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Skudge Foods Inc.: Exercises in Price Bundling

Bundling for Beginners

Sid Kris Jorgenson was good at what he did, but his heart wasn't in it.

Jorgenson earned an undergraduate degree in statistics and graduated from a top MBA program. He received many job offers and joined a firm in the San Francisco Bay Area as a data science manager. He quit after three years. He was a good data scientist and manager, but his true loves were making music and marketing food. As a musician, he wanted to play gigs at night, and to pay the bills, he wanted to work at home as a food marketer whenever it suited him.

Jorgenson decided to start a firm specializing in food pricing, with an emphasis on bundling. He realized people think of bundles as two things wrapped together, but they could simply be "wrapped" together through pricing. Jorgenson had seen many examples of price bundling in the food service industry, such as pairing main courses with side dishes or condiments (see **Exhibit 1**).

Jorgenson knew price bundling was a popular way to market food products all over the world. For instance, McDonald's restaurants in India sold burgers, fries, and cokes together at a lower total price than the sum of the three foods purchased separately (see **Exhibit 2**).

Being a statistician and data scientist, Jorgenson wondered if food companies from the United States to India were making pricing decisions optimally when bundling items. He wondered if smaller companies were thinking through the decisions systematically. Jorgenson decided to start a consultancy that would help firms with price bundling decisions. He called it Skudge Foods Inc., a combination of his name and fudge, one of his favorite foods, and went looking for a small amount of venture capital to start up. The venture capitalists asked Jorgenson why price bundling was important, and he offered them a story.

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