



# GROUP BUYING

We investigate whether purchasing via group-buying websites drives prices down

**↘** In theory, bulk buying comes with a discount. This philosophy has led to an explosion in group-buying websites, which aim to offer bargain-basement prices by attracting large volumes of shoppers. They're popular in the US and, with the sites claiming you can save between 50% and 75%, are also gaining popularity here.

But is it worth signing up and can you really bag a 75% discount? If there's a catch, what is it? To find out, we sent a team of mystery shoppers under cover. Each of our six shoppers, from a range of locations throughout the UK, signed up to seven group-buying services: Crowdity, Groupon, Incahoot, KelkooSelect, Keynoir, kgbDeals, LivingSocial and Wahanda.

## HOW GROUP-BUYING WORKS

Using a group-buying site is more complicated than using a voucher code website. Voucher code websites allow you to print a simple voucher, take it to the restaurant, or shop, and claim your discount.

Group-buying sites also offer 'vouchers', but these work very differently. You'll need to sign up via the websites to receive emails alerting you to bargains. When you receive the emails, be aware that deals are time-limited, the same as in a high street sale. But where high street sales can last for weeks, group-buying discounts are often available for just a matter of hours.

Group-buying deals, again like vouchers, come with a 'use-by' date. So you have to cash them in by a certain date or you risk losing your money and the offer.



**Over the two-week period, we received deals relating to hot stone massages, fish pedicures and cut-price Bingo**

## OUR INVESTIGATION

Mindful of the way these group-buying sites operate, we set about monitoring incoming deals. We asked our mystery shoppers to check their emails daily and to log what they could buy, the percentage discount, how long they had to book and the offer's expiry date.

At the end of the two weeks, we analysed the data to reveal the average discount, average time to book and average time the offers lasted for each site. You can see the results on p20.

## What can you buy?

Group-buying websites aren't for you if you're looking for discounts on everyday items. Instead, the websites tend to focus on luxury, big ticket items – they need to in order to be able to offer such whopping discounts. You'll find deals on nights out, experiences (for example, a cooking lesson with a top chef) and health and beauty services.

'In the current climate, top-end facials and other luxuries aren't what people are buying. With a lot of deals you get a good discount, but it's often for something you wouldn't have otherwise bought,' said Joe Connor, director of commerce consultancy Renegade Publishing.

Incacoot is the odd one out in that it focuses on giving you a better price on utilities such as broadband and energy. Incacoot's offers aren't time-limited.

Groupon is the market leader with an estimated 13 million customers, according to Renegade

Publishing. The site features a mixture of offers, including a high proportion of skin, dental and hair care offers. Examples of deals received by our mystery shoppers included a 15-minute Garra Rufa Fish Pedicure Session and a four-hour speed-reading session from a coach.

Wahanda's speciality is in health and beauty products. The site lists global spas, salons and wellness centres. Perhaps this is why group-buying websites tend to appeal more to a female audience. According to web monitoring company Comcore, 62% of Groupon purchasers and 67% of LivingSocial ones are women.

Group-buying regular Kate Rogers used Groupon to buy a wedding present for her sister. She had limited funds of £150 and wanted to treat the newlyweds to a night in a classy hotel as part of their honeymoon, but was staggered at the prices. 'A friend recommended I join Groupon, so I signed up and waited for a decent offer,' she said. 'I ended up buying a night in a hotel that I could normally never have afforded, and the room was available on the weekend of the wedding.'

## Act quickly to bag a bargain

Many of the sites set short time limits within which you book the offer. Kelkoo says its offers are always 'time-locked or have limited availability'. Wahanda's deals run for 24 hours in London, regional offers for seven days and national deals for between seven and 14 days. LivingSocial's deals are available to book for 24 hours, while Incacoot doesn't set time limits.

Our mystery shoppers saw a range of time frames on the offers they received. One shopper, for example, saw deals from Groupon with times to book that ranged from nine hours up to one day and nine hours. The same person received offers from kgbDeals that gave her up to six hours to book a deal.

## Check the expiry date of offers

As we've said, all offers carry an expiry or 'use by' date. Experts we've spoken to tell us that thousands of vouchers are left unused every week. 'People need to think about whether it will actually be used, and if you're buying it as a gift it can be hard to know whether people will have time to use it,' said Deborah Collier, strategist with Echo E-Business.

'Say you buy a facial from a small supplier, you might try to book and find that because they have been on a group-buying site, they are fully booked for a couple of months,' agreed Connor. 'Then you might be on holiday or it might not be convenient, and once they have expired, that's that.'

It's vital you check your voucher's validity, because if you don't use the offer within the allotted time frame you'll lose 100% of what you paid for it. These use-by dates aren't set by the group-buying websites, but by the companies who are selling the offers – be that a fish pedicure or a night in an hotel. 'The voucher validity period is variable, but is typically about six months and can be extended,' said a spokesperson for Groupon. 'This is always discussed with the partner and it is their

## LEGAL rights

- You have an individual contract with the supplier, not the group-buying website
- The group-buying sites broker the sale of goods and services. Their terms say they aren't responsible for the quality of service
- The user buys a voucher and uses that to buy from the merchant who enters into a contract with you
- What you buy must be fit for purpose and of satisfactory quality
- Protection under Section 75 of the Consumer Credit Act might not apply

decision. The crucial thing is that a partner will be able to service all the Groupon customers within a given [time] period.'

The company bristled at the suggestion, carried on several blogs, that it has an ulterior motive when the voucher validity sometimes turns out to be shorter than advertised. 'When the use-by date has changed, it's usually because of an editorial error. I take issue with people implying we make those mistakes deliberately – it's simply not true,' Groupon said. 'With 50 deals a day, there are bound to be errors.'

**SITE PROFILES**  
over the page



## Book your appointments early

Group-buying sites readily admit that buyers can struggle to make appointments in the weeks that follow successful promotions. Another group-buying regular, Kathryn Baxter, has experienced some delays for hair salon deals, but has developed a technique to make sure she doesn't miss out.

'They do get busy, but so long as you ring the following day you are usually okay. I have always managed to get appointments in the next couple of weeks,' she said. 'We also rang a restaurant and made a booking before buying, so I knew I would be okay. I've never had any real problems, except when we



**2.5m**  
Groupon subscribers in UK

**62%**  
of Groupon members are women

booked a spa weekend and were only able to go from a Sunday to Monday, because all the weekend vacancies had been taken straight away.'

## Bait pricing allegations

If a product's availability after it has been booked is limited, some offers have been restricted even before going live. Groupola, which was subsumed into Groupon this year, was ticked off by the Office of Fair Trading (OFT) in March 2011, when it was found guilty of a 'bait-pricing' scheme to harvest email addresses.

The company was accused of heavily promoting an offer on the iPhone 4 at £99 instead of the usual £499, although it only had eight handsets available. The OFT found that nearly 15,000 people had registered for the phone sale, and obviously most were disappointed.



**LOCATION,  
LOCATION,  
LOCATION...**

Some deals, such as city-break hotels, are suitable for everyone. But the majority of deals, such as those for restaurants or spas, are better suited to local shoppers. Although smaller group-buying sites, such as Keynoir and Crowdity, are limited to London, Groupon and LivingSocial have specialised groups

Readers need to be aware of offers sold across regions

in other major cities and regions. You can register for more than one group, say London and Leeds, if you want to buy a present or plan trips to another location. Readers need to beware of offers sold across regions. Groupon users in Northern Ireland were angered when they bought a karting experience offered on the Belfast site, only to find that the nearest centre was in Scotland.

**Are discounts genuine?**

At face value there are massive discounts available. Take the 15-minute Garra Rufa Fish Pedicure Session our shopper received from Groupon, for example, which offered a 50% discount on the usual price.

However, group-buying sites have also been accused of artificially inflating the starting price of the goods and services they offer. These accusations are hard to confirm and were denied by the websites, but it's worth researching claimed deals before you buy. 'Make sure you research what you're getting, find out about the company that's offering you the product or service, whether its safe and tested, and what the price would be if you went to the company direct,' said Collier.

There are regulations in place to ensure that offers are genuine. Groupon told us that the 'normal price' had to have been available for 28 days to be quoted as the usual price, but that doesn't mean it is currently the best price directly available. And group-buying sites have been called into line by the Advertising Standards Authority (ASA), which has upheld seven complaints against Groupon alone since December last year.

For example, the ASA pulled Groupon up for overstating the price of an offer: 'Lengthen Those Lashes with Eyelash Extensions from Bo Chic for £24 instead of £90.' Groupon showed the ASA an emailed price list from the vendor, which confirmed Groupon's claimed price of £90. However, the ASA said that it had visited three salons from the same company, which listed the same treatment at £65 and £89, and so concluded that 'the value of the treatment, and subsequently the savings claim, had been exaggerated and was misleading.'

**WHICH? COMPUTING VERDICT**

The current economy is a little gloomy. While group-buying sites won't help you to save on staples they can help you save on treats such as a day in a spa or a weekend break in a country hotel.

However, to bag a bargain you need to be a savvy shopper. Yes, bargains are only available for a limited 'sale' period, but there's no need to rush in. Before you buy, check the expiry date to make sure you have enough time to cash in any vouchers you buy. It's also worth shopping around – you might find that the same product or service is available cheaper elsewhere.

We've been contacted from customers who have been caught out. Sharon (she wished to withhold her surname), for example, experienced problems with both Groupon and the company supplying the offer. 'I am concerned that people will believe Groupon is effectively endorsing companies by using them in promotions,' she said.

Sharon also advises people to research the company behind the offer before they book. 'In the case of [the company], which I researched after it refused to give me a refund, I couldn't find a favourable online review.'

Caveats aside, group-buying websites can help you to afford the occasional luxury. Enjoy. ■

**GROUP OPTIONS: our mystery shop reveals all**

**Crowdity**  
www.crowdity.com



London-focused, with health and eating offers taking centre stage.

**SAMPLE OFFER** A four-week Outdoor Summer Boot Camp Challenge activity reduced from £130 to £20.

**AVERAGE DISCOUNT** 52%  
**AVERAGE TIME TO BOOK** 40 days  
**OFFER LASTS FOR (AVERAGE)** 76 days  
Number of offers analysed<sup>1</sup> 77

**Keynoir**  
www.keynoir.com/london



London-centric group with an emphasis on eating and hotels.

**SAMPLE OFFER** Pay £99 for two colonic hydrotherapy sessions at a London clinic. It was originally advertised at £220.

**AVERAGE DISCOUNT** 37%  
**AVERAGE TIME TO BOOK** 45 days  
**OFFER LASTS FOR (AVERAGE)** 153 days  
Number of offers analysed: 285

**Groupon**  
www.groupon.co.uk



Biggest UK option – again with focus on health and beauty.

**SAMPLE OFFER** Get a Brazilian Blow Dry Keratin Treatment for £59 instead of £250 at the GF Salons.

**AVERAGE DISCOUNT** 51%  
**AVERAGE TIME TO BOOK** 26 days  
**OFFER LASTS FOR (AVERAGE)** 106 days  
Number of offers analysed 311

**Incahoot**  
www.incahoot.com/



Specialises in deals on home broadband, phones, mobile phones and energy suppliers.

**WHAT IT OFFERS** Works differently to the other sites. Claims consumers could save £400 a year through its deals. Visit the website for specially negotiated tariffs. You can sign-up for email alerts, although our mystery shoppers found that these arrived only very occasionally.

**LivingSocial**  
livingsocial.com



One offer a day focused on eating and 'experiences', with countdown timer.

**SAMPLE OFFER** Pay £19 for entry to the School of Booze, the 'United Nations of Beer 90-Minute Tasting Experience'.

**AVERAGE DISCOUNT** 52%  
**AVERAGE TIME TO BOOK** 40 days  
**OFFER LASTS FOR (AVERAGE)** 154 days  
Number of offers analysed 157

**KelkooSelect**  
www.kelkooselect.co.uk



Theatre tickets, entertainment and restaurants are the focus, with health treatments also available.

**SAMPLE OFFER** Save 44% on a ticket to see Billy Elliot the Musical.

**AVERAGE DISCOUNT** 49%  
**AVERAGE TIME TO BOOK** 42 days  
**OFFER LASTS FOR (AVERAGE)** 111 days  
Number of offers analysed 164

**Wahanda**  
www.wahanda.com



Specialising in spa treatments and feel-good, well-being products.

**SAMPLE OFFER** Save 72% on the RRP of a 3 Piece Face Firming Serum Set by paying £19 instead of £69.

**AVERAGE DISCOUNT** 50%  
**AVERAGE TIME TO BOOK** 142 days  
**OFFER LASTS FOR (AVERAGE)** 145 days  
Number of offers analysed 110

<sup>1</sup> We asked our shoppers to record the top five deals from each email

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