

TO GROUPON OR NOT TO GROUPON?

Nine questions to ask before jumping on the daily deal bandwagon

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Daily deal sites including Groupon, Living Social, and Gilt can be tempting for patients and for physicians alike, that's for sure.

The prospective patient can save more than 50 percent on some procedures and doctors can grow their practice in an affordable way as there are no upfront costs to promote a deal(s) on these sites.

But there are some hidden downsides that can make what seems like an attractive option a very slippery slope. These nine questions, and their answers, can help determine whether the benefits of daily deals outweigh the risks for your practice.

1. IS THIS A DEAL OR A STEAL?

Some deep deals can also lessen the value of your products by commoditizing professional services. There is a major difference between offering a discount or reducing your retail price compared with lowering the offer far below the actual value of your services. This industry has been cheapened by spas and inexperienced physicians who have not respected the value placed on training and expertise.

2. HOW LOW SHOULD YOU GO?

Many prospective patients see the discount, not the actual price. A 2011 study out of Rice University in Houston found that deal buyers aren't solely bargain-seekers. "There is a theory that consumers must be offered 'deep' discounts (50 percent or more) to be interested in daily deals," says management professor Utpal M. Dholakia of Rice University's Jones Graduate School of Business, in a news release. But "our research shows that a significant number of consumers will continue to buy the deals even if the discounts are slightly smaller." Everyone wants a deal or a discount regardless of its depth. Who doesn't want to feel like they are getting something for nothing? You don't have to go so low to win business.

This leaves the question of how to price the deal. Many practices inflate the actual value being offered to show larger discounts than their true retail price such as offering der-

mal filler at a 50 percent discount (normally \$900, reduced to \$450) when their standard retail price is \$550-\$650. This is risky as when the Daily Deal is done, your normal pricing may raise red flags. In this scenario, your reputation is at stake for faulty inflation. The other downside is that when a prospect looks at other practices for same services, they will know you are not on the up and up.

3. CAN YOU HANDLE IT?

When you first offer these incredible consumer specials, there may be flurry of new patients arriving at your door. This can create scheduling nightmares, often at the expense of your current patients who are paying full price. Consider this: The enthusiastic daily deal crew starts chatting about the bargain in the reception area. This can be extremely unsettling to the non-dealers.

4. WILL THE DISCOUNT DEAL DRAW REPEAT BUSINESS?

Yes, you can try to upsell the new patient, but patients who are addicted to these deals will just be waiting for the next one. We consistently see patients shopping from one spa or medical practice to another without any loyalty or

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Only after you perform the procedure and enter it as redeemed will you receive a percentage of your charges. Another percentage—determined via contractual agreement—will held back for an additional 60 or 90 days. If the offer was paid by credit card, make sure to properly negotiate the percentage of the credit card transaction taken from your side of the deal.

**“Daily deal sites may help
practice’s accrue more patients,
but at what cost?”**

dedication. If you want to attract patients with deep discounts, why not just offer the deal without going through the sites? You won’t be able to market to the masses, but you will increase your profit, and keep your loyal patient base happy and satisfied.

5. WILL ALL COMERS BE CANDIDATES?

You may sell a Groupon for Botox Cosmetic, but the buyer may not be an appropriate candidate. What happens then? If a physical examination is warranted to perform the procedures offered in the daily deal offer, this should be clearly stated along with any other restrictions and ineligibility requirements. In Florida, for example, there must be a disclaimer on each and every advertisement stating the patient’s rights to cancellation and refund within 72 hours.

6. HOW WILL YOU GET PAID AND WHEN?

As the merchant, before you decide to sign up with a daily deal company, you need to be aware of how you will be paid. Ask what percentage of the amount collected by the sites is given back to you.

Remember, you have to perform the procedure first, enter it into their system as redeemed, and only then will you receive a percentage of your charges. Another percentage will be held back for an additional 60 or 90 days. This hold-back is determined via a contractual agreement. Think of all the money these sites are making by holding back your money without interest. If the offer was paid by credit card, make sure to negotiate the percentage of the credit card transaction taken from your side of the deal.

A potential glitch can occur when someone takes the deal, but never follows up. This happens about 30-40 percent of the time. What happens to the hold back then? Make sure you know as this leaves a lot of money on the table.

7. WHEN WILL THE DEAL EXPIRE?

Deals don’t last forever and should have a valid expiration date. These deals are actually considered to be the same as a gift certificate and fall under strict federal guidelines, such as the Credit Card Accountability, Responsibility and Disclosure Act (CARD Act) because the purchaser or prospective patient has to pay for these daily deals. Federal law mandates that if the offer expires, you can still redeem it for the purchase price. You may not be entitled to the actual expired offer, but are entitled to the value paid.

Federal and State laws have expiration limitations of five years from the date it was originally issued, whereas California law prohibits expirations on gift certificates. Be sure to check with your state laws regarding redemption terms. Groupon and Living Social have contested this regulation stating that the deals are actually coupons and not gift certificates and therefore are not considered part of the “CARD Act.” Multiple class action suits have subsequently been filed.

8. IS THERE TRUTH IN ADVERTISING?

Daily deal sites don’t necessarily conform to the state advertising standards by properly listing the name of the provider, physician, or medical director, which means the onus falls on you. Physicians and medical practices must ensure that the advertising deal does not overstate professional qualifications or guarantee a potential outcome of a procedure. In Florida, it is illegal to state that a physician is Board Certified without listing the actual board, and furthermore, a physician may not state that they are Board Certified unless the board is recognized by the American Board of Medical Specialties.

9. DOES THIS DEAL CONSTITUTE FEE-SPLITTING?

Daily deal sites like Groupon and LivingSocial may be considered fee-splitting in some states. The federal anti-kickback statute prohibits the transfer of anything of value to induce the referral of federal healthcare program business. Some states have decided that if these deals are not normally covered as part of any third party of governmental program, then the offer is valid. There are multiple interpretations of this law, and I do not see the final result for some time. You are always better safe than sorry. Call your state medical board to find out where they stand on daily deals. If the general acceptable fee for promoting the procedure is what daily deal sites are charging, individual states may allow such practices. ■



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