

Don't Break Your Own Pricing



Came across an interesting HBR post by Anthony Tjan today, "***The Pros and Cons of Bundled Pricing.***"

(<http://blogs.hbr.org/tjan/2010/02/the-pros-and-cons-of-bundled-p.html>)

If you don't have time to read it, Tjan discusses the respective benefits for customers and vendors, depending on which side of the fence the reader is on.

Personally, I enjoyed reading the post having sat on both sides of the fence as purchaser and provider of services, sometimes at the same time. It is a difficult dichotomy to balance especially if you are trying to negotiate for win-win relationships.

One thing I learned early on in my career is (when providing a 'solution') to

avoid breaking your solution pricing apart. I'll just touch on two basic reasons today. One, is that the customer may have internally pre-defined rates they're allowed to pay for services. Example, if you itemize having a senior developer assigned to the project and they deduce you're charging \$150/hr, they may simply say, '...we only pay \$135/hr for that skill set.' Second, you may elect (need) to charge a bit more for one line item, in order to subsidize another. Transparency challenges your ability to do this.

In bundled solution offerings it is not uncommon for customers to discount the value of services received *because* they are bundled. This leads to future problems when negotiating new contracts. To help mitigate the perceived loss of value, I have had my teams issue zero-dollar (\$0.00) invoices itemizing the services provided. This helps keep it fresh in the customer's mind that there *really was* effort expended to meet their needs.

This is a topic we could spend a long time mulling, one I expect to revisit down the road. So, what are your own thoughts on how to price solutions or 'bundled' pricing? Do you think it's possible for both parties to benefit at the same time?

(photo credit: ***Herman Brinkman***)