

GROUP BUYING: GETTING STARTED CHEAT SHEET

Group Buying sites work by requiring a minimum number of people to buy an offer in order for everyone to get a large discount.

Group Buying sites have exploded in the last couple of years to all corners of the globe, including Canada which alone has more than 100 sites. It's the hottest trend in marketing for small and local businesses for a good reason!

Pros of Group Buying:

- It's very cost effective for generating direct, trackable sales.
- It's a very low risk model for retailers - merchants only pay for sales that are generated.
- Merchants can generate online revenue and transactions without having to set up any sort of ecommerce infrastructure.
- Group buying sites expose your business to new potential customers - those who are on an e-mail list and see a great offer, but weren't necessarily looking for that product or service at that time.
- It can reduce the barriers keeping buyers from an indulgent impulse purchase. Promotions, including Group Buying, play on short-term gratification and amp up the "reward" portion of buying motivation so that the "risk" limiter doesn't stand a chance.
- It can encourage brand switching - promotions can sway a purchaser from one brand to another, but this typically only happens where risk is minimal.
- It helps move excess inventory.

Cons of Group Buying:

- Merchants have to take hefty price cuts.

The total cost to them varies depending on the details of the offer, redemption rates, and the type of business.

- Discounting can reduce brand loyalty - consumers may become accustomed to discounts, and can easily switch brands when a competitor runs a deal or coupon. It can build an expectation of discounts, whereby they only make a purchase if a discount is available.
- Coupons and Group Buying work well in certain markets (B2C), and not so well in others (B2B). B2B is more about risk avoidance, and there is little reward driving these types of purchases. Not only will a coupon offer fail to eliminate risk in these circumstances, in some cases it will actually increase risk by raising questions about the credibility of the company offering the discount.

Compare Sites

Once you have decided that Group Buying is something you want to add to your Marketing Strategy, you need to evaluate the sites that are available and determine which ones will work best for your business.

- Ask for a Media Kit that explains the costs involved.
- Look at the number of unique visitors per month.
- Does the site have an email list - how many people are subscribed?
- How long between signing a deal and the offer running?
- What's the demographic reach of visitors?
- Are reports provided for performance tracking?

How to Get Started

All Group Buying sites will have their own process, but for Mediative's Deal of the Day site, the process is as follows:

1. The first step is to talk to a rep to understand how an offer can work for your business and determine the details of the proposed offer.
2. Once an agreement is signed it will be sent to the production team to create the offer page. The merchant will then be sent the copy and creative for approval.
3. Depending on the city and how many other offers are booked, the typical run time would be between 2 - 4 weeks of an offer being signed.
4. Sit back as the offer is emailed to thousands of members.
5. Members then share the offer with other members and non-members through their social networks and the word about the product or service spreads like wildfire!
6. After the offer has run the merchant will receive a report with the names and voucher codes for the customers who purchased the offer so that it's easy to track and manage redemptions for those customers.

Key Takeaways

- Group Buying suits some markets better than others. If you are a B2B merchant, group buying is probably not going to be the best strategy for you.
- Consider your target market - is most of your business from repeat customers? If so, Group Buying sites can be great for new customer acquisition. If your offer tends

to be a one-time purchase, it probably isn't the best option for you, unless you are trying to get rid of excess inventory.

- Do your homework - you may only make approximately 25% of what you would normally make on a sale. Calculate how many deals you would need to sell to make it worth your time.
- Watch your price point, and look for up sell opportunities - if the average price of a meal in your restaurant is \$15, offering a \$10 voucher for \$5 allows you to make some money from the voucher, and encourages people to spend more once they come in.
- Be prepared for an influx of new customers in the days following the close of the deal - you don't want to spend the time and effort attracting new customers only to scare them away with poor service.

Is it worth it?

82% of organizations who tried group buying as a marketing strategy want to repeat the experience, while 66% of those have seen quick and profitable results (Mediative.ca)

Consumers clearly want and are willing to spend on deals, merchants love the fact that they're paying directly for customers, and publishers are thrilled to tap into the world of local commerce.