

# Using the net to



BARGAIN PRICED RETAIL THERAPY NOW NEED ONLY BE A MOUSE CLICK AWAY.

In the past year, a spate of new websites have begun offering daily deals at local restaurants, gyms, hotels, beauty salons and other services at very discounted prices. You may have already heard of (or tried) Scoopon, Spreets, or Livingsocial to name a few.

This “group buy” concept operates on the basis that a different local business is showcased on the site each day, offering goods or services at a substantially reduced price (negotiated by the website). The deal does not become active until a certain number of people have purchased the deal.<sup>1</sup>

The phenomenon was started in the US by the company Groupon. Many websites in Australia – some would argue too many – have since replicated the service.

Consider the deal offered for Mango Hair Skin & Body in North Melbourne.<sup>2</sup> For just \$49 you could receive a 60-minute massage or 60-minute pedicure, shampoo and blow-wave (valued at over \$200).

Having jumped at the chance to score this deal, I was impressed. Getting an appointment after work was relatively easy (I only had to wait a few weeks), the staff were highly skilled and friendly, and they

even gave me a voucher for use on my next visit. I have been back a couple of times since.

Restaurant deals also present excellent value. For \$39, I received \$100 worth of food and drink at Café Italia, a restaurant in a little laneway off Lygon Street, Carlton. The food was delicious.

## Terms and conditions

Tailored terms and conditions apply to the purchase and use of the deal. Vouchers usually stipulate that:

- if the offer combines multiple services, all the services are to be redeemed during the one visit only;
- cancellation within 24 hours may void the voucher;
- bookings are essential; and
- one voucher may be purchased per person.

Make sure that the terms and conditions fall within your needs before you make the purchase.



## Making the most of deals

- Subscribe to daily deal email alerts so that you can quickly see the deal of the day. You can visit a daily deal aggregator website (such as [www.allthedeals.com.au](http://www.allthedeals.com.au)), which lists all the deals from the various sites in the one spot.
- Be mindful of the expiry date. It is easy to lose track of your vouchers if you're not careful.
- Book early – call soon after acquiring the deal to secure an appointment time that suits your needs (particularly important for hair and beauty services).
- Expect good service – just because you bought a discounted deal, it doesn't mean the meal, service or product shouldn't be of great quality.
- If the voucher is for a service that you need for a specific time or occasion, you may end up disappointed. These deals are best for flexible use.



# land a great deal



## The effect on retailers

The experience of retailers has been mixed. The goal of selling the voucher is to introduce new clients to the business, make use of staff when they are otherwise idle, and generally grow the reputation of the business.

When a voucher offering \$100 worth of meals is sold for \$40, the website introducing the voucher to consumers may keep as much as 30 per cent of the fee. This means that while the likes of Spreets will make \$12 for the sale, the restaurant will only receive \$28 when providing \$100 worth of food.

Take into account the cost of the produce and the staff providing the service and it's easy to see how it could result in a loss for the merchant. The real business will only occur if the voucher customer becomes a repeat customer.

Without suitable terms around the days and times the vouchers can be used, retailers aren't setting aside the times they are usually busy for full-paying customers, or ensuring they can meet the demands of their regulars. An oversold deal – and some beauty deals have been known to sell up to 2000 vouchers – means that the business does not actually have enough staff or business hours to see through their commitment.<sup>3</sup>

Remember, if a business does not meet its end of the deal, you can always seek a refund from the website that sold the voucher.

But the business of group buy sites is soaring, with the Spreets site recently acquired by Yahoo!<sup>7</sup> for a smooth \$40 million.

When you consider that Groupon rejected Google's offer of \$5 billion, perhaps Yahoo!<sup>7</sup> got itself a bargain.<sup>4</sup>

## What next?

If website leaders in group buying start factoring in the stream of complaints that

are on the rise, we can expect to see a shift in the way sales occur. Customers don't want to wait for excessive periods to get a booking, and they certainly aren't happy if the business that they have purchased a voucher for goes broke.

Changes we can expect to see in the industry include:

- the setting of a maximum number of vouchers available for purchase, at a number that the retailer can reasonably expect to fulfil;
- more defined terms and conditions around the times and days on which vouchers may be used – for example, a restaurant may enable use of the voucher from Sundays to Thursdays only; and
- good value discounts, but not of the same discount margin seen at the moment. Discounts at 50 per cent seem viable, and may assist retailers to not suffer a loss in order to introduce new clients to their store. It is questionable whether deals operating at 60–90 per cent discount are viable in the long run.

So what have you got to lose? Get yourself on those mailing lists now and let your inbox beckon your credit card for some fantastic savings.

Group buy local deals offer a great opportunity to try a different restaurant, treat yourself to a pampering session or try something you wouldn't ordinarily justify spending money on. Botox for \$149 anyone?\*

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1. Typically, the minimum is set at five, 10 or 20 purchases for the deal to become active. It is rare for the deal not to be activated.
2. This deal was available in December 2010 on **ouffer.com.au**, to be used within six months of purchase.
3. For example, selling 1000 vouchers with six-month expiry date for a three-hour pamper service at a local beauty salon would mean the salon would need two staff dedicated just to deal holders working nine hours a day, seven days a week without any appointments left unfilled for virtually the entire six months.
4. In June 2011, Groupon filed for an initial public offering in the United States, seeking to raise up to \$750 million.

## Nine hot daily local deal sites

[www.scoopon.com.au](http://www.scoopon.com.au)

[www.spreets.com.au](http://www.spreets.com.au)

[www.deals.com.au](http://www.deals.com.au)

[www.cudo.com.au](http://www.cudo.com.au)

[www.ouffer.com.au](http://www.ouffer.com.au)

[www.ourdeal.com.au](http://www.ourdeal.com.au)

[www.zizzle.com.au](http://www.zizzle.com.au)

[www.livingsocial.com](http://www.livingsocial.com)

[www.stardeals.com.au](http://www.stardeals.com.au)

Choose Melbourne to see the deals available in and around the city.

This represents but a few of the group buying sites in the market at the moment. However, after having subscribed to all of the sites I could find that offered deals in Melbourne, these are my picks.

