



A LITTLE BIT ABOUT WHERE
THE WORLD IS HEADING
WITH COMPLIMENTS FROM
BLOCK STRATEGY

IN THIS EDITION OF THE TREND REPORT, WE'RE DISCUSSING OUR INSIGHTS INTO 'DEALER-CHIC' AND THE IMPLICATIONS FOR YOUR BUSINESS.

MOTIVATED BY MONEY

The financial crisis hit hard a few years ago and opened up a barrage of coupons, two-for-one deals and large discounts on everything from clothing, restaurants and consumer goods. Deal hunting is here to stay, with people endlessly searching for an exclusive reward or great deal.

People are becoming savvier and more in control with how they spend their money. The plethora of websites offering online discounts, group buying and additional rewards has meant that people no longer feel embarrassed pulling out a discount voucher when paying for dinner – instead they're seen to be acting smart.

LET'S ALL BUY IT!

Daily deals from group buying websites have filled the inboxes of people all over the globe. Moving coupons from traditional paper-based to online has made the discounts more attractive, as they're hassle-free and can be easily shared amongst friends at the click of a button.

The group-buying phenomenon has minimal barriers to entry – but that doesn't mean that every business should just sign up. There is a solid initial outlay and they'll receive a lot of foot traffic but no guarantee that people will ever come back again. They need to be involved for the right reasons. It should be about getting people in the door with a discount, then impressing them so they become repeat customers.

An example of a small business learning the hard way has recently come out of the UK. A London bakery put a 75% discount on one

dozen cupcakes, leading to a barrage of customers taking advantage of the deal. The end result was the owner needed to hire an extra 25 staff to meet the demand and lost \$20,000 for the trouble. Small businesses thrive on building and nurturing relationships with existing customers, but this misadventure saw the bakery rewarding the wrong customers.

Some sources say that up to 30% of vouchers never actually end up being used, which may potentially be viewed as quick money for a business. Rightly or wrongly, this might in fact impact on people's perception of the business – seeing them as a waste of money, even if the individual to blame for not using the voucher. Further negative perception may be generated when people complain that the item doesn't live up to expectations or there are long delays in actually receiving the item / being allowed to use the coupon.

NEW WAYS OF DELIVERING DEALS

It's not only the actual cost saving that the deal provides, but also the various innovative experiences that people are being involved in to secure the deal. Traditional print coupons had the simple goal of saving money, however the new range of deals focus on making the pursuit of an enjoyable experience in itself.

For example, Sneakpeek is an online deal site with no listed prices, however people need to click the item to take a 'peek', which causes the price to decrease. The online site has limited stock in supply and people only have 15 seconds to click to buy the item. It's a social shopping game played which allows them to check prices at a later date, although it may mean they lose out to another buyer.

Source: trendwatching.com

WHAT THE EXPERTS HAVE TO SAY

“Discounting is always a dangerous strategy. It’s lethal for small businesses as they’re simply cutting their profit margin. If you offer a 10% discount and your profit margin is 20% then you’re effectively giving away half of your profit – it doesn’t make numbers sense and isn’t a long-term business strategy. Small business will never compete on price, so they need to find other ways to compete.

– Mark Braddock, Creative Director, Block Branding

QUALITY IS STILL KEY

People will continue to search various websites that filter through different prices and offerings, and delivering the best deal directly to them. Given that deals are mainly delivered online, people can instantaneously evaluate reviews and ratings, prior to purchase. Put simply, a bad review will mean that it’s a bad deal, no matter how cheap it is.

For example, launched in November 2010, SNIQUEaway is an invite-only travel deals website operated by US based Smarter Travel Media who is the owner of TripAdvisor. The deals are limited only and feature four star or more properties with the highest ratings in TripAdvisor reviews, ensuring each deal is pre-vetted.

THREE KEY LESSONS FOR BUSINESS

The pervasiveness of discounts has conditioned people to always be on the lookout for a deal, at any cost. Before jumping into the world of discounting, you need to weigh up whether it’s right for you. Can you offer a discount, creating new customers and rewarding loyal customers without affecting people’s perception of your brand?

If you sell lots of a deal at once, you need to make sure they all don’t come at the same time. Also it’s important to keep a close eye on your margins – you could actually end up losing a lot of money.

Despite the relative ‘newness’ of online deals, traditional thinking still holds true. If your business isn’t performing an online deal isn’t going to save you. The key will be for you to engage with this ‘dealer-chic’ trend to reach out to potentially new audiences and speak with them in novel ways, and offering services to them at a lower cost.

