

Australian online group buying market poised for rapid growth

Sydney, 14th February 2011 – Telsyte today announces the release of the first comprehensive industry study into the Australian online group buying market.

The Australian group buying market is currently the fastest growing sector in the online retail space. Consumers are flocking to group buying sites to seize heavily discounted deals, and local businesses are benefiting from a flood of new customers.

The Australian online group buying market was established in 2010, and generated \$63 million in its inaugural year. Still early days, the majority of the industry's revenues came from the second half of 2010.

The success of online group buying in Australia shows that Australians are becoming increasingly social in their shopping activities. Consumers are moving from a simplistic click-to-buy shopping cart experience to a more dynamic social way of buying online. Telsyte Senior Research Manager, Sam Yip says.

By the end of 2010, Telsyte measured over 20 group buying sites in Australia. The top 4 sites (Spreets, Scoopon, Jump On It, and Cudo) represent 79% of the industry's revenues. The Industry currently employs over 350 people and is expected to more than double its headcount in 2011.

Telsyte forecasts the market to grow by 284% to \$242 million in 2011.

The market will be driven by continued consumer demand and the expansion of deals from large cities to smaller hyper-localised areas (e.g Pubs in Newtown, Restaurants in St Kilda). New market entrants and the broadening of deal types from predominantly food and health to other segments will further boost the market.

Telsyte expects a number of trends to shape the industry in coming years including:

- Arrival of large online multi-nationals such as Google, Facebook and Groupon into the local group buying market.
- Agencies representing merchants in deal negotiations and analytics.
- Proliferation of mobile group buying applications.
- Local media publishers entering the group buying industry through white-label software platforms, acquisitions, or distribution partnerships.

Australian online group buying market continues its unprecedented growth – up 62% in Q1 2011

Sydney, 10th April 2011 – Telsyte today announces the release of its Australian Online Group Buying first quarter market update for 2011.

The market continued its rapid growth from \$45 Million in Q4 2010 to \$73 Million in Q1 2011. This represents a quarter-on-quarter increase of 62%.

The revenues generated in Q1 2011 alone exceeded the full year 2010 industry revenues of \$63 Million.

The market is growing faster than anticipated and is on track to exceed \$400 Million this year.

Growth is being driven by a massive increase in the number of deals and vouchers sold. Group buying deals have become the new "water-cooler" conversation starters and the phenomenon is quickly becoming a mainstream way to shop online.

In the first quarter 2011, there were almost 6,000 deals published by Australian online group buying sites. This is staggering growth for a quarter, considering the market had around 2,000 deals in the full year 2010.

"Consumers have been spoilt for choice with the number of deals available to them on any given day. Group buying sites have extended their reach by increasing the number of side deals, launching into new locations, and offering compelling national deals in addition to local deals" Telsyte Senior Research Manager, Sam Yip says.

The first quarter saw the emergence of national deals across a number of sites.

"National deals have given local group buying sites the ability to expand their customer reach beyond major capital cities. Now everyone is able to become a customer of a group buying site" Yip says.

Australian online group buying sites have gone from strength to strength, with the top 4 market players (Scoopon, Spreets, Cudo and Jump On It) generating 80% of the industry's revenues.

Consumers have started to spend on deals of greater value. In the first quarter, deals above \$700 became popular and broke records for revenue generated on a single deal.

"Although health and beauty remains a strong category, in the first quarter of this year, travel and accommodation deals started to emerge, proving group buying can be a viable channel for higher priced products and services" Yip says.

The top deal in the quarter was in the travel category. Cudo generated \$1.6 million with 2000 vouchers sold for a Thailand holiday deal priced at \$792.

Telsyte estimates that consumers have saved over \$200 million in the first quarter of this year by purchasing group buying vouchers.

Australian online group buying market continues its rapid growth – market grows 72% in Q2 2011

Sydney, Monday 18th July 2011 – A new study published today by Telsyte shows that the Australian online group buying market continues to go from strength to strength. The market grew from \$71.8 million in Q1 2011 to \$123.9 million in Q2 2011, a quarter-on-quarter increase of 72%. The market is on track to reach or exceed \$400 million by the end of 2011.

“Australian consumers are spoilt for choice with group buying deals. The market has gone from publishing around 800 deals a month at the end of 2010, to currently around 4000 deals a month” Sam Yip, Senior Research Manager at Telsyte says.

Consumers have been quick to take up the barrage of offers, with over 2.6 million vouchers sold in Q2 2011. The average number of vouchers sold per month in Q2 2011 was just under 900,000 and is likely to exceed 1 million in July.

The fastest growing deals in Q2 2011 were in the “leisure and recreation” and “other products and services” category, growing 121% and 264% respectively.

“Although the health and beauty segment is still growing, it is beginning to show signs of saturation as hyper-growth is slowing down. In response to this, sites will need to expand into other sub categories of health and beauty beyond general hair, spa, and relaxation” says Yip.

National deals continued to grow, representing 17% of the market, up from 13% last quarter.

The multi-national group buying sites Groupon (trading as Stardeals) and Living Social (including Jump On It) gained market share after a period of aggressively investing in advertising and marketing.

The fastest growing site was Groupon (Stardeals), with the site experiencing 1,356% quarter on quarter growth, moving it up to 5th position in the market overall.

The top 8 group buying sites (Scoopon, Cudo, Living Social, Spreets, Groupon, OurDeal, Deals.com.au, and Ouffer) generated 90% of industry revenues. However, sites outside the top 8 are also growing strongly, making it a dynamic and highly competitive market.

Groupon chief takes aim at competitors

By Michelle Hammond Friday, 26 August 2011 www.startupsmart.com.au

Group-buying giant Groupon has taken aim at its competitors, claiming it will be tough for them to penetrate its market share, as it prepares for its initial public offering.

Groupon filed its S-1 registration documents with the Securities and Exchange Commission in June, saying it intended to raise \$750 million.

According to the company's filing, Groupon has more than 83 million subscribers – although only 15 million have bought a coupon – and there have been 70 million coupons sold.

While there is no share price listed in the filing, reports suggest the company is aiming for a valuation of between \$US20-25 billion.

However, it's been suggested the regulatory review process may take longer than usual for Groupon due to “nonstandard financial measures” used by the company.

Groupon co-founder and chief executive Andrew Mason is now defending claims the company is facing financial woes, sending a lengthy email to Groupon's employees.

“While we've bitten our tongues and allowed insane accusations to go unchallenged publicly, it's important to me that you have the context necessary to brush this stuff off,” Mason wrote.

“We are generating cash, not losing it. We generated \$25 million in cash [in the] last quarter alone, adding to the \$200 million we had before.”

“In other words, we're doing the opposite of running out of money.”

Mason goes on to discuss four key points outlining his confidence about the company's growth, including references to some of its competitors, namely Living Social and Yelp.

“My point is not that our competitors will fail – some may actually develop sustainable businesses or even grow,” Mason wrote in the email.

“The real point is that our business is a lot harder to build than people realise, and our scale creates competitive advantages that even the largest technology companies are having trouble penetrating.”

But Telsyte senior research manager Sam Yip has continued to raise doubts over the profitability and sustainability of group buying sites.

“The big question is, how profitable is it to run a [group buying] site after running out merchant margins and all the other costs, such as the high cost to acquire customers? This is a grey area that needs to be spelt out,” he says.

Yip says as the market becomes more crowded, more general group buying businesses will either merge or fold, as seen by local player Cudo, which recently went on sale.

Yip says sites need to ensure their niche remains clearly defined or risk falling over.

“We're still in the early days of group buying [in Australia]... But I see opportunities in travel and accommodation, leisure and recreation,” he says.

Google places ad for group buying deal on traditionally simplistic homepage

Friday, 02 September 2011 10:40 Patrick Stafford www.smartcompany.com.au

Google has upped the ante with its daily deals program, taking the unusual stance of linking to a deal on its homepage which for years has usually been reserved for just the company's logo and search bar.

The surprising move also comes just days after social networking giant Facebook said it would be scrapping its group buying program after a short trial.

Google rarely uses its home page for advertising. The move has prompted speculation over whether Groupon is preparing to escalate its competition with Groupon, which it reportedly courted last year in a deal that could have been worth several billion dollars.

Telsyte senior research manager Sam Yip says the deal is evidence of "very interesting times" right now in the daily deals and group buying space.

"We've just seen Facebook pull out of the game. I suspect it's a stunt, and not something that will happen on an ongoing basis."

A Google spokesperson has said in a statement that users would benefit from the deal being placed on the main page, which is visited by millions of users every day.

"We occasionally include a link on the Google homepage that points users to important information, whether it be about a relevant cause, a new product or an offer," the spokesperson told Reuters.

The deal itself was for discounted tickets for the New York Museum of National History.

While Google has traditionally refrained from using the homepage for advertising services, although it has done so in the past from time to time, the advertisement highlights Google's power to shine the spotlight on particular deals.

However, Yip says while this may help Google in some ways to go up against Groupon, the search giant will also need to ensure it can maintain good relationships with merchants.

"As to whether or not they are well positioned, it comes down to what relationships they have with the merchants. They probably have a good relationship with merchants who use AdWords and so on, but those smaller merchants may be different."

"Those stores such as Mum and Dad stores, and the cafes down the road, many don't even have a website. So that's going to be a challenge for Google."

Yip says this is part of why Facebook may have left the group buying market.

"When we look at Facebook, it's the same issue. How do these big companies address and work with smaller merchants, where the majority of the market is located?"

"There are always questions about how nimble you can be, and how you can adapt and change deals, especially if you're a big company."