

Business warning on deal websites

Rebecca Marshall | 16th November 2011 9:50 AM

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BUSINESSES are being warned about the risks of signing up to group buying websites which offer drastically discounted deals to the public.

As the number of deal sites like Groupon, Spreets and Cudo has risen, so too have complaints from consumers, proving some businesses are not suited to the online strategy.

In recent weeks, the Australian Direct Marketing Association developed a Code of Conduct to "promote fair, honest, ethical best practice within the group buying industry" in response to complaints about deals not being honoured, massive delays and zero complaints processes.

Handle My Complaint CEO Jo Ucakalo said operators should run a deal to attract customers, create opportunities for up-selling and improve marketing reach, not just to boost cash flow.

"You have to know your costs," she said. "You have to know where your customers are coming from, if you can use these deals during excess capacity or if you can combine with another like business to offer them, and then structure a deal that will benefit you.

"But unless there is a compelling reason for you to run a deal, don't do it.

"We see many businesses that offer deals that end up costing them more to deliver than they are selling for.

"I just spoke to a lady who sold 1000 deals, but they brought with them extra costs in labour, admin bookings and product and she had to open an extra venue.

"All of these can really eat into any profit, or you may run at a loss.

"You can make a deal website work for your business, but you need to be clever, do your research, do your sums and due diligence.

"People who rely on others, or sign up to deals that are not valuable, risk damaging all the hard work they have done to build up their brand and customer base."



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