and packaging strategies in services pricing play a crucial role in optimizing revenue, enhancing customer value, and driving competitive advantage. By offering bundled packages that meet customers' diverse needs and preferences, service providers can maximize revenue potential, strengthen their customer relationships, and differentiate themselves in a highly competitive environment.

Now let's understand some types of bundling and packaging. The first type of bundling and packaging is product bundling. Product bundling involves bundling multiple services together as a package, offering them to customers as a comprehensive solution. For example, Comcast Xfinity. They have this particular campaign known as Xfinity Double Play.

This particular commercial or ad through which Comcast bundles internet and cable TV services together as a package. The commercial highlights the convenience and value of having both services from a single provider, emphasizing features such as high-speed internet and access to a wide range of TV channels. By bundling these services, Comcast offers customers a complete entertainment solution and potentially saves their money compared to purchasing each services separately from the competitors. So let's have a look at this particular commercial from Sherilyn Allen's channel which talks about Xfinity X1 Double Play TV Spot. Have a look at this commercial.

Let's take another example of our own Indian Telecom operator Airtel. Airtel launched Airtel thanks commercial, one of India's leading telecom company. This particular product i.e. Airtel thanks offers bundled services through its Airtel Thanks program. The commercial showcase how Airtel customers can enjoy a range of benefits including unlimited calling, data and access to premium content such as movies, music and TV shows. All bundled together under Airtel Thanks program.

By bundling these services, Airtel provides customers with a comprehensive solution for their communication and entertainment needs, enhancing value and convenience of course. Have a look at this particular commercial which emphasize how Airtel is combining different services together into their Airtel Thanks program. Have a look at this commercial. Another type of bundling is mixed bundling. Mixed bundling involves offering bundles with both complementary and unrelated services together, providing customers with a variety of options.

For example, Reliance Jio Postpaid Plus. Reliance Jio, a major telecom player in India offers mixed bundling through its Jio Postpaid Plus plans. The commercials highlights how customers can customize their postpaid plans by choosing from a variety of services such as unlimited voice calls, high speed data, international roaming and access to premium entertainment apps. By offering mixed bundling, Jio caters to diverse customer preferences and provides flexibility in selecting services tailored to individual needs. So let's have a look at some beautiful commercials that showcase product bundling or mixed bundling given by Jio. So, through these all videos or commercials, we understood how Jio explored various services that are either complementary or unrelated, bundled together and offered to their customers as a type of mixed bundling.

Now let's move on to the next type of bundling that is Pure Bundling. Pure bundling provides selling services only as a part of a bundle and not individually, encouraging customers to purchase the entire package at a time. Let's understand Pure Bundling with an example of Amazon Prime. Amazon Prime recently launched this campaign known as Amazon Prime Free One Day Delivery Commercial. In this ad, Amazon promotes its Prime membership, which includes a bundle of services such as free one day delivery, access to Prime video streaming, exclusive deals and more.

The commercial highlights the benefits of becoming a Prime member and emphasizes the value of having all these services bundled together under one subscription. By offering these services only as a part of the Prime bundle, Amazon encourage customers to subscribe to the entire package to access the full range of benefits. So let's have a look at this particular commercial which talks about Amazon Prime's free one day delivery and related services. Free one day delivery on over 4 million products join prime at Rs 749 per year and get fast delivery. What do I get from Amazon Prime membership? Free one day delivery and Priya's one in a million smile. Nice! Cool! Wow! Priya got a huge promotion

yesterday, so we've planned a surprise party for her today.

Surprise! Free one day delivery on over 4 million products. Join Prime at Rs. 749 per year and get fast delivery. Next comes price bundling, another type of bundling and packaging of services.

Price bundling involves offering discounts or incentives for bundled services, encouraging customers to purchase multiple services together at a lower combined price. For example, Verizon. Verizon's mix and match commercial that we are going to see promotes its mix and match plans, which allow customers to mix and match different services such as internet, TV and phone, and receive discounts for bundling multiple services together. The commercial highlights how customers can save money by bundling services and customizing their plans based on their own preferences. By offering price bundling, Verizon incentivizes customers to purchase multiple services from them and increasing customer retention and revenue.

Have a look at this particular commercial from Verizon. With respect to pure bundling, let's have an Indian example, our own Tata Sky Binge Plus commercial. Tata Sky, a leading direct-to-home or DTH television service provider in India, offers price bundling through its Tata Sky Binge Plus offering. The commercial that we are going to see promotes how customers can enjoy a bundled package of DTH television along with access to popular streaming services such as Disney Plus Hot Star, Sony Live, Zee5 and many more, all at a competitive price. By offering price bundling, Tata Sky incentivizes customers to purchase multiple services together, providing value through discounted bundled offerings.

Have a look at this particular commercial that talks more about what exactly is this Tata Sky Binge Plus. Introducing Tata Sky Binge Plus the smart set top box with TV channels plus entertainment apps in one place with one remote switch from apps to channels with great ease. Google Assistant, ask and you shall receive. Give me romantic comedies. Chromecast, for a bigger screen and better screen time. Tata Sky Record, so never miss what you want to watch.

Bluetooth connectivity, to your speakers and headphones. 4K superior picture quality, get every little detail. Get access to 5000 plus apps with Google Play Store. All on your TV. With pause, play, restart, take charge of your entertainment.

By pausing, playing and restarting your favorite TV shows whenever you like. Go back in time with Last 7 Days TV, a handy feature that lets you catch up on the TV show that you may have missed in the last 7 days. Plus, one month subscription of Tata Sky Binge with 12 premium apps and one month of Amazon Prime Video at no extra cost, so that

you can binge on Binge. Sorry, we couldn't resist. Search for Tata Sky Binge Plus online today.

Tata Sky Binge Plus, Isko laga dala, the full family Jinga Lala. These examples demonstrate how service firms utilize different types of bundling and pricing strategies in their marketing campaigns to attract customers, increase sales and provide value through bundle offerings. Each strategy offers unique benefits and appeals to different customer segments, allowing service providers to meet diverse customer needs and preferences effectively. Now let's discuss some key considerations for bundling and packaging in service pricing. The first key consideration is with respect to customer segmentation.

This involves understanding customer segments is crucial for effective bundling and packaging strategies. Service providers should analyze customer demographics, preferences and behavior to tailor bundle offerings to different segments. By segmenting customers based on their needs and preferences, service providers can create targeted bundles that resonate with specific customer groups, enhancing value and increasing the likelihood of purchase. The second key consideration should be given to pricing strategies. Determining the right pricing strategy for bundle package is essential for maximizing revenue and profitability.

Service providers should consider factors such as pursued value of bundle offering, competitive pricing, cost structures and customers' willingness to pay for these services. Pricing strategies may include offering discounts, incentives or premium pricing for bundle packages, depending on market dynamics and customer demand. Another key consideration should be given to value proposition. Communicating value proposition of bundle packages effectively is crucial for driving customer interest and engagement. Service providers should clearly articulate the benefits and advantages of bundle offering, highlighting how they address customer needs, provide convenience and offer cost savings compared to purchasing individual services separately.

A compelling value proposition enhances customer perception and increases the likelihood of purchase. Coming to another key consideration is with respect to flexibility. Offering flexibility in bundle configurations and options is important for accommodating diverse customer preferences and requirements. Service providers should design bundle packages that allow customers to customize their selections, add or remove services and choose the combination of offerings that best meet their needs. Providing flexibility in bundle options enhance customer satisfaction and increases the appeal of bundle offerings.

And another key consideration is customer experience. Ensuring a positive customer experience throughout the purchase process and usage of bundle services is essential for building loyalty and retention. Service providers should streamline the customer journey from browsing bundle options to purchasing and accessing bundle services. Additionally,

service providers should offer responsive customer support and assistance to address any issues or concerns related to bundle offerings to enhance overall customer satisfaction. Now let's look at how one can implement these bundling and packaging practices at their service locations.

So this is the four stage process. The first stage here is identifying service offerings that are need to be bundled. So select services suitable for bundling based on customer needs and preferences. That is the first step. Then comes determining pricing and discounts. Here try to establish pricing strategies and discounts for bundle packages.

Then the third step involves developing packaging options. Design different bundle configurations and options to meet diverse customer needs. And final stage, that is fourth step, is communicating that value proposition to your audience or your customers. Here one need to clearly communicate the benefits and value of bundle package to the customers. However, there can be some challenges and risks associated with bundling of services.

So let's discuss some challenges and risks associated with bundling and packaging of services. The first risk here or challenge here is pricing complexity and cannibalization effect. Second one is customer perception and value proposition clarity. Third challenge is with respect to market competition and differentiation. And the fourth challenge is about operational complexity and execution challenges.

Let's discuss these challenges one by one. The first challenge here is with respect to pricing complexity and cannibalization effects. Implementing bundle pricing can introduce pricing complexity, making it challenging for customers to understand the true value of the bundle offering. Additionally, there is a risk of cannibalization where customers may opt for lower price bundle packages instead of a higher price standalone services leading to revenue loss. So how to address this challenge or how to mitigate this risk? Service firms need to carefully design bundle packages with clear pricing structures and transparent communication of the benefits included. Pricing should be competitive yet profitable, ensuring that bundled offerings contribute to overall revenue growth without cannibalizing sales of individual services.

Second risk or challenge is with respect to customer perception and value proposition clarity. The challenge here is that bundling multiple services together can lead to confusion among the customers regarding the value proposition of a bundled offering. If customers pursue bundle packages as too complex or irrelevant to their needs, they may hesitate to purchase or may not fully utilize the bundle service at all. So how to address this challenge or mitigate this risk? Service firms must clearly communicate the value proposition of bundled packages, highlighting the benefits and cost savings compared to purchasing individual services separately. Marketing efforts should emphasize the convenience,

customization options and overall value of bundled offering, addressing customer pain points and demonstrating that how bundled packages are more effective for them.

The third challenge or risk is with respect to market competition and differentiation. In competitive markets, service firms may face challenges in differentiating their bundled offering from those of competitors. If bundled packages lack unique features or fail to address specific customer needs, they may struggle to stand out and attract customers. So how to address this particular challenge or mitigate the risk? Service firms should conduct thorough market research to understand customer preferences, competitor offerings and market trends. By identifying gaps in the market and unmet customer needs, the service providers can develop bundled packages that offer unique value propositions and competitive advantages.

The fourth challenge is with respect to operational complexity and execution challenges. Here, implementing bundled pricing requires coordination across various departments within the organization, including sales, marketing, product development and customer service. Managing inventory, pricing changes, customer inquiries and billing processes for bundled offerings can introduce operational complexities and execution challenges. So how to address this particular challenge or mitigate the risk? Service firms should invest in robust systems and processes to streamline the implementation and management of bundled pricing strategies. Automation tools, integrated software solutions and cross-functional collaboration can help optimize operational efficiency and ensure seamless execution of bundled offerings.

Going further, let's discuss some best practices for successful bundling and packaging of services. The first best practice is with respect to start with understanding your customer needs first. Conduct market research to identify customer preferences and their pain points. Second in line is test and iterate. Continuously test and refine bundle offerings based on customer feedback and market dynamics.

Third best practice is to have continuous monitoring of the performance of those bundle offerings. Track key metrics such as revenue, customer satisfaction and bundle adoption rates to monitor the performance of these strategies. And another best practice is to adapt to market changes. Stay agile and adapt bundle offerings in response to changes in customer preferences and competitive landscape. So in this video we try to comprehend bundling and packaging strategies in service pricing. Thank you.