

A BUSINESS GUIDE TO GROUP BUYING

ENDORSED BY

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OVERVIEW

Group buying is an exciting new channel for both businesses selling products and services, and consumers buying at a significant discount.

This guide on group buying has been written to help businesses:

- benefit from this channel;
- Understand their role and responsibilities to consumers;
- work with group buying platforms (GBPs) to identify the risks and benefits associated with the promotion and delivery of their products and services; and
- to effectively manage risks, together with the assistance of GBPs, so as to ensure a successful outcome for all parties.

WHAT IS GROUP BUYING?

Group Buying offers consumers products and services at significantly reduced prices usually on the condition that a minimum number of buyers would make the purchase. Typically, a deal of the day is featured, with the deal kicking in once a set number of people agree to buy the product or service. Buyers then print off a voucher to claim their discount at the retailer. Many of the Group Buying Sites work by negotiating deals with local businesses and promising to deliver new customers in exchange for discounts.

KEY FACTS:

- ✓ Group buying industry is expected to grow 30% in 2012
- ✓ Good operators can receive up to 80% repeat business
- ✓ 85% of merchants will most likely run another group buying campaign

Source: Telsyte, Australian Online Group Buying Merchant Study 2011, September 2011 +

OPPORTUNITIES WITH GROUP BUYING

The opportunities group buying provides to businesses are many. Group buying can be used to:

- Attract new and repeat customers - a customer acquisition tool through the power of social media
- Build awareness in a short amount of time
- Boost sales in a quiet time of the year
- Sell off excess stock; or
- Test uptake and demand in a new location – before committing to the expense of setting up a new store

Group buying is suitable for small to large business selling luxury & everyday products & services:

- Travel
- Activities & Experiences
- Health & Fitness
- Services (cleaning, car detailing etc.)
- Beauty
- Restaurants & Cafes
- Products

HOW TO MAKE THE MOST OF GROUP BUYING

Be clear on your offer. Ensure best fit for your business, sales and marketing strategies.

CHECKLIST

- ✓ Clearly define your offer and terms
- ✓ Compare GBPs and ensure best fit for YOUR business:
 - ✓ Compare terms and conditions offered as they vary
 - ✓ Test by signing up to the GBP's database and doing mystery shopping on their site.
 - ✓ Ask for case studies and information on the expected redemption & level of repeat customers
 - ✓ Check reputation - search social media & news
 - ✓ What sales and service support does your GBP provide to businesses & customers?
- ✓ Note that the group buying site may conduct a credit check on your business
- ✓ Ensure group buying is part of your overall strategy and not done in isolation
- ✓ Only deal direct & not via an agent or broker

HOW TO MAKE THE MOST OF GROUP BUYING

Understand what you are signing up for in the merchant agreement.

CHECKLIST

READ THE FINE PRINT!

- ✓ Revenue share. What is the share between you and the GBP?
- ✓ Payment terms. Some GBPs offer upfront payments, while others offer scheduled payments with an initial payment upfront. Are payments retained until the end of the redemption period? Are you charged a listing fee?
- ✓ Trust accounts. Does the GBP have a trust account where the funds from the coupon sales are held until redeemed?
- ✓ Refunds. What refund policies are offered by the GBP to consumers and to businesses?
- ✓ Non redeemed coupons. Are you entitled to a share of the money paid for a coupon, even if the customer doesn't redeem within specified time period?
- ✓ Customer terms. What are the GBP's terms for consumers, e.g. Are you entitled to charge a cancellation fee if customers cancel a service booking made directly with you?

HOW TO MAKE THE MOST OF GROUP BUYING

Make sure you deliver on the deal. The most common complaints from GBPs are 1) merchants are unprepared for the volume of customers and 2) do not understand the impact of discounts on the business.

TOP TIP: ONLY TAKE ON WHAT YOU CAN HANDLE!

Once the deal goes live, you can't change the coupon terms, so make sure you can fulfill the deal. Before signing the contract with the GBP, consider if you should cap the number of vouchers sold, or restrict the time available to redeem, for example:

- Where product availability is limited
- Demand is seasonal – is it available on weekday and/or weekend? Appropriate for summer or winter?
- Consumers are restricted to the amount of goods/services they can purchase or the locations where they can purchase.
- Coupons can only be used for a limited time – e.g. 3 months, 6 months or a year

HOW TO MAKE THE MOST OF GROUP BUYING

Make sure you are prepared before the deal goes live. Do your homework.

CHECKLIST

- ✓ Anticipate demand by doing your research – ask your GBP for results of previous promotions and case studies
- ✓ Check with your GBP on the exact date your deal goes live
- ✓ Prepare contingency plans for your business:
 - What will happen if customers only spend the voucher amount, and don't purchase again?
 - Can you cover the reduced margins?
 - If you have misjudged demand and can't supply the good or service, you need to offer the consumer a refund or legally acceptable alternative
- ✓ Tick off each coupon redeemed and keep all vouchers and coupons for redemption process

HOW TO MAKE THE MOST OF GROUP BUYING

Brief your staff and bulk up resources if needed.

CHECKLIST

- ✓ Ensure you have enough resources to service your existing customers AND coupon holders:
 - Staff
 - Website – do you need extra capacity
 - Dedicated email
 - Dedicated voice mail
- ✓ Brief your staff on what to expect. Test them on typical questions they may be asked.
- ✓ Appoint one person to liaise with GBP on customer queries or complaints
- ✓ Ensure prompt replies to emails, calls and messages
- ✓ Don't forget to service your existing customers

HOW TO MAKE THE MOST OF GROUP BUYING

After the deal goes live, make the most of your new customers.

CHECKLIST

- ✓ Treat your new customers like royalty
- ✓ Collect information & data – ask them to opt in for further communications
- ✓ Consider ways to upsell and cross sell to coupon holders
- ✓ Rebook on the spot
- ✓ Ensure that you tick off each coupon redeemed and keep all vouchers and coupons for redemption process
- ✓ Devise a special offer for them to refer friends

HOW TO MAKE THE MOST OF GROUP BUYING

Make sure you quickly resolve customer complaints. Your business is the front line.

DOS AND DON'T.

- Do be helpful and constructive
- Don't make group buying customers feel like second class citizens
- Do honour the deal and ensure you provide value & great customer experience
- Don't use forceful tactics trying to upsell
- Do make sure you can be readily contacted and promptly return calls/emails
- Don't delay dealing with post-redemption issues

HOW TO MAKE THE MOST OF GROUP BUYING

Know your legal obligations. In particular you need to be aware of your requirements under Australian Consumer Law.

MORE TOP TIPS

- The ACCC has many resources and publications for businesses on its website: <http://www.accc.gov.au>
- Australian Consumer Law recent changes: <http://www.consumerlaw.gov.au>
- Also check out applicable state or territory governments consumer websites e.g. <http://www.consumer.vic.gov.au>

ADMA, AIMIA AND THE GROUP BUYING CODE



Group buying platforms which are members of the Australian Direct Marketing Association (ADMA) and the Australian Interactive Media Industry Association (AIMIA) have agreed to adopt the [Australian Group Buying Code of Conduct](#).

The Code is backed by a transparent and open complaint handling procedure for GBPs, and includes a formal complaint management process which is overseen by the [ADMA Code Authority](#)

Find out more [here](#).