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Too little, too late: group buying sites feel the wrath

Rachel Wells
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This year, Holly Dinh paid \$69 on group buying website Spreets to have her carpets cleaned. Despite making numerous phone calls to the cleaning company, her calls were never answered and her carpets were never cleaned.

On another occasion Ms Dinh paid \$116 for four tickets to attend a "relaxing" wellness and health retreat. Instead she found herself in a crowded hall with hundreds of "stressed out" consumers queueing for a foot spa in a plastic tub and potato chips and lamingtons. She left less than an hour later.

Ms Dinh is among a growing number of Victorians voicing their complaints about Australia's ever-growing number of group buying websites, such as Cudo, Spreets, Scoopon and LivingSocial.

So far this year Consumer Affairs Victoria has received more than 160 complaints from consumers about group buying sites. This compares with just 22 similar complaints last year.

Group buying websites offer their subscribers huge discounts on goods and services such as beauty treatments, meals and accommodation. Businesses can typically offer cheaper prices on their products because they are bought in bulk from the group buying site.

However, the model is failing many consumers who are finding it difficult to redeem their coupons and some small businesses who are finding they can't honour their deals due to the overwhelming uptake.

"The most common complaints include non-supply or delay in supply of goods or services, difficulties obtaining refunds and difficulty in booking services and redeeming vouchers," a spokesperson for Consumer Affairs Victoria said.

"Many of the problems reported to Consumer Affairs Victoria are a result of businesses experiencing difficulty in being able to meet the demand created through group buying."

Jo Ucakalo from Handle My Complaint, which takes up complaints on behalf of consumers, says she has seen complaints about group buying sites double in the past year.

"We see a lot of cases where businesses have closed and consumers can't redeem a voucher," Ms Ucakalo says. "But we also get cases where providers are only offering limited availability to their services or not providing what they advertised."

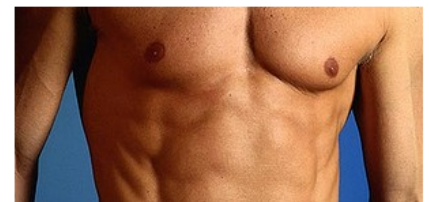
For example, some consumers are being turned away from restaurants on certain nights because they are coupon customers or are being offered restricted menus.

After planning a recent trip to Melbourne, Mindy Mills from Brisbane bought tickets through Spreets for a train ride for herself and her husband through the Yarra Valley. Before purchasing the tickets she checked there were seats available for the dates of her visit, as advised by the website. However, when she received the voucher she was informed Spreets customers could only travel on Wednesdays and Saturdays.

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"This did not suit my situation at all and when I contacted the operator they did not care less that I had lost my money."

After several attempts at contacting Sreets, Mrs Mills eventually received a refund for her tickets. Ms Dinh also got her money back, but some haven't been so lucky.

"We hear many examples of consumers contacting websites for a refund and just not hearing anything back," says Ms Ucukalo.

Growing consumer dissent with the current model of daily deal sites has seen a new breed of group buying websites enter the market in recent weeks.

At twodollardeals.com.au, for example, rather than paying for a deal in full upfront, consumers pay just \$2 and then pay the rest of the money once the coupon has been redeemed.

Ashley Farrugia, from Two Dollar Deals, says this model ensures companies deliver on their promises, because they only receive the money once the service has been redeemed.

"No one wants to do a job once they've been paid for it especially if they've been paid too little for it and that's the basic problem with the old model," he says.

Sebastian Langton from Sydney based start-up Wyngle.com.au is also challenging traditional group buying sites with a new model called "ratio shopping".

Under the system each item on the website is assigned a ratio (eg 1 in 3 or 1 in 6), which determines which customers pay the advertised price and which pay just \$1 for the item. For example, a \$1119 bike now being sold is rated as a 1 in 3 deal, which means every third person who buys the bike will pay just \$1. People who enlist friends to buy in bulk are guaranteed to get the third bike for \$1.

Mr Langton says: "Rather than this concept of pay less and get less, this model means brands get the benefits of group selling without hurting their reputation through heavy discounting and consumers get the opportunity to buy items at a good market price or for a single dollar."

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