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Packaging as a value-creation lever

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How to design an offer menu that improves customer fit, monetization, and expansion economics.

Abstract

Packaging determines what a customer can buy, which benefits travel together, and how the offer changes as needs expand. It can create value without a uniform rate increase by bringing new buyers into the market, improving the fit of premium offers, and making expansion easier to purchase.

It can also destroy value. A broad bundle may give expensive capabilities to customers who do not value them. A stripped entry package may fail to deliver a complete outcome. A generous middle tier may absorb premium demand. The right package architecture depends on buyer differences and substitution among offers, not the visual appeal of a three-column pricing page.

For private equity owners, packaging deserves evaluation as a commercial system with its own investment case. The analysis should include new-customer demand, incumbent migration, delivery cost, implementation, and the time needed for the installed base to move.

The decision this paper supports

Choose an offer menu that improves expected contribution by serving distinct buyer needs. Evaluate the complete menu, including no purchase and incumbent alternatives, before committing to a package migration.

1 Identify which economic problem packaging should solve

Start with a diagnosis. Is the current offer too expensive for a valuable entry segment? Are advanced users receiving differentiated benefits at the same price as basic users? Do customers need several products to complete one workflow? Are add-ons creating purchase friction? Each problem suggests a different intervention.

An all-inclusive bundle can simplify purchase and allow customers to discover capabilities. It can also make a narrow use case uneconomic. An add-on can capture willingness to pay from a distinct group, but too many add-ons can make the total bill uncertain or force buyers to assemble an incomplete solution.

Define the objective in economic terms. Examples include increasing contribution from a specific new-customer segment, raising premium adoption among buyers with a complex workflow, or reducing custom

implementation effort. "Modernize the packages" is not an outcome against which the investment can be assessed.

Distinguish price bundling from product integration. Selling two existing products together at a combined price is different from redesigning them into a more useful solution. Stremersch and Tellis's synthesis helps distinguish bundling strategies and their conditions.[2] The operator must identify whether value comes from the buying arrangement, the integrated experience, or both.

2 Segment around needs and purchase logic

Useful packaging segments differ in the value of an outcome or in requirements that change the appropriate offer. These may include workflow complexity, operating scale, collaboration needs, assurance requirements, or the cost of an alternative. Company size can be a useful proxy when it predicts those differences, but it should not substitute for understanding them.

Look for a difference that is both economically meaningful and commercially actionable. A survey-derived group that cannot be identified during selling may help explain the market but may not support a separate offer. Conversely, customers can self-select when the package differences are understandable and connected to their needs.

Study the buying unit. A package useful to one department may not fit a companywide procurement process. A feature valued by the user may be purchased only with governance capabilities required by the budget owner. Packaging should reflect the complete decision rather than the preferences of the most vocal stakeholder.

Use interviews, observed product usage, win/loss evidence, and structured choice work to develop the segments. Usage shows what customers do under current entitlements; it does not prove what they would pay for a capability or how they would choose under a different menu. Nonuse can reflect poor discovery, an irrelevant feature, or lack of implementation capacity.

3 Build complete outcomes and meaningful upgrade reasons

An entry package should solve a coherent problem for a defined customer. Removing essential functions to force an upgrade can create a product that attracts trials but fails to activate or retain. Test whether a buyer can complete the promised job within the entry offer.

A premium package needs a reason to exist beyond "more features." It may serve a more demanding workflow, support multiple teams, reduce administrative burden, or provide a higher level of service. The incremental benefit should be explainable in terms the buyer values and can verify.

Decide which elements belong in every package, which differentiate tiers, and which merit add-ons. A broadly necessary capability may belong in the core. A specialized capability with a distinct buyer or cost profile may fit an add-on. An element used mostly by one identifiable segment may support a targeted package instead of a universal bundle.

Avoid treating every engineering component as a separate billable product. Customers purchase outcomes and rights to use a solution. A modular technical architecture can support a simple commercial architecture; the two do not have to mirror each other.

4 Evaluate substitution across the entire menu

The relevant demand model asks which option each buyer would choose from the actual menu. A premium concept tested alone can receive positive feedback but lose much of its demand when a cheaper, nearly equivalent package is available.

For segment s with N_s buying opportunities, package j with net price p_j and avoidable cost c_{sj}, and menu-dependent choice share $q_{sj}(\mathcal{M})$, expected contribution is:

$$\Pi(\mathcal{M}) = \sum_{s} N_s \sum_{j \in \mathcal{M}} q_{sj}(\mathcal{M})(p_j - c_{sj}).$$

Include an outside option with zero purchase contribution and the relevant incumbent offer when modeling existing customers. Subtract implementation expense and recurring operating changes separately. Price and packaging are evaluated together, because both affect substitution.

Choice models provide a framework for these simulations, but their substitution assumptions require scrutiny. Train's treatment of discrete choice explains the distinction between simple logit and models accommodating heterogeneous preferences.[3] A simulated share is conditional on the research design and model; it is not automatically a market-share forecast.

Bundling can work because variation in the value of separate components is reduced in the combined offer. Bakos and Brynjolfsson analyze that mechanism for information goods and show how systematic differences between segments can favor menus of bundles.[1] Their theoretical conditions do not imply that adding more products always improves profitability, particularly where service or compute costs are material.

5 Worked example: adding an entry offer

Illustrative assumptions. A market contains 1,000 qualified buying opportunities. Buyers choose the affordable option with the greatest nonnegative surplus, defined here as willingness to pay minus price. Assume the following deterministic values; there is no uncertainty, competition change, or sales friction in this simplified example.

Buyer group	Opportunities	Core value	Integrated-suite value
Core workflow	400	$7,000	$7,500
Advanced workflow	400	$6,500	$11,000
Specialist workflow	200	$5,500	$14,000

Suppose the current menu contains only the integrated suite at $9,000, with $2,200 avoidable delivery cost per customer. The advanced and specialist groups buy: 600 customers, $5.4 million in revenue, and $4.08 million in contribution.

Now add a Core package priced at $6,000 with $1,200 avoidable cost. Keep the suite at $9,000. Core-workflow buyers choose Core; advanced and specialist buyers still prefer the suite. Revenue becomes $7.8 million and contribution becomes:

$$400(\$6{,}000 - \$1{,}200) + 600(\$9{,}000 - \$2{,}200) = \$6{,}000{,}000.$$

The modeled contribution gain is $1.92 million before implementation and additional operating costs. It arises because the new offer serves previously unserved buyers without cannibalizing the suite under the stated assumptions.

Those assumptions are exactly what research must challenge. If 100 existing suite buyers instead migrate to Core, each loses $2,000 of contribution: suite contribution of $6,800 minus Core contribution of $4,800. That migration reduces the modeled gain by $200,000, before any other effects. If the entry customers require more support than assumed, the gain shrinks again.

The illustration is not a forecast or a claim that an entry tier always creates value. It shows why the size of the unserved segment, substitution behavior, and segment-specific cost matter more than simply increasing the number of packages.

6 Research a manageable set of architectures

Do not ask respondents to design the entire menu. Develop a small number of coherent alternatives from qualitative evidence and business constraints. Each should express a clear segmentation hypothesis and a credible customer outcome.

First check comprehension. Can buyers explain which package fits their needs, what is included, what would trigger an upgrade, and the expected bill? A respondent who chooses the wrong package because of ambiguous wording is evidence about the design of the offer, not merely noise to discard.

Then test tradeoffs. Vary price and selected entitlements in an appropriate experimental design. Include the current offer or alternative and allow no purchase. Reserve holdout tasks or concepts to assess predictive performance. Research with only enthusiastic customers can miss both entry demand and incumbent migration risk.

Estimate performance across relevant customer groups and realistic usage profiles. A menu that performs well on aggregate may attract low-contribution demand or underserve a strategically important segment. Inspect the economic distribution rather than only average preference.

7 Model migration as a separate implementation decision

New customers can usually receive a new menu sooner than existing customers can be moved. Incumbents have contracts, expectations, purchased entitlements, and implementation dependencies. Their migration may require notice, renewal, consent, technical changes, or a transition period.

Build an account-level migration matrix: current offer, expected destination, scope change, bill change, contractual opportunity, earliest effective date, and required customer action. Include remaining on the old offer where that is a plausible outcome. Forecast the proportion of the base actually exposed in each period.

Calculate both gains and losses. Some customers may move into a higher-value package; others may discover that a lower tier satisfies their needs. Grandfathering can protect continuity but delays benefits and adds operating complexity. Forced migration can accelerate exposure while increasing resistance and churn. Evaluate these tradeoffs explicitly.

Do not remove capabilities silently. The commercial story, entitlements, documentation, and billing must describe the same offer. A migration that feels like an unexplained reduction in service can create dissatisfaction that was absent from the original package-choice research.

8 Make the menu operable

Before launch, map packages to product entitlements, quoting rules, billing, customer support, and reporting. Define limits, overages, upgrade and downgrade rules, proration, and exception handling. An attractive architecture that relies on extensive manual administration may not support the expected contribution.

Give sales and customer success a concise fit guide. It should connect buyer needs to the offer and explain the economic reason for an upgrade. If every deal requires a bespoke package, investigate whether the menu omits a common need or whether incentives encourage unnecessary customization.

Monitor new-customer conversion, package mix, realized bill, activation, retention, cost to serve, and expansion. For incumbents, report migration outcomes separately from new sales. Distinguish a true improvement in willingness to pay from a temporary change in customer mix.

Packaging is a value-creation lever when the offer structure makes buying and expanding economically sensible for the customer and profitable for the supplier. Its value comes from better alignment among needs, entitlements, price, and cost, demonstrated across the whole menu and through the migration period.

9 Research the menu before moving customers

The decisive inputs are not an internal ranking of features. They are buyer needs, willingness to trade price against scope, choices among the complete set of offers, and the cost of serving the resulting mix. Existing-customer migration adds another set of choices that new-prospect research alone will not resolve.

A useful research engagement should identify actionable segments, test coherent package alternatives, estimate substitution and cannibalization, and model contribution under a realistic migration schedule. It should also make clear which findings come from observed behavior and which remain hypotheses for launch. Without that work, a new package menu can simply redistribute revenue among labels.

Curly's Consulting's **Pricing Transformation** combines buyer research and willingness-to-pay analysis with packaging and segmentation design, financial scenarios, and support executing the highest-value moves. The scope can connect the customer evidence to the offer and migration decisions the company must actually make.

The next commercial step

Request a Pricing Transformation quote. Include the current packages, target buyers, proposed change, and installed-base exposure so the research tests the whole commercial system.

Sources and methodology

This paper combines the cited published work with Curly's Consulting's analytical framework. The commercial examples, thresholds, and calculations are illustrative; they are not client results or findings from a new empirical study. Published studies support the specific claims beside their citations. Their results should not be treated as universal benchmarks for a portfolio company.

References

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