

Group buying websites soar in 2011

2011 saw people eager to save money. Taking advantage of this, a new business sector has been created, known as online group buying. Known mostly for its success in the business to consumer market (B2C) led by Groupon, in the past twelve months a number of business to business (B2B) sites launched their services.

What is group buying?

Group Buying allows consumers or small businesses to effectively buy in bulk, despite each consumer or business only buying one of each product or service. By coming together online, (i.e. visiting a website), buyers can register to receive a product or service at a set discounted rate. If a certain minimum number of consumers or businesses sign up to buy, the deal goes live and the supplier and the distributor (the group buying site) can make a profit. Rather than selling one laptop at £500, they can sell 500 at £100, for example. This will allow suppliers to win more customers and increase profits whilst saving consumers and SMEs money. It sounds like the perfect antidote to this age of austerity, but does it really work?

What is on offer?

The consumer group buying sites include Groupon, Living Social, Groupola, Kgb Deals and Crowdity. Most sites are offering the same products or services but from different suppliers at different rates. These include: skincare treatment, teeth whitening, luxury hotel discounts and romantic dinners in upmarket restaurants. One site, Incahoot is slightly different. Rather than trying to cover a diverse range of consumer sectors, it focuses on what it calls “life’s essential services”, offering deals on mobile phones, home broadband, energy and utilities.

The UK B2B sites include SME Discounts, Huddlebuy and Business Crayon. They offer deals on business essentials, such as website design and business cards, and what could be considered business luxuries which can improve a working environment or business image, such as extravagant meeting rooms. The aim is for start-ups and SMEs nationally to buy and sell B2B necessities and luxuries to each other; reducing costs for buyers and increasing custom for sellers, creating a new SME economy.

With SME Discounts, the offering is slightly different. Their focus is on providing deals for and from your local region only, boosting regional economies and allowing the buyers and sellers to meet each other personally.

Deals on all three sites range from free offers to discounts between 25 and 90%.

What will the future hold?

While Groupon has become a household name with a business valuation around \$20bn, (though some analysts say this is highly exaggerated), and other businesses imitate its model, the B2B offering has not yet taken off. This could be for one of two reasons.

Firstly, it may be too early. 12 months is not a long enough time-frame within which to judge the potential of a new sector. Groupon, a rapid success story, took two and a half years to reach its current heights.

However, could it be that the group buying model just does not work for businesses? They want trusted suppliers who they can meet face to face, not just low prices. They also need to run past various decision makers in an already time stretched environment, unlike consumers who often buy on a whim.

Whatever happens, the logic behind group buying makes sense. Reduce prices for hard pressed consumers and businesses and raise customer numbers for suppliers. But logic also says imitators do not always succeed. Group buying in 2012 will not make the business headlines as it did in 2011, by riding the Groupon bandwagon. Many of the businesses above will need to return back to the drawing board.

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Note to editor

SME Discounts is an online small business advice centre and **B2B** discount deal service for **SMEs** and start-ups. Our aim is to help small businesses improve their performance and **reduce business costs**.

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