

Daily Deal Website Promotions Waging Into The Controversy

By Kym Krey

They've taken our industry by storm. Email marketing companies with huge databases offering massively discounted deals for one day only. They've revolutionised the way small businesses market and they've polarised our industry. There seems to be no middle ground. You either love them or hate them with a passion.



Each time I've raised the topic for discussion to audiences recently I've had the strongest of responses and it split the room every time. I've never seen anything else get such a reaction.

But I'm being asked about them every week. Do they work? Should I do one? Are they profitable or will I end up doing discounted work for months to come with clients I'll never see again?

Well, to find out, I put my own money on the line and trialled one in my own business.

Here are my experiences:
THE GOOD, THE BAD & THE UGLY

GOOD

- A surge of new clients who would never have found your business otherwise will visit and sample your service so there is definite potential to expand your database. If you're almost ready to add your next staff member and want to take the leap, this could help you do it. The income will help you subsidise wages- not huge profit, but maybe enough.
- There are a large number of potential clients out there who have no idea which salon to try next. They've had a bad experience in the past and want to try somewhere new but don't know where to start. This offer answers that question for them and brings them to you. I had clients travel over an hour to get to the salon (and re-book for next time!) and I had people from just down the road.
- Example: One young mum who had driven almost an hour to get to the salon and wouldn't normally have been our demographic, booked her next 3 appointments before she left (one was a chemical straightening) and the 3 visits totalled well over \$1000. And she bought retail!! Don't be too quick to judge them as 'bargain hunters!'
- You'll get a lump sum payment (generally 2 weeks from promotion day but there are different options) which you can put in a separate account and funnel back into your main account as you need it or as you honour each voucher. Be disciplined- if you spend this carelessly you can cause yourself cashflow issues later on when you need to pay wages, stock bills etc.
- Clients know they're getting a great deal and in my personal experience, a good percentage are quite receptive to an upgrade on some services and home care product if recommended well. It's great practice for younger or new staff to polish their consultation skills! Yes, some will only come in for the deal, but again, don't let that blind you to the opportunities.
- Your salon is buzzing and looks busy to walk past trade. Great to fill those off peak times but you need to control bookings so your regulars can still get appointments- I'll talk more about this later.
- Practice! If you have a team member who needs to get skills up to speed, this promo will help them achieve that.

THE BAD

- They usually don't like to give you advance notice of exactly when your promo will run,



except for 'late January', which can really catch you off guard. In my experience, I received an email the day before the promo ran saying "it's on tomorrow" which gave me no time to arrange additional staff and caught us on a really busy week with staff on holidays. (Thanks goodness for bath tubs and red wine!)

- You're going to be asked repeatedly if you'll change the offer to suit the services they'd rather have, so you have to be ready in advance. Your first instinct will be to say "No, sorry"- but I wouldn't be too hasty in that. I worked out my costing on the services I included and the cost on services I anticipated they would want and said "Yes, certainly we can do that for you; it's will be just an additional \$xx- is that ok"? My strike rate for those clients was just under 60% - instant upgrade!
- The company takes a significant commission. The company I used gave me two options: they keep 30% and you get the rest of the money in 14 days or they keep a slightly lower percentage but you don't get any money until 80% of the vouchers are redeemed. TAKE THE IMMEDIATE PAYMENT! If 21% of the purchasers don't redeem their voucher, you'll get no money at all!

- You're going to have to get used to saying 'No' really nicely and it has to sound as smooth as poetry! You'll be asked if two or even three people can come at the same time and use their voucher; you'll be asked if they can swap included services for more expensive or time consuming services and you'll hear a lot of sad stories about how they absolutely HAVE to get an appointment today or tomorrow because they're leaving town for months etc. They usually have 12 months to use their voucher (you decide that) so there's plenty of time to take advantage of the deal- no great panic. You're going to hear a lot of them say (when you can't get them in for 6-10 weeks) that they're going to have to go to their regular hairdresser in the meantime and you'll need a cheery comeback like "Of course, we'd love to look after you straight away but we've had such an enormous response that we're solidly booked until then. I have you on a cancellation list in case an earlier appointment becomes available but you have 12 months to use your voucher so let's get you booked in for 6 weeks time so you don't miss out. We're looking forward to meeting you!" No attitude allowed!



THE UGLY

- The day your promo runs will be horrendous for you on the phone and it won't get much better for the next week or so. I'm talking h-o-r-r-e-n-d-o-u-s! You put the phone down, it rings again, there's a call waiting and another 4 messages since you last checked. If at all possible, arrange someone to just handle phone calls; it's going to ring continuously and you'll be asked the same questions over and over (and over) again. You can try using a 2nd number with a messagebank and call them back later to arrange specific times, however, don't be surprised if they 'google' the business name, find your number and call- (every single one of them did that in my case!).

HOW TO MAKE IT WORK FOR YOU:

1. When designing your offer, I suggest that you ensure you cover your significant costs (wages, product) after the website company takes their commission. E.g. If your offer is \$99, the company keeps 30% that leaves you with \$69.30. If you can perform the services within a 2 hour block that gives you just under \$35 an hour. Not great compared to your peak time income but ok if you wouldn't have had any income at all for that time slot. If you're only left with \$20 an hour after commission, that makes things much harder for you. Don't be wooed into offering an insanely cheap deal just to sell hundreds of vouchers- the only person who is likely to win from that is the marketing company. You're better to sell fewer vouchers at a reasonable price than 2000 vouchers at a silly price that sends you broke! Also, try to offer services with minimal product cost- e.g. foils rather than full colour, brow shapes, brow tint,

instant treatments etc. That way you'll probably up-sell the regrowth colour and make a little profit.

2. Limit availability to suit YOU.

- One voucher per day or possibly 2 on a long day trade. Always offer your off peak times, not the appointments you know you'll book easily. "I have an appointment available at 9am, would you like me to hold that for you?"
- About one third will request peak times (nights and Saturdays) and yes, you will need to allocate some peak appointments (unless your conditions state otherwise) but again, I suggest one voucher per Saturday and I would try to get it out of the way early- say 9am as you'll easily book later appointments as the phone rings that day). It's amazing how flexible the caller's schedule suddenly becomes when you say "Yes, we can certainly help you on a Saturday- our next available Saturday appointment is the 15th May"! 50% of the time I heard "Well, I might be able to come on a Tuesday....."
- Always the stylist/therapist selected by salon, which means never with your most popular staff. The rest of your staff need to carry your overheads and create your profit. You can never replace existing full-priced work with voucher work so even when your caller says "Now I need a very experienced stylist please because I have very difficult hair" you need to be ready with "You'll LOVE Sally (selected stylist), she's very talented and I know she'll take good care of you!"

3. Be prepared with potential 'upgrades' to offer when the client first calls. E.g "Now your offer includes 12 feature foils but we've had a lot of ladies asking to upgrade to a half or full head so we can do that for you if you like. A half head

would be just \$X and a full head just \$Y. Would you like me to arrange that?

- You'll be asked if they can have their regrowth tinted instead of the foils (higher product cost) so be ready with: "We can't swap it for you but we're happy to offer you a great price to have your regrowth tinted, as this is your first visit to us etc. It would be just \$X to add a regrowth tint".

In summary:

This may work for you if:

- You have capacity that you need to fill (spare appointments most days).
- You have a staff member who is consistently under budget or doesn't have enough clients.
- You need to build the clientele of a new staff member or someone just coming onto the floor
- You want to get known- fast!
- Your business is in its very early stages and you need to generate income & build a clientele fast.

It's probably not a good idea if:

- You're already heavily booked or at capacity. If you can't book out say a 2 hour slot with one staff member almost every day to dedicate to this, then you'll have angry people trying to get in to use their voucher. Do it when you add our next staff member.
- You're not prepared to offer a great value package. Most of these marketing website want a really good deal (50% off full value as a guide)

CHECKLIST:

- Design your offer carefully. Work out the price and take off 30% to see what you have left to work with.
- Choose services with low cost to you, particularly low product costs.
- Be prepared with upgrades. Think about the services that clients are likely to ask you for and have a price ready for them.
- E.g. if you offer 12 foils + cut/dry etc they'll want their regrowth done
- Also, how much extra to upgrade to ½ head or full head foils?
- If you offer brow shape + tint, they'll want a lash tint
- Can you package the relevant home care products to match the services you've done and offer at a special rate?
- Train your staff on how to manage the phone calls; to have a YES attitude; to reply positively to the same question all day, every day; to upgrade callers on the phone and to convert each 'voucher' client to a long term raving fan!
- Send a fabulous 'welcome letter' with maybe \$10 or \$20 towards their next full cut and colour service with an expiry date.
- If they haven't been back in 4 months, you could follow up with another promotional offer if you still have capacity or maybe another new team member's column to fill.
- Think lifetime value of the customer. If you keep even 25% of these clients and they stay for even 1 year, you're way in front.



Kym Krey is a specialist salon business mentor helping salon owners and managers build profitable, stable businesses and high performing teams. Contact Kym at kym@kymkrey.com.au or 0403 042 312 and start achieving your business dreams.