

# Business Technology Program

## How-To Guide: How to Use Viral Deal Sites to Create New Cash Flow Sources

Viral “deal of the day” sites have become popular in the past few years. (Groupon is probably the best-known.) These sites help you harness the power of email and social media to attract new customers and create new sources of revenue for your business.

### How It Works for Consumers

- Consumers sign up to receive daily emails from a site that offer vouchers for products or services in their area at huge discounts (typically, 50 to as much as 90 percent off the regular price).
- Deal sites have a trigger that creates a sense of urgency. For instance, there is a limited time to buy (typically 24 hours or 48 hours).
- There is also a social element. Many sites require that a certain number of users purchase a deal in order for it to be activated, or give users additional discounts for referrals. This encourages customers to spread the word by forwarding the emails to their friends or sharing the deal on their social media accounts.
- Customers buy the deal immediately, then are emailed a voucher that they must redeem within a certain time (typically a few months to as much as a year).

### How It Works for Businesses

- Businesses fill out a form and apply to be included as a deal.
- When you are chosen, the site’s experts will help you create your offer. Assistance varies, but can include everything from writing the copy to determining the best day for the offer, the redemption cycle and how much product or staff you’ll need.
- There is no upfront cost; instead, the site takes a percentage of the sales (which can be 50 percent or more).
- You receive payment immediately (typically, the day after your deal runs).

### Pros and Cons

- **Pro:** Viral deal sites target users in a specific city or area, making them a good marketing method for businesses that rely on local customers, such as restaurants, retailers or spas.
- **Pro:** Viral deal sites expose your business to thousands of subscribers who might never hear about it otherwise. And since users almost always spread the word to their networks, your site’s exposure increases exponentially.
- **Pro:** You get paid immediately, which helps your cash flow. In addition, keep in mind that not every customer will use their prepaid voucher before it expires, and some consumers will add extra products or services at the regular price when they redeem the voucher.



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- **Con:** Daily deal site volume can overwhelm your business if you're not prepared. Work with the site to determine the optimal number of customers you can handle, as well as staffing and product needs during the redemption cycle.
- **Con:** Daily deal sites require steep discounts and take a percentage of the sale. Calculate whether you will make enough profit to make the deal worthwhile.

## Finding the Right Site

While Groupon and LivingSocial are probably the best-known daily deal sites, new sites are popping up by the day. Here are some of the most popular.

- BuyWithMe ([www.buywithme.com](http://www.buywithme.com))
- CrowdSavings ([www.crowdsavings.com](http://www.crowdsavings.com))
- DealOn ([www.dealon.com](http://www.dealon.com))
- EverSave ([www.eversave.com](http://www.eversave.com))
- FlyCoupon ([www.flycoupon.com](http://www.flycoupon.com))
- Groupon ([www.groupon.com](http://www.groupon.com))
- LivingSocial ([www.livingsocial.com](http://www.livingsocial.com))
- PopSugar City ([www.popsugarcity.com](http://www.popsugarcity.com))
- Tippr (<http://tippr.com>)

Do an online search and you will likely uncover sites that are limited to your city or local area. If you're considering a site, join it as a consumer to see what kind of deals the site offers and what types of businesses are featured. To keep informed about new daily deal sites, visit Yipit.com, which aggregates daily deals.

## Issues to Consider

- **Legal:** Each site is different, so be sure you clearly understand the terms and conditions of the contract between your company and the website.
- **Accounting:** Hold back enough cash to service all of the unfulfilled vouchers. Book the prepayment as a liability until you provide the service or product. At the end of the promotion, if some vouchers were not redeemed, remove the remaining cash from liability and show it as revenue.
- **Marketing:** Be prepared to maximize results from your daily deal by following up with the new customers it attracts. Encourage them to sign up for your email list or follow your business on Facebook or Twitter. Do everything you can to keep them coming back and spreading the word about your business.

