

# Group-buying websites going out of business

Hundreds of closures are reported, with one analyst pointing finger at lack of client resources, poor management and dearth of investment

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More than 700 group-buying websites have shut down on the mainland in the past two months.

A recent report by tuan800.com, which specialises in group-buying website navigation, said more than 300 closed in August, while statistics from another group-buying aggregator, lingtuan.com, showed another 419 went out of business last month.

It said 5,700 group-buying websites had emerged between March last year, when the mainland's first such website was established, and the end of last month. More than 1,000, mostly small ones, have folded, it said.

The sector's woes go some way towards fulfilling a gloomy prediction made by an information technology veteran a year ago, when many mainland copycats of the US online shopping website Groupon began to emerge. Former Google executive Lee Kai-fu warned that "99 per cent of group-buying websites are going to die within one year".

Chen Shousong, an analyst at Beijing-based consulting company Analysys International, said the series of recent closures was partly a result of a dearth of client resources. "Major clients have already been carved up, so there are few opportunities for those who join in later," he said.

Poor management and lack of investment had also contributed to their closure, he said. "Most of these start-ups die if they fail to attract venture capital or other investors, since they usually don't have enough money for expansion," he said.

Consumers are also becoming more rational when seeing the super-cheap deals offered by such sites. Wang Shilin, a white-collar worker in Beijing who

said she became addicted to the new form of bargain-hunting a year ago, now seldom shops at such sites.

"In most cases, the quality of products or services sold through such sites is poor," she said. "For example, it's very difficult to get a seat in a restaurant if you purchase through group-buying websites, because usually there are so many people rushing to that restaurant."

Even though the industry recorded 1.25 billion yuan (HK\$1.52 billion) in sales in August, the top 10 group-buying websites were mostly in the red, the tuan800 report said.

Groupon.cn, which managed to land a similar domain name to the American industry leader in a frenzy of copycatting early last year, was planning to lay off 3,300 of its 4,000 employees, *Beijing Business Today* reported.

Having claimed that it had raised 200 million yuan in funding earlier this year, 55tuan.com, another well-known group-buying website, has reportedly closed 35 branch offices since late last month.

Management said they were being refurbished.

Many group-buying websites have closed without repaying money they collected from customers for services they could no longer provide. Some sites simply disappeared overnight.

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