

June 5, 2012: This reply references Marcus Harris's comment on the "Black Discount Buying Network". My prima facie comments on your idea are as follows:

1. You stated that this is being done in the USA with major companies, but none are focusing on Black businesses. "If the mountain will not come to Muhammad, then Muhammad must go to the mountain". Simply, Black businesses should seize the opportunity and find their competitive niche and tap into the established customer base in order to increase their revenue. Why "reinvent the wheel, jump on the bandwagon and enjoy the ride".
2. Your idea that Black businesses offer a 50% discount on a featured item for a network of black consumers conjure up several concerns. Since sodas are an elastic product the sustainability for small business owners would equate to profitability suicide--with inelastic products, not so much. Furthermore, the 50% discount along with the 5% commission payout would discourage any business (not only Black) from participating. Given that convenience stores are not producers of sodas, there is no way to achieve "economies of scale", which would allow for economic growth and an increase to their "bottom line".
3. Ideally, Black businesses should try to participate simultaneously in both of the above markets in order to maximize their profits.

Obviously, your idea is feasible given that it is already being done. As far as profitability, the network customers should include all customers not just Blacks. It's a matter of profit not color. Moreover, the 55% loss on each discounted item sold only exacerbates losses exponentially with the future sales of these discounted items. Alternatively, the opportunity cost of a lesser discount rate would outweigh opting for the higher rate of gaining tons of new customers.

In addition, microeconomic issues should be addressed when constructing a business plan in order to gain insight into the "bigger picture", especially when dealing with the challenges faced by small businesses. Also, did you follow through on your GROUPON idea? Thank you.

Sincerely,

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