GROUP ONLINE COUPON BUSINESSES THRIVING

When a deal seems too good to be true – like a spa package at a five-star hotel for $38, or a movie ticket for $6, or three yoga sessions for $25 – think “coupon discounts.”

Already thriving in markets such as the United States and China, group-buying or “groupon” online coupon websites flag daily discounts as high as 95 per cent with businesses such as restaurants, spas, beauty salons, cruise operators and hotels.

But there is a catch: A minimum number of people must buy the coupons before discounts can be activated. If this “tipping point” is not reached, buyers are refunded their money.

From just three players in the local market in May, there are now 17, ranging from million-dollar firms to small home-based start-ups. One local six-month-old website, Beeconomic, made the news last week when US-based Groupon, one of the world’s largest online discount coupon companies, acquired it.

The group-buying concept is part of a growing “social shopping” phenomenon.

“When a friend recommends an experience, we tend to take it much more seriously than a corporate message like advertising,” said Assistant Professor Michael Netzley from Singapore Management University’s Lee Kong Chian School of Business.

Alldel.com.sg, a Singapore-based website that monitors and aggregates the best deals offered, said local players – which include Deal.com.sg, TipIt, VoucherWow, StreetDeal.sg, BigDeal.sg, LiveaOffCoupon and Beeconomic – rake in a total of about $1 million in revenue each month.

It added that almost 20,000 deals are clinched each month.

Deal.com.sg, a big player, has as many as 15,000 visitors to its website daily.

YouDeal.sg, a newcomer, joined the fray last month, with co-founder Shona Ho acknowledging that the market was ripe as the “pioneering sites have already borne the brunt” of initial scepticism about coupon sites.

Consumers are now more “receptive”, she noted.

Website owners work with retailers to draw up discounts on goods and services, with commissions from coupon sales said to be between 10 and 50 per cent.

The managing director of VoucherWow, Ms Alice Wong, said merchants are willing to slash prices as there are “no upfront costs”.

“If enough people buy, the deal is on. If not, the business is not charged,” she said, adding that online promotions also serve as quick, cost-effective and risk-free advertising.

A co-founder of BagDeal.sg, Ms Daphne Tan, said: “Since we can sell hundreds of coupons for the merchant in just a day, we are able to get them to give us a ‘too good to be true’ discount.”

The Consumers Association of Singapore has not received any complaints against such sites. Its advice is not to buy from websites that do not reveal the company’s address or contact details.

Bella Luna, a spa operator with an outlet at HarbourFront Centre and one at Cuppage Plaza, has sold almost 2,000 deals across eight online coupon sites, including VoucherWow, Deal.com.sg, and Beeconomic.

Its senior marketing manager, Ms Jennifer Tan, said the idea is “to bring customers in to try the therapy” which might then lead to them buying more services or signing up for a package. The spa operator makes enough from each deal to “cover service and product costs”, she added.

Such “deep discounts” do not surprise Associate Professor Lee Yih Huai from the National University of Singapore Business School. He said Web-based operations are “low in both fixed and variable costs”.

Said AllDealAsia founder Goh Yiping: “Everyone wants to give it a shot. But there are now so many online coupon sites going to the same merchants; they will all have to compete.”

This proliferation has some players acknowledging that they will have to negotiate cheaper, better deals with merchants to stay ahead. “We didn’t expect so many competitors,” said Beeconomic’s Mr Karl Chong, who is now in the midst of rebranding his site as Groupon.sg.

Singapore can have only two to three large players, he said, adding: “For the other coupon websites to survive, they’ll need to differentiate and develop their own niche market.”

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