

**Start: Mark Evans**

## **Group buying is not about the money**

[MARK EVANS](#) | [Columnist profile](#)

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Almost overnight, it seems online group-buying services have taken the world by storm.

Companies such as Groupon, which is apparently worth \$15-billion (yes, billion), WagJag, TeamSave and LivingSocial have attracted millions of bargain-hungry consumers. Group-buying services work by providing deep discounts on products and services if enough people buy within a certain period of time, usually 24 hours.

For companies like Groupon, the phenomenal popularity of these sites has made them lucrative, high-margin businesses. But what about the companies hoping to use group buying to attract new customers? What are the pros and cons of using a group-buying service when it means offering deep discounts – usually more than 50 per cent – to drum up business?

To get a better handle on the group-buying experience, I spoke to Nicole Van Damme, who owns a massage studio in Vancouver. As a way to jump-start her business, which opened in September, Ms. Van Damme spent a lot of time exploring different group-buying services, and weighing the pros and cons of each company.

Her interest in group buying was sparked after she used a variety of advertising vehicles such as Facebook ads and marketing brochures with little success. As a Groupon member, she saw how much business it was attracting so she decided to give group-buying a shot.

“I figured ‘what better way to launch myself with a bunch of people who had not heard of me before?’” she says.

After reaching out to several group-buying services, Ms. Van Damme eventually settled on WagJag because it was willing to let her offer a discount that wasn't super deep. As well, she says WagJag did not make her sign an exclusive one-year deal, unlike some other services.

The response to Ms. Van Damme's offer for a relaxation massage was enthusiastic, with 219 customers signing up during the week the offer was available. She says about 75 people who bought the deal have signed up for more services.

"Group buying has been fantastic for me," she says. "As new business owner, it was invaluable. I would encourage every new business owner to try it just to get clients in the door. For people who bought from me, not all of them are from Vancouver. They are from Surrey, Coquitlam, Richmond and Burnaby - people I would never reach even with my website."

Ms. Van Damme says one of the bigger lessons she has learned about group-buying services is not to offer a deal you can't afford. This is especially important, she says, for services in which there are no opportunities to sell customers other services or products.

"Don't undersell your services because you would only hurt yourself in the end," she says, adding that WagJag allowed her to reduce the discount price she originally agreed to offer.

Ms. Van Damme says the biggest piece of advice to businesses considering the idea of using a group-buying service is recognizing that it is a marketing tool rather than a way to make money.

"You don't do it to make money, you do it get clients in the door. If you do your job right, they come. If anyone is looking to make money off it, it probably isn't for them."

*Special to The Globe and Mail*

*Mark Evans is a principal with [ME Consulting](#), a content and social media strategic and tactical consultancy that creates and delivers 'stories' for companies looking to capture the attention of customers, bloggers, the media, business partners, employees and investors. Mark has worked with three start-ups – Blanketware, b5Media and PlanetEye – so he understands how they operate and what they need to do to be successful. He was a technology reporter for more than a decade with The Globe and Mail, Bloomberg News and the Financial Post. Mark is also one of the co-organizers of the mesh, meshUniversity and meshmarketing conferences.*