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## Businesses discover perils of group buying fame

Bridie Jabour  
October 27, 2011

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A New Farm beauty salon's offer of cheap services on a group buying website went horribly wrong.

A Brisbane beauty salon owner is warning businesses about the pitfalls of group buying websites, saying she was sent to the brink of bankruptcy by a deal gone sour.

And, according to a dispute resolution company, she is not alone, as businesses find the pitfalls of unmitigated success on group buying sites.

Owner of New Farm beauty salon Mirror Beauty, Emma Carl, is suing Spreets.com.au for almost \$500,000 for breach of contract after doing a deal with the company last year, where she would sell a \$300 facial, pedicure and massage pack for \$59.

She said in the contract, Spreets agreed not to sell more than 500 packages.

When the deal went live on the website in November last year, 320 packages were sold by 7am.

Mrs Carl said she asked Spreets to take the deal down from the site, but was told they could not remove the deal and she watched in horror as her deal sold more than 2000 packages.

"It was like watching a car accident in slow motion and you can't do anything about it," she said.

"I had to get my sister to come in to that salon that day to help answer the phone, it just would not stop ringing and we were absolutely flooded with emails.

"None of our usual clients could get through. It was absolutely chaotic."

Spreets chief executive Dean McEvoy said there was a "disconnect" between Mrs Carl's claims and his experience.

Mr McEvoy said Mrs Carl did not tell the company to stop selling vouchers.

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"I'd like to reaffirm that our client service manager was in regular contact with Ms Carl from Mirror Beauty at every stage throughout the deal," he said.

"The satisfaction of our merchants is the highest priority for Spreets and we work closely with every merchant, throughout the deal process, to ensure they get the most out of group buying.

"...Running a deal with Spreets is a smart way for businesses to attract new customers and revenue, but a merchant must ensure it is prepared for the influx in business."

Mr McEvoy said the company had refunded some of its customers who had not been able to make bookings at Mirror Beauty.

He said he could not comment on whether the contract they signed contained a ceiling limit of 500 deals to be sold.

Mrs Carl said she had to hire more staff to help her service the deals, which she estimated cost her hundreds of thousands of dollars.

She is suing Spreets for just under \$500,000 to cover additional staff wages and the loss of income the salon suffered from servicing the deals.

Mediation sessions between Mrs Carl and Spreets have been held but the parties have not reached an agreement.

"It's been hard, it's been crappy, but hopefully it's coming to an end," Mrs Carl said.

"I've had good experiences with other group buying websites but I think businesses should know to be careful."

Mrs Carl said she has been contacted by other businesses who have been burnt by different deal websites and knows of some in New Farm that have had to close down.

She said she has serviced more than 700 of the vouchers and can count on one hand the amount of repeat customers she has gained out of the exercise.

According to a dispute resolution company, group buying websites entice businesses with promises of cash injections and new loyal customers, but the businesses are then charged big commissions and find themselves deserted when they become overwhelmed.

Handle My Complaint chief executive Jo Ucakalo said business were getting burnt by an unregulated industry.

Ms Ucakalo said business complaints had grown considerably in the past five months and she has had to help at least 20 businesses, mostly in Brisbane and the Gold Coast, with reports of some having to close down after the deals went wrong.

She said some deal websites were pressuring businesses to reduce their prices to unreasonable amounts and dropping out of contact when the businesses ran into problems.

Ms Ucakalo said one of the people she dealt with was the owner of a car wash that had been unable to keep up with the demand for the deal he had offered on a group buying website.

"The owner rang the website and couldn't get hold of the case manager, and this is the business that ran the deal, they couldn't get anyone to respond back," she said.

"When he finally spoke to someone and told them he couldn't keep up with the deals all they said was 'well you have two weeks left on the deal, do you want to extend it?'"

"This car wash owner was getting slammed in all the internet forums and he did what he thought was the right thing letting the website know.

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"But customers don't know that."

Ms Ucakalo said although federal government has promised to regulate the industry, businesses also need to be more educated about how to benefit from the deals and there needs to be a number of changes made to the industry.

She said the websites needed to put caps on the deals they offered so no more than a few hundred were sold to customers.