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Scaling Discounts

Offering discounts to customers is only the first step for group buying sites. Next comes scale and data analytics

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MYDALA.COM
PROMOTER: ANISHA SINGH
YEAR: 2009 FUNDING: CX CAPITAL PARTNERS
NO. OF REGISTERED USERS: 130,000
NO. OF MERCHANTS: 1,000
TURNOVER: NA
(BW Pic By Bivash Banerjee)

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A Rs 500-tarot card reading session for Rs 25. A Rs 1,250-massage for Rs 149. Rs 200 for 12 sessions of yoga. These and numerous other discounted deals for customers. But what does a store or a service provider get in return?

Susan John got much more than she could handle. John had teamed up with group buying website Grabbon.com last year in an attempt to attract more customers over the weekends for her Caribbean cuisine restaurant, Sue's Place, in Bangalore. The discount was a huge 50 per cent, for a week; 350 people registered and bought the vouchers. "In fact, I had to tell Grabbon.com to take the deal off because my restaurant could not accommodate so many customers pouring in," says John.

When Nova Medical Centre came to Bangalore, it wanted to promote its specialisation in day surgeries. "When I met Koovs.com, I did not know what to expect with marketing our health check-ups online," says Dr Sandeep Patel, area manager with Nova. "We discounted our check-up by 80 per cent, and 300 people visited us," says Patel. Nova was able to promote the concept of day surgeries as well as build a brand image for itself in the city. It is now opening centres in over 100 cities and is keen on again using group buying as an image builder, says Patel.

Group buying is a concept where the marketing company promises the merchant a minimum number of customers if the cost of the product or service is cut by half or more. The customer buys the deal from the group buying website and gets a voucher — by email or post — to avail the discount.

In India, the concept has kickstarted a new wave of online retail buying. At least five start-ups, mostly servicing small and medium businesses, have emerged in the past nine months — Grabbon.com, Snapdeal.com, Mydala.com, Koovs.com and Taggle.com. The US has at least 14 group buying websites, all of which have come up in the past five years. The largest among these are Groupon, Adility and LivingSocial, who boast about 500,000 users each.

"The concept of group buying is big in the US, and I realised that it offers great potential in a market like India where discounts are what draw people to stores," says Anisha Singh, who promoted Mydala.com. In India, this is group buying's second innings. The first was short-lived. About a decade ago, Uday Punj-promoted BuyAsOne.com offered deals in much the same way as now except that the discount size depended on the number of buyers. So, five people could get 5 per cent discount but 10 buyers could get 10 per cent for the same deal. Some say BuyAsOne.com may have been an idea ahead of its time — broadband connectivity was impossible; Internet penetration was low; payment gateways were insecure. And then the global dotcom bust came along to deal the death blow. Most of these factors are not an issue anymore.

"Everyone expects such services to tap into the 550 million mobile users and aspiring small and medium businesses (in India)," says K.

Purushothaman, associate director at Protiviti Consulting in Bangalore, a firm specialising in IT and telecom services. Everyone is anxiously waiting for India's e-commerce space to double from the current 8 million users to 16 million in the next five years, provided broadband usage hits 100 million in the same time.

Eye-popping discounts and the resultant buyers make group buying sites a precise and effective marketing tool. But that is only the tip of a growing tail. "The money can be made when this business eventually taps the mobile commerce market and spins off opportunities in consumer analytics," says Deepak Srinath, director of Bangalore-based Viedea Capital Advisors, which does fund syndication and advisory services for technology firms.

Discounts is just small fry compared to the real opportunity, which is in monetising and mining customer data (such as on buying patterns). Customer data is crucial especially for large companies that are investing heavily in social media platforms to create traction for their brands. As group buying leverages social media virals, through them a company can easily measure the return on investment of its brands' advertising via-



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easily measure the return on investment on its brands advertised using social media campaigns. But this will work only if the group buying sites are able to develop a substantially large user base. A small number of users will not be able to reflect the behaviour of a larger consumer segment. Moreover, technology can only be an enabler, and the e-commerce space has so far seen staggered investments.

The five major Indian group buying companies, however, seem sure of their footing. The formula they are using is to combine the youth's spending power and networks on social media platforms to promote deals, which are mostly from local retailers and service providers.

Bangalore-based Kanishk Shukla started Koovs.com in 2009 with just a few lakhs of his own. The site now services over 100 merchants and about 30,000 registered users. Although Shukla's turnover is still small at less than a lakh, his ambition is big — he wants to be like the retail giant Walmart, where everything is discounted and which draws a large crowd.



KOOVS.COM

PROMOTER: KANISHK SHUKLA
 YEAR: 2009 FUNDING: SELF-FUNDED
 (about Rs 10 lakh)
 NO. OF REGISTERED USERS: 30,000 NO.
 OF MERCHANTS: 100
 TURNOVER: Less than Rs 1 lakh
 (BW Pic By Jagdeesh N.V.)

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