

## GUIDE

# The Value of Strategic Bundling



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# The Value of Strategic Bundling

We're in an era where digital transformation is evolving exponentially and everyone wants to be able to work remotely and securely. Vast opportunities are being created for the channel as a whole but it's also a challenging market given the current, new, and emerging players all trying to seize opportunities. To thrive, you're going to have to work hard to make yourself stand out. With that, there's nothing more powerful than creating a magical bundle that sells, promotes your brand, and builds long-lasting customer relations.

## Tips to Get You Started

### Your bundle is your sales tool!

Value is determined by the buyer. Your clients have to understand what you're proposing in their own terms. They must believe that they understand 100% of your bundle. Your sales pitch must be client focused and must solve their problem. If you're not making their lives easier, they're far less likely to spend the money.

### There's no confused buyer.

If they're confused, they don't buy! You need to make it about them and you need to make it something that they actually understand. They need to think, "Oh, this is going to make my life better." Once you prompt that line of thought, then you get a chance of actually making the sale.

### How simple is your invoice?

When we talk about strategic bundling, part of it is how you present your invoice to your clients. You need to make it as simple as possible. For your client's monthly managed service bill, you shouldn't list what they're paying for each license or each item. You don't want them to be able to pick it apart.

### Watch out!

When you talk to your clients, you have to remember that the terms you use have a different meaning to you than they do to them. You have to be careful not to use terminology that's only meaningful to you.



## Why Bundle?

- 1 Pricing opacity:** With the simple example of a hotel room that charges \$10 for a bottle of water while the room costs \$750 a night. Customers would automatically feel ripped off buying the water. But a room for \$760 a night including a free bottle of water makes the bottle sound like a thoughtful gesture.
- 2 Marketing simplicity:** If you sell 20 products, you have to market 20 products. If you bundle them as one, you market them as one.
- 3 Increased product usage and the services around them:** Netflix doesn't price plans based on genres. Bundles encourage product sampling, exploration, and adoption.
- 4 Buyer peace of mind:** A client getting the "luxury" package for a new car has no idea how much he's paying for leather seats versus the premium sound system. The inability to price each feature frees the consumer from the cognitive burden to pass a fair-unfair judgment on every item.

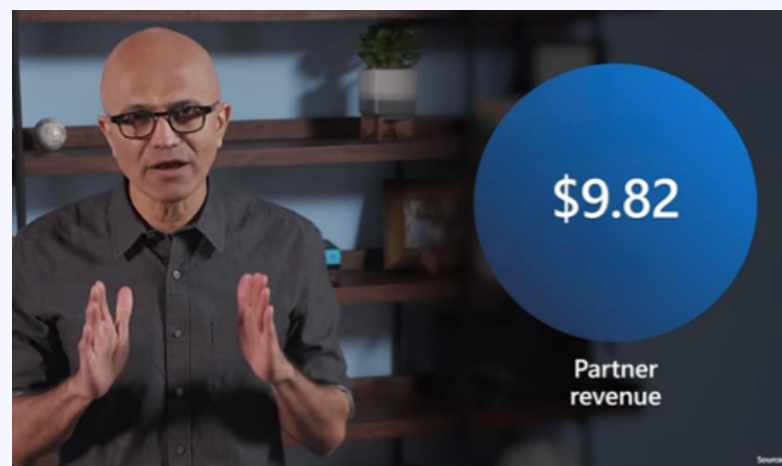
Microsoft made it very clear in their work with Gartner and Forester that **you can expect about a 5X multiplier when you bundle services with licenses.**

During Inspire 2020, Satya Nadella talked about how when you sell Microsoft 365, top performing partners end up selling an **additional \$9.82** in total revenue for every \$1 that's spent on licensing.

That's huge! That's not even just 5X—it's almost a 10X multiplier.

Good bundles are client-focused. So figure out how to put together a bundle that clients find attractive.

Everybody likes to shop and nobody likes to be sold. The key to success with a bundle is putting it together in a way that makes clients say, "Okay, I absolutely want that, plus I want to add on a few other things, too."



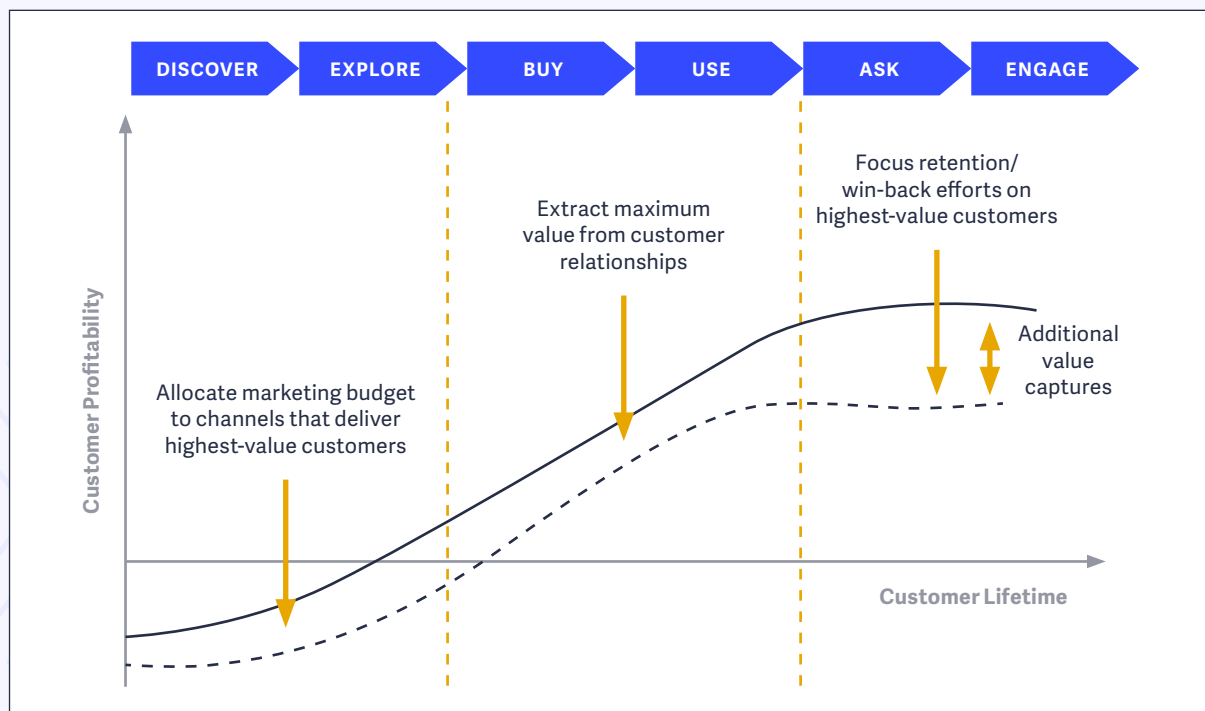
# Strategic Bundling: Rule #1

## CREATE A CORE BUNDLE OFFERING

Figure out what you can sell to every single client and put that into a bundle. Think about how it will set you up on the right foot with a client and sets a positive tone for the relationship. You now have a minimum starting point for every client and can sell additional services on top of that.

In Managed Services, unlike almost every other industry, the client relationship can last for 10 or even 20 years. Clients won't want to move away from you as a provider unless they are unhappy. (Of course, you'll rarely have to deal with those kinds of issues if you're providing high-value services.)

Here, you need to think about the customer lifetime value. CLV is a prediction of the value that your relationship with a client can bring to your business. Instead of thinking about how cheaply you can obtain a lot of customers, think about how to optimize your customer acquisition spending for maximum value. It's no secret that maintaining a happy client is cheaper than obtaining a new one.



CLV gives you a closer look at your business' health by taking a longer time frame into consideration. The importance of CLV has been underrated for quite a long time; it's the most critical metric that businesses ignore.

## Example 1 of a Core Bundle:

### The Cloud 5pack—Karl Palachuk, Small Biz Thoughts

This bundle can serve up to five users with the services listed. When you put together a bundle like this, what you end up with is a core bundle that can be sold to every single client. Even better, it leaves room to add more on top of it.

When you make a list of what your clients buy, think about what every single client uses without question. Put together a list of the absolute core services, and you've got a great place to start with all of your clients.

Similar to vendor retail business models, selling at a minimum count greatly protects margins. Selling your bundle in packs of five also assures that smaller clients don't absorb an undue amount of support time and effort, as well as gives customers reasons to put more licenses to use... If they've got them as part of a 5 pack, they'll want to use them.

Cloud Services — "5 Packs"	Business in a Box	Managed Service
Managed Storage Space up to...	250 GB	250 GB
Microsoft Exchange Mailboxes	Up to 5	Up to 5
Hosted Web Site — Windows or Unix	Included	Included
User PC Remote Monitoring	Up to 5	Up to 5
Patch Management (apply all critical patches)	Up to 5	Up to 5
User PC Virus and Malware Scanning	Up to 5	Up to 5
User Email Spam Filtering	Up to 5	Up to 5
Microsoft Office <b>NEW</b> (Outlook, Word, Excel, PowerPoint, Publisher, OneNote Access if needed)	Up to 5	Up to 5
Office/Email Monitoring, Loggings, and Auditing	Up to 5	Up to 5
Online Backup — up to 250 GB		
Teams — Video Conferencing	Up to 5	Up to 5
SharePoint <b>NEW</b> Collaboration and Storage	Up to 5	Up to 5
Desktop Support (Maintenance)	\$160 / Hr	Included
Remote or Onsite Project Labor	\$160 / Hr	\$160 / Hr
After Hours Support	\$320 / Hr	\$320 / Hr
Short Notice Emergency Service (Onsite or Remote, Any Time of Day)	\$320 / Hr	\$320 / Hr
Technology Roadmap Process Business Plan and Process Management for Technology	\$995	Included
Two Hours Free In-House training per Quarter May Not Be Rolled Over		Included
Access to Our Emergency Help Line		Included
<b>Monthly Investment (Up to 5 Users...)</b>	<b>\$299 / Mo</b>	<b>\$599 / Mo</b>



## Example 2 of a Core Bundle:

### Orange County's BriteCITY, Chad Gniffke

Here's how one of Orange County's top MSPs BriteCITY built their core bundle around productivity and security at \$130 user/month. BriteCITY requires a \$1K/month minimum to ensure that small customers with less than 7 employees don't exhaust services hours and are profitable. Similar to the Cloud Five Pack, having a minimum fee is a great way to ensure small customers are still profitable and not resource consuming.



## MANAGE SERVICE PLAN

### **bPRODUCTIVE — any device, anywhere, at anytime.**

- **Fixed-Fee Agreement:** Never see an extra fee for monthly service.
- **Remote & Onsite Included:** Our staff is just a phone call away M-F 8AM-5PM. And if resolving an issue is better done onsite, no problem.
- **Nighttime Emergencies? Yes!:** Leave a message in our emergency mailbox and we will call you back, at no additional cost.

### **POLARITY — business-grade cyber security services.**

- **Managed Security:** Each computer in your company is protected by a managed antivirus program which notifies our staff when there is a problem.
- **Email SPAM & Junk Filtering:** Reduce the amount of junk mail, mitigate viruses, and add another layer of security to your business.
- **Identity & Dark Web Monitoring:** The Dark Web Identity Scanner monitors the dark web, looking for usernames with your company's domain name attached to it (example: firstname@yourdomain.com).
- **User Training & Awareness:** The User Training & Awareness component provides simulated email phishing attacks to you and your staff.
- **Prevention & Content Filtering:** Many Phishing attacks are effective. If someone at your firm does fall victim to an attack, our Prevention & Content Filtering system will block known malicious websites and prevent the attack from being successful.
- **Next Generation Antivirus — with Artificial Intelligence (AI):** When a breach does occur, next-gen antivirus minimizes the pain of recovering from a catastrophic infection by repairing the damage automatically.

**theKITCHEN — our unique method of building continuous improvement within your organization, ultimately decreasing the total # of IT problems over time. theKITCHEN creates technical Recipes to reduce per-user issues with a goal of 3.5 per year on average.**

# Strategic Bundling: Rule #2

## CREATE A “PLATINUM” BUNDLE OFFERING

Now it's time to start drafting out the “big bundle”—the everything-you-can-think-of bundle. This bundle must include software, services, and if you are comfortable selling hardware as a service, then you should definitely consider adding that too.

People always look at the premium option first. And many drive luxury cars, carry platinum credit cards, and are willing to pay for the best service you have to offer. It's important to note that your Platinum plan is a public statement about what you consider to be the absolute best IT service package, the one you believe top performing companies must have.

Another important benefit to it is the advantage of having the fewest additional invoices for things that aren't covered. A clear advantage to the Platinum bundle is simplicity, and you can simply position it as “All the technology you need.”

By definition, every other plan will offer less. Every other plan leaves holes.

And most importantly, every other plan costs more when something goes wrong!

*Your Platinum plan is a public statement about what you consider to be the absolute best IT service package, the one you believe top performing companies must have.*

Most MSPs struggle at first on what should be included and how it should be priced. An easy start, is to look at what you sell to your most loyal clients, the ones that trust your guidance and know your value the most. Chances are that they're buying absolutely everything you think they need and they love it. Whether you created it intentionally or not, they are definitely “on” your Platinum plan and you already have it drafted on their bill.



# Strategic Bundling: Rule #3

## DESIGN THE BUNDLE SO CLIENTS CHOOSE THE TOP BUNDLE

Avoid creating three completely different offers. Instead, place two real choices among your three levels. The result should be something like this:

- 1 **Entry level bundle:** for people who can barely afford your services. They're going to get a lot of invoices for hourly labor, project labor, and such.
- 2 **Middle bundle:** needs to be something that's priced almost the same as the top-level bundle. It should have almost all of the same features but lacks a few key features.
- 3 **High-end/everything bundle:** what you would put in place with your own business. It's exactly what clients need for their businesses.

GOOD	BETTER	BEST
<b>\$999</b> /mo	<b>\$2,499</b> /mo	<b>\$2,999</b> /mo
Microsoft Exchange Mailboxes User PC Remote Monitoring Patch Management (apply all critical patches) User Email Spam Filtering	<u>Everything in the Good bundle plus:</u> Managed Storage Space up to... Hosted Web Site — Windows or Unix User PC Virus and Malware Scanning Desktop Support (Maintenance)	<u>Everything in the Better bundle plus:</u> Office/Email Monitoring, Loggings, and Auditing Microsoft Teams — Video Conferencing After Hours Support Two Hours Free In-House Training per Quarter
<b>BUY NOW</b>	<b>BUY NOW</b>	<b>BUY NOW</b>



# Strategic Bundling: Rule #4

## VALUE IS ALWAYS DETERMINED BY THE CLIENT

Break the “Cost + Margin” mindset. You need to design bundles that combine everything that actually addresses the client’s problems. Only then do you put a good price on them.

You should always start with the assumption that you want to make a minimum of a 100% markup on the core services. For example, if a mailbox cost you \$12.50 then you need to get at least \$25 for it. When you do this, you create something that has true value to yourself and your clients.

Clients want to pay for value, not technology. Value is what the client expects to get out of the relationship. To fully portray your value to your client, you need to listen to them, collect information, and communicate to them what needs will be met by this relationship.

Value will never be about money. If the client is talking about money, it means they don’t understand the value of your service. You should first agree on the value, then associate a price with it. After agreeing on what the client needs, you can then talk about how you can deliver it.

Avoid having both sides of the conversation going on in your mind. Don’t tell yourself, “The client will never buy this, and they don’t want to buy that. They only want to do this, and they don’t want to do that.” All of that back-and-forth talk will get in your way. Instead, you need to talk to your clients and get their feedback.

### Examples of questions to ask your clients:

- What problems are you facing?
- What are your expectations?
- What are some of the barriers you’ve been facing with attaining your goals?
- What has been your approach to solving these problems so far?
- Do you have a budget set aside to implement new solutions?
- What does a successful solution look like to you?
- What security risks are you most worried about?
- Are you qualified to deal with these potential risks on your own?



# Strategic Bundling: Rule #5

## SIMPLIFIED INVOICING

Never offer a cafeteria-style bundle where people can pick it apart. You can put the details in your sales material, but don't put all those details on the client's invoice. If it's visible in invoicing, clients will realize that they don't need certain features for every employee. They'll then want to cut those features out and only pay for the few employees who do use them. Steer away from that situation. When in doubt, put it in the bundle and if they don't need it, they don't use it. You sell more with the same effort.

### Bundle Magic

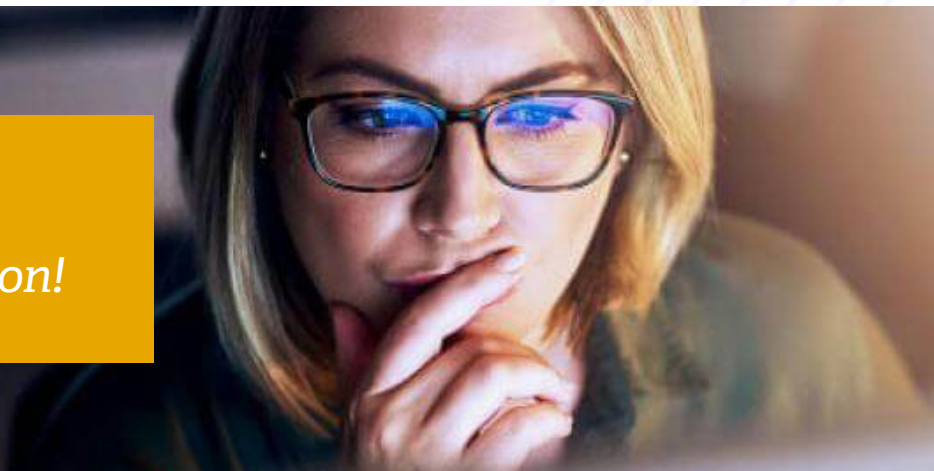
#### Unused Licenses

You still get money for unused licenses. For example, a five-pack supports up to 5 users. A client has 17 employees and buys four five-packs for a total of 20 licenses. They will have unused licenses, room for growth and you still collect that money. If they hire another employee, then you go ahead and deploy one of the unused licenses.

However, you don't need to deploy the license if they're not using it and only 20% of your clients will use exactly five out of five licenses no matter what size they are. 80% will have unused licenses, which contributes to your profit margin.

#### The Price

The other thing that's magical about the bundle is the price. You need to look at it and say, "I want to be 75% profitable." Don't sell things too cheaply! Put them in the bundle and make sure that it is inexpensive enough that it's hard for clients to say no.



*You can no longer  
sell "Half" the solution!*

# The 5-Step Journey to Bundling

Now that we covered the 5 essential rules of bundling, let's go over how you can apply them to building those magic bundles:

**Step 1: Prep Work**

**Step 2: Your Core Offering**

**Step 3: Higher-Level Offering**

**Step 4: Include Security in Your Vertical Offering**

**Step 5: Price it Strategically!**



## Step 1: Prep Work

### Build your line card — What do you sell?

Start with figuring out what you sell. List it out and try selling no more than two brands. That's it; you don't need more than that. If you minimize the number of products and the variety of things that you sell, you will make more money. Focus your expertise on only a handful of things, and do them extremely well.

### Focus on the Future — Cloud first!

Make sure you're focused on the cloud. Stop focusing on putting servers in people's offices. That business model no longer exists as a sustainable option. Always look to the cloud first.

### Define your ideal client — Who do you sell to?

People are always tempted to sell to everybody. The truth is, you can't sell to everybody. You can't market to the universe. But you can market to dentists, accountants, manufacturers, etc.

You obviously need to have a target audience that's big enough for you to make money, but think about who your ideal client is. What industry? How many employees? Executive or admin? This will help you build bundles specifically for your ideal client.



## Step 2: Your Core Offering

### What do you sell to absolutely everyone?

As mentioned previously, when it comes to building your bundle, start with what you can sell to every single client. Your core bundle will include the most essential offering that your clients need to have. Start with the core services that you can sell to everybody then start selling additional packages on top of it.

### Focus on value from your client's perspective

Your clients don't care about your tools. They only care about the end product. You don't need to have an in-depth, product-focused conversation with your clients. Just give them the information they need to reassure them that you are meeting their needs.

## Step 3: Premium-Level Offering

Once you've got your core offering, then you can look at a higher-level offering. If your core offering is your silver plan for example, then your higher-level offering would be your platinum plan. Your core offering is what absolutely everybody needs; the higher-level offering is **the soup to nuts version of what you can sell**. Remember that the premium bundle should be at a premium price.

### "Platinum"

- Network equipment
- Printers
- Firewalls / Switches
- Vendor management
- ISP
- Strategic roadmaps
- Quarterly training
- Password management
- Dark web scans
- etc.

*Reminder: Gold only exists so clients will choose Platinum*

## Step 4: Include Security in Your Vertical Offering

Whether your focus is on security or something else, you need to seriously consider having one or two core vertical markets that you focus on. Figure out who you sold to and which verticals you can identify among your own clients.

You have to make security a requirement in any offering. You could have a high security bundle, or you could build high security into one of your bundles. Either way, be sure to include security in your core bundle and in your platinum bundle.

If you don't put security first, you're putting your entire livelihood in danger. Laws are being enacted across states and countries that define security minimums. And not just for doctors or accountants, but also for managed service providers. **You can't have an insecure system.** You can't afford those types of threats.

## Step 5: Price it Strategically

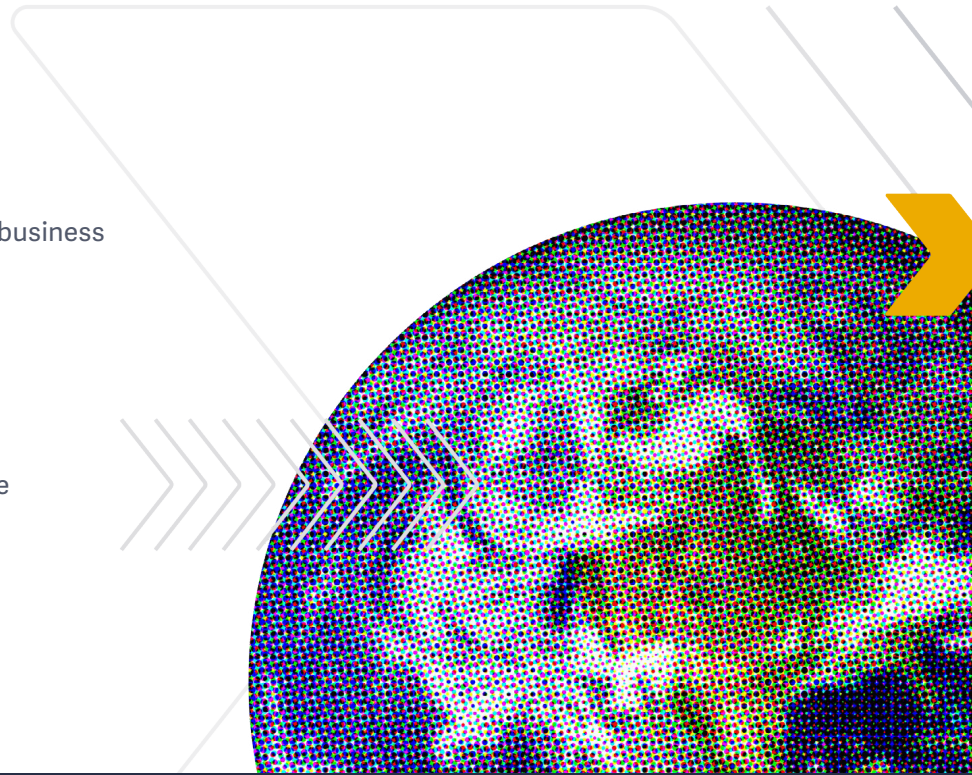
Set up your pricing so that people lean towards choosing the higher-level offering. Use the client's perspective as your guide, and really focus on the value that you provide. If you don't know the value they see in your work, ask your clients!

### Do

- Build your line card
- Define your ideal client
- Cloud first!
- Maintenance-focused
- Build 1-3 bundles that reflect YOUR business

### Don't

- Sell "All you can eat"
- Be cheap
- Create a middle bundle just because others have one
- Try to make everyone happy



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