

IVEY CASE 20

Groupon¹

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Sayan Chatterjee, Sarah O’Keeffe and Alison Streiff wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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Introduction

In December 2010, Groupon’s 30-year-old chief executive officer (CEO), Andrew Mason, and his company leaders met with Google representatives to talk about the future of Groupon, the fast-growing online coupon company. In the two years since its launch, Groupon had reached 35 million users and was earning annual revenues of around \$1 billion.² Google was now offering to buy out Mason and his partners. It was obvious that Groupon had hit upon a desirable business model. Would it be better for Groupon to continue on its own, trying to maintain the edge it had created — possibly even going public — or should Mason quit while he was ahead and sell out to Google?

What Is Groupon?

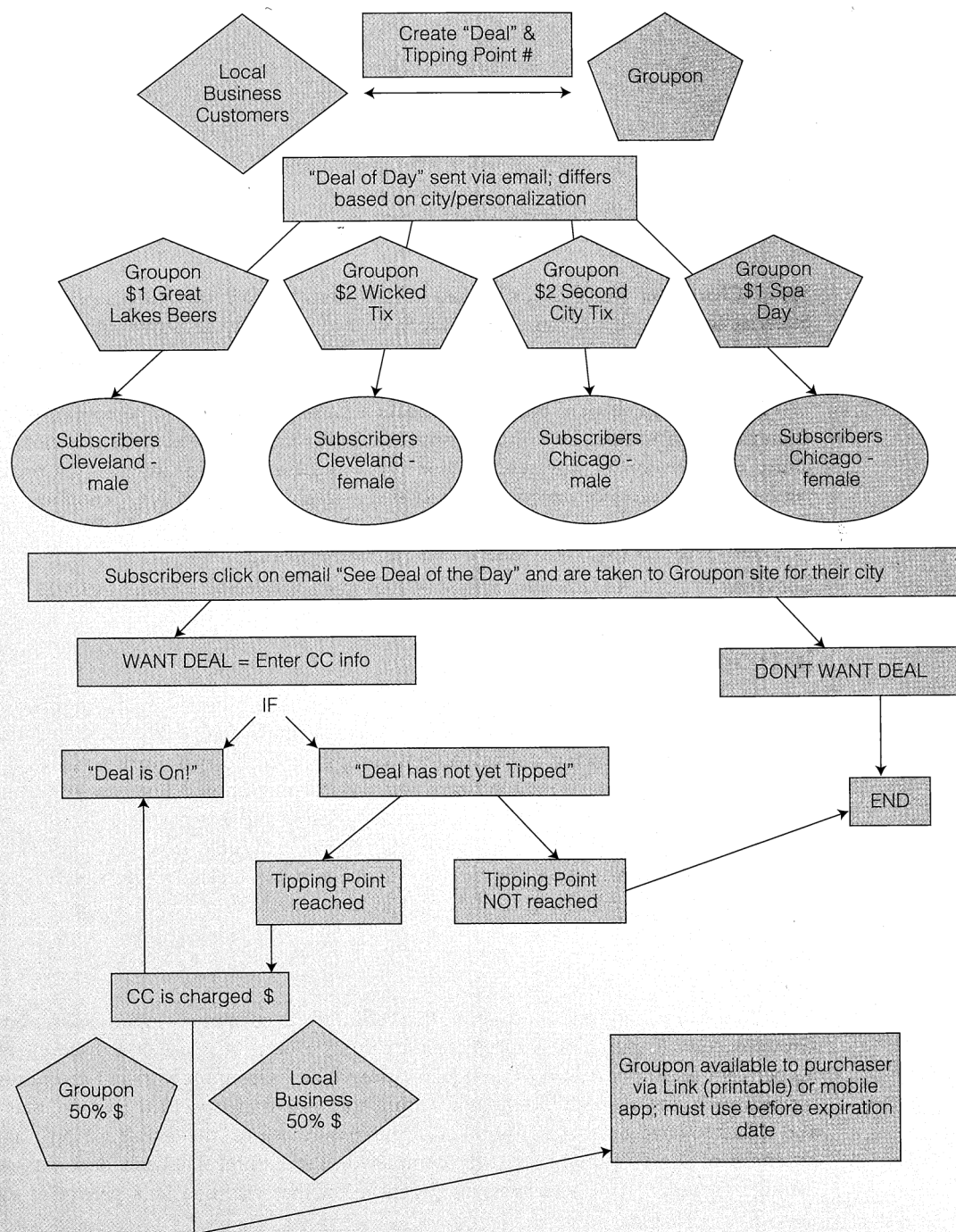
A Groupon was an online coupon that allowed a consumer, upon subscribing to Groupon.com, to purchase a specific service from a local business at a discount rate of 50 per cent to 90 per cent off the regular price. A new Groupon was sent to online subscribers each day; it had to be bought within the time limit specified (usually that day), and it had to have a minimum number of purchasers before “the deal [was] on”³ and the purchase of the Groupon was truly completed (see Exhibit 1). Each deal was set up through Groupon with a business or organization that was tied to a particular market

¹This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of Groupon or any of its employees.

²Evelyn Rusli and Jenna Wortham, “Groupon Said to Reject Google’s Offer,” *NY Times DealBook*, December 3, 2010, <http://dealbook.nytimes.com/2010/12/03/groupon-said-to-reject-googles-offer/>, accessed February 20, 2011.

³“How It Works,” www.groupon.com, accessed February 28, 2011.

EXHIBIT 1 Flow Chart



city. Subscribers signed up for their city of choice (usually the one in which they lived), and in turn, they received an e-mail with the Featured Deal of the Day plus a few “side deals” for that city; they were encouraged to share the deal with friends. Deals were personalized by gender and by any other personal details that a subscriber was willing to provide. As the subscriber purchased deals on an ongoing basis, Groupon further personalized or targeted future deals based on past purchase preferences.

The Beginning

In 2003, as a recent graduate of Northwestern University’s music program, Andrew Mason went to work for well-known Chicago entrepreneur Eric Lefkowsky at Innerworkings,⁴ where he was employed as a self-styled web designer. In 2006, Mason left web designing to attend Chicago University’s Harris School of Public Policy Studies. During this timeframe, a frustrating experience with his cell phone contract inspired Mason to experiment with a web-based platform for organizing collective action. As Mason’s former employer and mentor, Lefkowsky offered to bankroll the burgeoning platform project, leading Mason to quit school in order to focus full time on his brainchild, which, by November 2007, became known as The Point.

The Point: Make Something Happen

Mason wanted to use his new web-based platform to offer organizations and individuals a place to campaign for a cause. Through The Point, anyone could start a campaign and anyone could pledge support to that campaign. Individuals only tentatively joined a cause, and monetary pledges were not collected until the campaign’s predetermined tipping point — the amount of people needed to make it successful — was reached.⁵ Early examples of successful campaigns on The Point were “Buy a Wii for The Point Office” (posted by Andrew Mason, who collected \$350 for this campaign), “Chicago Wiffleball Tournament” (which raised \$600), and the petition “Save your dog! Stop DC Bill 17-089!” in Washington, D.C. (which tipped at 75 concerned citizens). While these early successes made great use of Mason’s platform, they did not generate income.

A year or so after The Point launched, Lefkowsky pushed Mason to think about how to make money with his concept. “[The Point] was too abstract and complex. So we said let us take one application of that — group buying — and focus on that and see what happens. So we started [Groupon] as this side project”⁶ in November 2008. The partners realized they had a tool that could inspire people to act. Next, they needed to identify a market in which getting a number of people (consumers) to act (purchase something) would result in income dollars for Groupon.

Groupon Model

Early Days of Groupon - Finding What Worked

Until it launched in a second city in March of 2009, Groupon offered its group-coupons from Chicago businesses only, while it continued to tinker with its deal-offering formula. One key to success came from figuring out what would be a truly popular deal and who would be interested in buying those deals.

⁴Marcia Froelke Coburn, “On Groupon and its Founder, Andrew Mason,” *Chicago Magazine*, August, 2010, www.chicagomag.com/Chicago-Magazine/August-2010/On-Groupon-and-its-founder-Andrew-Mason/index.php?cparticle=2&siarticle=1#artanc, accessed February 12, 2011.

⁵“Campaigns,” www.thepoint.com, accessed March 9, 2011.

⁶“Andrew Mason, Interview with Charlie Rose,” *Charlie Rose Show*, PBS, December 9, 2010, www.charlierose.com/view/interview/11338#frame_top, accessed February 12, 2011.

In a 2010 interview,⁷ Andrew Mason described these early days as a time when Groupon “still hadn’t quite figured out our stride yet, what worked and what didn’t.” Each day was a first for Groupon, as it offered deals from businesses in different sectors and in turn judged the subscribers’ reactions. Deals for a sensory-deprivation tank session sold extremely well, while a bus tour of Michael Jackson’s childhood haunts in Gary, Indiana, failed to catch on. Mason said the deprivation tank deal helped him to recognize “the potential of Groupon to ... help people ... have all kinds of experiences they might not otherwise have.”⁸ Through these early endeavors, Groupon learned to offer interesting, experiential deals to its users and to vet businesses in each market city that could deliver these types of deals. The tipping-point software allowed the company to automatically measure which deals were most popular, and a basic feedback tool was made available for both subscribers and businesses to report back on their Groupon experiences. Groupon developed into a veritable city guide for its users, serving as “a way for people to discover interesting, hidden gems in the city”⁹ and encouraging them to try something fun and new at a discounted rate.

Along with these successful sales to Groupon buyers came a flood of businesses that could not wait to add their names to Groupon’s stable of experience providers. In fact, Groupon soon boasted waiting lists that were “hundreds of businesses long” in the larger city markets.¹⁰ The most typical Groupon deals came from the entertainment and restaurant sectors. Yet, as it expanded, Groupon continued to experiment with its offerings and began to include deals such as a Donors Choose Groupon, where a New York philanthropist donated matching funds for certificates sold at \$20 for a \$40 value, and a \$10 Groupon for a copy of *Delivering Happiness*, a book by Zappos.com CEO Tony Hsieh.¹¹

Attracting both businesses and subscribers initially required a lot of footwork by the Groupon staff. The sales team hit the pavement to get businesses to provide coupons, and the initial subscriber list consisted of the e-mail addresses of Groupon workers’ friends and family. Early revenues plus \$30 million in investment funds from ACCEL Partners went towards hiring a more experienced sales force that possessed a skill set in face-to-face selling. Meanwhile, e-mail subscriptions were increased through e-mail newsletters, deal sharing on social media and, finally, through the purchase of subscribers from other companies’ client lists at \$3 per e-mail address.¹²

The Journey Towards Expansion: Groupon’s Working Formula

Once the model was set, Mason and his group used the social media infrastructure, built around sites like Facebook and Twitter, and an impressively skilled sales force in order to scale it to new cities. The sales force at Groupon, as discussed on Quora.com, numbered 2,000 after just two short years and was described as having “a core of really good and street savvy salespeople.”¹³ One contributor suggested that Groupon may have inherited its skilled sales culture by being another project funded Lefkofsky’s Lightbank VC firm.

⁷“Groupon’s CEO on Coupons and Start-Ups,” *Wall Street Journal Blogs, Digits*, June 9, 2010, <http://blogs.wsj.com/digits/2010/06/09/groupons-ceo-on-online-coupons-and-start-up-success/>, accessed February 20, 2011.

⁸Ibid.

⁹Ibid.

¹⁰Ibid.

¹¹Ibid.

¹²Chris McCoy, “How Did Groupon Scale Their Sales Team So Quickly?” January 25, 2011, www.quora.com/How-did-Groupon-scale-their-sales-team-so-quickly, accessed May 11, 2011.

¹³Brian Roemmele and Jeff Domoracki, “How did Groupon Build a 2,000+ Person Sales Force in Two Years?” February 4, 2011, www.quora.com/How-did-Groupon-build-a-2-000+-person-salesforce-in-2-years, accessed May 11, 2011.

Other Lightbank companies, Echo Global Logistics, MediaBank and Mason's former employer, Innerworkings, were all sales-oriented. Another contributor attributed Groupon's ability to bolster its sales force to generous commission compensation, which sometimes hit the mid-six figures, and to a poor economy that made finding willing high producers much easier.

Groupon opened in New York, its third city, in mid-2009 and became available in 70 American cities and 80 European cities by June of 2010. The company perfected the model for the collective buying industry,¹⁴ with many competitors following suit with their own subtle spins on deal-making and new competitors sprouting up as a result of Groupon's success. By February 2011, Groupon operated in 39 countries, including the United States, Canada, 16 European countries, and four Asian countries, with offices in each city or region it served.

Setting Up the Deal

Discount amounts, as well as the minimum and maximum number of deals available, were contracted between Groupon and the business before the deal was published. At this time, Groupon made money by taking a 50 per cent cut of all revenues generated from the daily deal.¹⁵ The day after a deal, Groupon sent a cheque to each participating business for the business's cut of the money made on the daily deal. The business did not expend any financial resources until the Groupon was redeemed by the purchaser. According to research reports,¹⁶ many analysts felt that Groupon's take of 40 per cent to 50 per cent of the revenue generated by each deal was unsustainable.¹⁷

Once a deal had been posted, subscribers had a time period during which they could purchase it. If the pre-set minimum number of subscribers purchased the deal, then the deal became valid, purchasers' credit cards were charged and they received their Groupon discount by e-mail or mobile phone application. Alternatively, for subscribers who purchased a deal that failed to reach the minimum, their credit cards were not charged, and the deal was off the table¹⁸ (see Exhibit 1).

In July of 2010, Groupon began to offer personalized options to its consumers. Deals were tailored to each subscriber based on what that user had entered into their profile and on what deals they had already purchased. For example, two co-workers who subscribed to Cleveland Groupon might each have a different main deal, but the main deal of one may be the side deal of the other. And, while the deals were personalized in this way, there was still an option for subscribers to share the deal with a friend.

Marketing

In addition to the basic formula above, Groupon had a unique style to its brand that helped sell its services to both subscribers and businesses. Groupon marketed itself mainly through its subscribers by encouraging them to share deals through social media, including e-mail,

¹⁴"Amazon Flings Money at Groupon Rival LivingSocial," December 2, 2010, http://money.cnn.com/2010/12/02/technology/Amazon_invests_LivingSocial/index.htm, accessed February 19, 2011.

¹⁵"GrouponWorks For Businesses," www.grouponworks.com/, accessed February 26, 2011.

¹⁶Sandra Guy, "Groupon Poised for Growth, Possible IPO," *Chicago Sun-Times*, February 22, 2011, www.sun-times.com/business/3935658-420/groupon-poised-for-growth-possible-ipo.html, accessed February 27, 2011.

¹⁷Scott Austin, "Facebook, Groupon, Zynga: Off-the-chart Revenue," *WSJ Blogs*, February 26, 2011, http://blogs.wsj.com/venturecapital/2011/02/26/facebook-groupon-zynga-off-the-chart-revenue/?mod=google_news_blog, accessed February 27, 2011.

¹⁸"FAQ," www.groupon.com/faq, accessed February 26, 2011.

EXHIBIT 2 Copy from Groupon — Featured Daily Deal for Cleveland, March 25, 2011

"Though soy sauce is commonly believed to be of Asian origin, several linguists have unearthed its true Iberian beginnings by decoding the hidden Spanish translation. Celebrate the intriguing international condiment with the help of today's Groupon: for \$15, you get \$30 worth of Chinese cuisine and drinks at Hunan Solon in Solon.

The recipient of Cleveland Magazine's 2008 Silver Spoon Award for Best Chinese, Hunan Solon's multiple menus chronicle an eclectic array of traditional Chinese and pan-Asian cuisine. A vast lunch selection pits the Sino-centric Hunan chicken combo platter (\$7) against the Southeast Asian pad Thai (\$6) in a gustatory battle of poultry/noodle supremacy.

An encyclopedic dinner menu doles out international appetizers such as the Korean-inspired beef rib strips (\$7), which serve as a prelude to an oeuvre of entrees, including the basil chicken, sliced with a flavorful textured mix of bell peppers, bamboo shoots, Spanish onions, and basil (\$10). The authentic Chinese menu indexes various regional dishes such as salt-baked pork chops (\$10) and a potpourri of seafood, vegetable, and meaty hot-pot combos (\$10—\$15).

Guests can nosh on Chinese delicacies and tipple from Hunan Solon's full bar in between vibrant jade-green wall sconces and Warhol-inspired canvas photographs. A five-foot-wide live lobster and Dungeness crab tank serves to show off the seafood goods and serves as mid-meal lecture material for adjunct marine-biology professors."

Source: www.groupon.com, accessed March 25, 2011.

Facebook and Twitter.¹⁹ Groupon also rewarded its subscribers in Groupon dollars if they referred a non-subscriber friend to Groupon and that friend then purchased a deal.

Groupon hired creative writers and copy editors to highlight and deliver the message of product uniqueness on Groupon's website as well as in daily e-mails and advertisements. These writers were guided by an inch-thick manual, with the famous Chicago-style improvisational humor as a core element.²⁰ Then, they would let the Groupon speak for itself (see Exhibit 2).

In 2010, Groupon opened an office in Silicon Valley and hired Mark Johnson, former ad executive at Netflix. The company aired its very first television advertisements in January 2011, during Super Bowl XLV.

Customers: Individual Subscriber Demographics

Among Groupon's estimated 40 million subscribers in more than 170 cities in North America,²¹ the core demographics reflected an extremely desirable market (see Exhibit 3). The typical Groupon subscriber was a young, single, educated, urban woman, employed and with significant earning power.

Women accounted for 77 per cent of Groupon subscribers in 2011, and more than two thirds of this customer segment fell between the ages of 18 and 34.²² According to ComScore, a marketing research firm, women were more likely than men to visit coupon sites and to use coupons. Women also spent more time than men in the process of searching online for discounted retail offerings.

Groupon subscribers tended to be well-educated. Half of Groupon's subscribers held a bachelor's degree, with an additional 30 per cent holding a graduate degree.²³ By

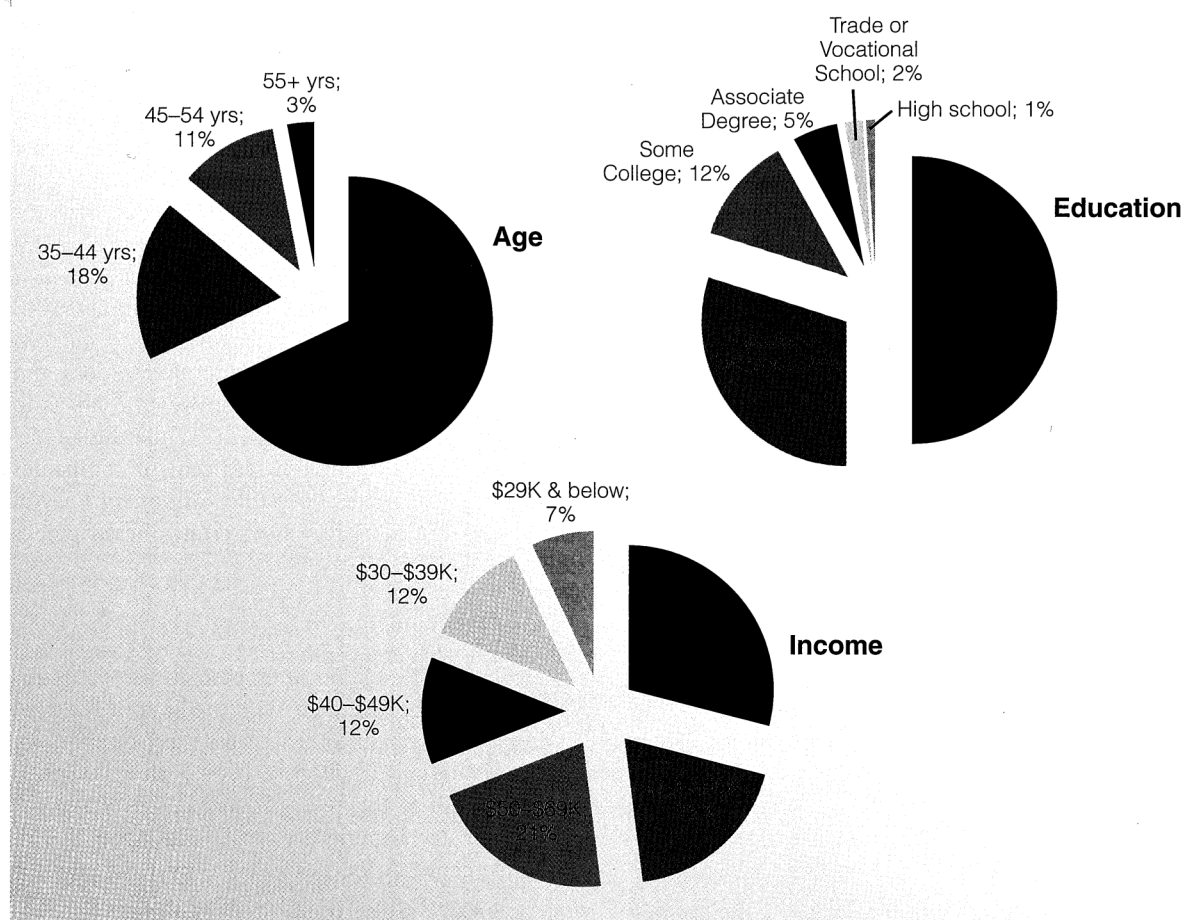
¹⁹Jere Doyle, "How Big Brands Can Harness the Group-buying Craze," June 1, 2010, www.imediaconnection.com/content/26855.asp, accessed February 20, 2011.

²⁰Marcia Froelke Coburn, "On Groupon and its founder, Andrew Mason," *Chicago Magazine*, August 2010, www.chicagomag.com/Chicago-Magazine/August-2010/On-Groupon-and-its-founder-Andrew-Mason/index.php?cparticle=2&siarticle=1#artanc, accessed February 20, 2011.

²¹www.grouponworks.com/, accessed February 28, 2011.

²²Ibid.

²³Ibid.

EXHIBIT 3 Demographic Data of Groupon's Individual Customers (March 2011)

Source: All graphs in this exhibit based on data from "GrouponWorks for Businesses," www.grouponworks.com/, accessed February 26, 2011.

comparison, according to the 2010 U.S. Census, only slightly more than one in four Americans had a bachelor's or higher degree.²⁴

The vast majority of Groupon subscribers were employed and— 75 per cent held full time jobs.²⁵ Twenty-nine per cent of Groupon subscribers had an annual income of more than \$100,000,²⁶ and 69 per cent earned more than the national average income, i.e., slightly less than \$50,000 for an American household in 2009.²⁷

In a recent interview, Andrew Mason, founder of Groupon, stated,

Part of what makes Groupon really fun for consumers is this element of discovery, finding new things, being surprised every morning [to find out] what the deal is. And we try to remain surprising and we try to do things, whether it's the deal you're getting or whether

²⁴www.census.gov, accessed February 28, 2011.

²⁵www.grouponworks.com/, accessed February 28, 2011.

²⁶*Ibid.*

²⁷www.census.gov, accessed February 28, 2011.

*it's the way we're writing about the deal or whether it's the brand and the culture of the company, that's constantly surprising people, because that's kind of the spice of life.*²⁸

Customers: Businesses

Typical profile — local, small to mid-sized, retail services, restaurants, health and beauty, etc. Groupon's chief operating officer (COO), Rob Solomon, maintained that the real *modus operandi* of Groupon was to wipe out perishability for small businesses.²⁹ Groupon was selling these businesses new customers by helping them to gain exposure through daily e-mailed deals, delivering Groupon customers literally to the door of each participating business. Groupons could drive a large number of visitors to a store location with a single event if the Groupon Deal was really popular.³⁰ For example, at Salon de la Mer in Mayfield, Ohio, the owners offered a Groupon for a manicure and pedicure for \$25; more than 1,000 people bought that particular Groupon. The deal was so successful that the owners went on to offer a tanning Groupon.³¹

Mason stated, "It's for the first time local businesses get performance-based marketing. They only pay when these customers walk in the door. We get them in the door and then it's up to them to give them an amazing experience...." He also went so far as to say that Groupon was the "small business savior."³² Others disagreed. While this model worked well for many customers, studies showed that up to 32 per cent of companies lose money on Groupon deals.³³ Small-business blog sites have told cautionary tales of how Groupons adversely affected business owners and have, as a result, offered guides on how to use Groupons effectively (or not at all).³⁴

Collective Buying Industry

Early collective buying sites such as Mercata and MobShop attempted to use collective buying for consumer goods, but they simply could not compete with the likes of Amazon in driving down prices. Their goods could be bought other places and often more quickly. "Mason took what he gleaned from the failed collective buying sites, switched the concept from goods to services and married it to the basic premise of The Point."³⁵

Thus, for a time, the collective buying industry became defined by Groupon,³⁶ with the core concepts involving the following elements: A local business offered its good or

²⁸"Andrew Mason, Interview with Charlie Rose. Charlie Rose Show," PBS, December 9, 2010, www.charlierose.com/view/interview/11338#frame_top, accessed February 12, 2011.

²⁹Sandra Guy, "Groupon poised for growth, possible IPO," *Chicago Sun-Times*, February 22, 2011, www.sun-times.com/business/3935658-420/groupon-poised-for-growth-possible-ipo.html, accessed March 6, 2011.

³⁰Diana Marszalek, "Groupon: Good Relationships Spur Success," *NetNewsCheck*, March 4, 2011, www.netnewscheck.com/article/2011/03/04/9592/groupon-good-relationships-spur-success, accessed March 7, 2011.

³¹Personal Interview. Gabby at Salon de la Mer. Mayfield, OH, February 26, 2011.

³²"Andrew Mason, Interview with Charlie Rose. Charlie Rose Show," PBS, December 9, 2010, www.charlierose.com/view/interview/11338#frame_top, accessed February 12, 2011.

³³Utpal M. Dholakia, "How Effective Are Groupon Promotions For Businesses?" Rice University, September 10, 2010, www.ruf.rice.edu/~dholakia/Groupon%20Effectiveness%20Study,%20Sep%2028%202010.pdf, accessed February 5, 2011.

³⁴Goeff Williams, "How to Avoid a Groupon Disaster," *AOL Small Business Blog*, December 2, 2010, <http://smallbusiness.aol.com/2010/12/02/how-to-avoid-a-groupon-disaster/>, accessed February 19, 2011.

³⁵Marcia Froelke Coburn, "On Groupon and its founder, Andrew Mason," *Chicago Magazine*, August 2010, www.chicagomag.com/Chicago-Magazine/August-2010/On-Groupon-and-its-founder-Andrew-Mason/index.php?cparticle=2&siarticle=1#artanc, accessed February 12, 2011.

³⁶Laurie Segall, "Amazon Flings Money at Groupon Rival LivingSocial," *CNNMoney*, December 2, 2010, http://money.cnn.com/2010/12/02/technology/Amazon_invests_LivingSocial/index.htm, accessed February 19, 2011.

services for a discounted rate in an attempt to attract new clients. Usually these deals were highly attractive to consumers in that they offered deep discounts on products or services that consumers might have been interested in buying or using but had not done so due to the cost. A website like Groupon offered or exposed the limited time deals to its members. The website members took advantage of the offer as well as communicated the offer by word of mouth to other potential like-minded consumers.

Collective buying or group buying has shown itself to be very compelling from a marketing standpoint," according to Sucharita Mulpuru, a retail analyst with Forrester Research. "It resonates with people and gets them to make a purchase quickly. And it's a great way for businesses to drive new customer acquisition."³⁷ In the case of Groupon, peer pressure has been a key factor in order to achieve the tipping point and ultimate purchase of the deal, "So if [a consumer] really wants the Groupon [then they should] be sure to either beg or threaten [their] friends [to sign up]."³⁸

Groupon's particular collective-buying model resembled a Dutch auction with some significant changes. A Dutch auction is described as a public auction where the price of a collection of the same item is set after all the bids have been offered. The highest bid at which all the items in the collection can be sold will be the final bid price. (This price will not necessarily be the highest bid offered.) Those participants with bids matching the minimum price or higher will be awarded items from the collection. The allocation of the items starts with the quantity request of the highest bidder over the winning price and continues down until all the items have been allocated amongst the winners.³⁹ If a buyer bid \$10 for a set of 10 T-shirts and the last accepted bid was \$5, that buyer would get all 10 T-shirts but would pay \$5 a shirt.

Groupon took the Dutch auction concept and twisted it. Instead of the price going up with the highest bidder, the quantity of coupons being sold climbed up with each person wanting to take advantage of the deal. Instead of the items in the collection staying constant, the price stayed constant, as it was predetermined by the vendor. Lastly, instead of the allotment being distributed to the winning bidders based on the individual bids from highest to lowest, coupons were given to all bidders until either all the available coupons had been distributed or until the deal's timeframe expired, whichever occurred first.

Consumers have been warned by the Better Business Bureau to do their due diligence to understand the restrictions and stipulations of group-buying deals in order to avoid the unexpected.⁴⁰ Groupon had a section called *The Fine Print* listed on each deal, and potential purchasers were reminded to review this section to ensure that the restrictions put in place by the vending business would not interfere with their use of the Groupon. A review of this section on several deals listed restrictions such as: limit one per visit; 24-hour cancellation policy or fees may apply; valid only at specific locations; limit one per table; dine-in only; not valid at happy hour; by appointment only; not available until a certain future date; shipping fees not included in discount and valid at certain times during the day.⁴¹ Groupon also had what could be considered an escape clause that could help a purchaser out of a situation where s/he felt that the deal was not good. The Groupon Promise, (see Exhibit 4) which was displayed on Groupon deal pages, stated, "If you ever feel like Groupon let you down, give us a call and we'll return your purchase — simple as that."⁴²

³⁷David Gelles, "Collective buying takes off," *SLOW Movement*, February 15, 2010, http://chutzhah.typepad.com/slow_movement/2010/02/ft-collective-buying-takes-off.html, accessed February 20, 2011.

³⁸"Groupon FAQ," www.groupon.com/faq, accessed March 26, 2011.

³⁹"Dutch Auction," *Investopedia*, www.investopedia.com/terms/d/dutchauction.asp, accessed March 26, 2011.

⁴⁰"BBB Advice for Getting Deals on Collective Buying Sites," *Better Business Bureau*, May 3, 2010, www.bbb.org/us/article/bbb-advice-for-getting-deals-on-collective-buying-sites-19247, accessed February 20, 2011.

⁴¹"Groupon, Various deal pages," www.groupon.com/akron-canton/, accessed March 26, 2011.

⁴²"Groupon," www.groupon.com/akron-canton/, accessed March 26, 2011.

EXHIBIT 4 Groupon's Promises to Its Users

"...you should feel comfortable venturing out and trying something new - just because it's featured on Groupon."

"No BS. We really want you to love Groupon. 'Gotchas' and buried conditions that sour the experience are a terrible way to accomplish that goal. We want each Groupon purchase to feel too good to be true, from the moment you buy to the day you use it. If there's anything unusual about a deal (e.g., an inconvenient location), we go out of our way to point it out."

".....If you contact us, we'll do what it takes to make things right - and we'll do it fast. Email us, or speak with a human (during normal business hours): (877) 788-7858

Source: www.groupon.com, accessed February 20, 2011.

Competition

Many new companies entered the competitive landscape in order to replicate the same success that Groupon and Groupon's initial competitors had enjoyed, and as a result, the market started to become quite crowded. Although a multitude of Groupon competitors emerged, many catered only to niche buying pockets, such as cosmetics or travel. Firms in the marketplace most similar in scope and structure to Groupon are tabulated in Exhibit 5.

It is evident that many competitors' deals were comparable to Groupon with regards to offer timing, the local businesses promoted, and the means through which that local business would reach out to a group-coupon company, such as a Groupon, in order to publicize and push its business into the spotlight. The largest contrast can be found in the way each competitor put its own spin on how daily deals became available to the people who purchased them.

Groupon Growth

Growth Initiatives

Groupon acquired several clone sites such as Citydeal (May 2010) in Europe, adding 16 countries to its roster.⁴³ Groupon then acquired Qpod (Japan), Darberry (Russia),⁴⁴ SoSasta (India), Grouper (Israel), and Twangoo (South Africa).⁴⁵ Groupon also started operations in Hong Kong, Taiwan, the Philippines, and Singapore in December 2010, through acquisition of deals sites Ubuyibuy, Beeconomic, and Atlaspost.⁴⁶

The firm considered a joint venture to allow expansion into China, giving Groupon access to China's 450 million internet subscribers. According to Bloomberg, Groupon had plans to have a workforce of 1,000 employees in China by summer 2011.⁴⁷

⁴³"Groupon expands by acquiring Citydeal of Europe," *Chicago Tribune*, May 16, 2010, http://articles.chicagotribune.com/2010-05-16/business/ct-biz-0517-groupon-20100516_1_samwer-brothers-expands-acquiring, accessed February 12, 2011.

⁴⁴"Groupon Makes Leap Into Japan and Russia With Latest Acquisitions," <http://techcrunch.com/2010/08/17/groupon-manifest-destiny/>, accessed March 27, 2011.

⁴⁵Stan Schroeder, "Groupon Buys Local Competitors, Expands to South Africa, India and Israel," <http://mashable.com/2011/01/11/groupon-south-africa-india-israel/>, accessed March 27, 2011.

⁴⁶Adaline Lau, "Groupon Expands Asia Footprint With 3 Acquisitions," www.clickz.asia/1946/groupon-expands-asia-footprint-with-3-acquisitions, accessed March 27, 2011.

⁴⁷Mark Lee, "Groupon Starts China Service; Tencent, Alibaba's Jack Ma Among Investors," Bloomberg, February 27, 2011, www.bloomberg.com/news/2011-02-28/groupon-starts-china-service-tencent-alibaba-s-jack-ma-among-investors.html, accessed March 27, 2011.

EXHIBIT 5

Firm

Living
SocialBuy-
WithMe⁴⁸DealOn⁵⁰

EXHIBIT 5 Competitors of Groupon

Firm	How it Works	Geography	Products	Timing	Merchant Affiliates
Living Social	One coupon listed per day with discounts of up to 90 per cent in some cases. A user clicks the offer to purchase the deal. If the user forwards the deal link to three or more other users (and they subsequently purchase the deal too), the deal then becomes free to the originating user.	USA, Canada, UK, Ireland, Australia	Includes, but not limited to: restaurants, spas, theaters and bars within a city region	Daily. Users can go directly to LivingSocial.com for the deal or sign up for the daily email to participate in the deal of the day.	Selected by staff on the LivingSocial team
Buy-WithMe⁴⁸	One coupon listed per day with discounts from 50 to 90 per cent off. The coupon is active for seven days for the deal to gather enough users to become active. Once the deal becomes active, users signing up for a deal receive an e-voucher to go towards their purchase. If not enough people purchase the deal, the user, subsequently, is not charged for the deal purchase. If a user refers a friend, the referring user gets a \$10 credit on their next BuyWithMe purchase.	USA — however, not all cities/regions are represented	Retail, restaurants, salons, recreation and more within a city region.	Daily. Users can go directly to BuyWithMe.com for the deal or sign up for the daily email to participate in the deal of the day.	A merchant goes to the BuyWithMe website to register their business for possible promotion. If interested, a BuyWithMe representative follows up with the merchant about a potential deal. ⁴⁹
DealOn⁵⁰	A user signs up for a deal at a given sale price. As more users sign up for a deal throughout the day, the price is driven down, until midnight, when the deal ends. The price of the deal at midnight is what all users will pay, regardless of what they may have paid earlier in the day.	USA	Includes, but not limited to: restaurants, spas and entertainment venues within a city region	Daily. Users can go directly to DealOn.com for the deal or sign up for the daily email to participate in the deal of the day.	A merchant goes to the DealOn website to register their business for possible promotion. If interested, a DealOn representative follows up with the merchant about a potential deal. ⁵¹

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⁴⁸“You’ve got Questions? We have Answers,” www.buywithme.com/pages/faq, accessed February 6, 2011.

⁴⁹“BoostYourBusiness with BuyWithMe,” www.buywithme.com/boostyourbusiness/#, accessed February 6, 2011.

⁵⁰“Frequently Asked Questions,” www.kgbdeals.com/company/faq, accessed February 6, 2011.

⁵¹“How DealOn Works,” www.dealon.com/featureyourbusiness/howdealonworks, accessed February 6, 2011.

EXHIBIT 5 Competitors of Groupon (Continued)

Home Run ⁵²	One coupon (50 per cent to 90 per cent off in most instances) listed per day. A user clicks the offer to purchase the deal. If enough users purchase the deal, all users receive the deal.	USA — however, not all cities/regions are represented	Includes, but not limited to spas, restaurants, event venues and salons within a city region	Daily. Users can go directly to HomeRun.com for the deal or sign up for the daily email to participate in the deal of the day.	Merchants register on HomeRun.com and are immediately able to advertise their first deal and have access to a merchant dashboard. ⁵³
KGB Deals ⁵⁴	Depending on availability, a user simply has between one or multiple days to purchase a coupon and is able to use the coupon immediately, regardless of how many others are interested in the deal. More often than not, deals last one day.	UK, Italy, France, USA — however, not all cities/regions in the USA are represented	Includes eateries, retail, and entertainment venues/activities within a city region.	Daily. Users receive deals via email.	A merchant goes to the KGB Deals website to register their business for possible promotion. If interested, a KGB Deals representative follows up with the merchant about a potential deal.
Tippr ^{55 56 57}	A user registers for the Tippr daily newsletter and receives three deals per day by e-mail. Each deal (lasting 2 to 5 days) starts off at a certain discount level, but when enough people show interest in the deal, it hits the tipping point and the deal accelerates to an even better savings level for those signed up for the deal. Refer a friend to a Tippr sponsored deal and the friend immediately enjoys a \$5 credit. Once the friend uses the \$5 credit, the referring user receives a \$5 credit.	A select number of U.S. cities	Includes, but not limited to salons, entertainment, retail, fitness, restaurants and bars within a city region	Daily. Users receive deals by e-mail.	A merchant goes to the Tippr website to register their business for possible promotion. If interested, a Tippr representative follows up with the merchant about a potential deal. ⁵⁸

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⁵²"How HomeRun Works," <http://homerun.com/how-it-works>, accessed February 6, 2011.

⁵³"Sign up for HomeRun and Submit Your First Offer," <http://homerundelivers.com/signup>, accessed February 6, 2011.

⁵⁴"Frequently Asked Questions," www.kgbdeals.com/company/faq, accessed February 6, 2011.

⁵⁵"How Does Tippr Differ from Other Group Buying Sites," <http://support.tippr.com/entries/110989-how-does-tippr-differ-from-other-group-buying-sites>, accessed February 6, 2011.

⁵⁶"What is an Accelerated Deal," <http://support.tippr.com/entries/111029-what-is-an-accelerated-deal>, accessed February 6, 2011.

⁵⁷"What is Tippr," <http://support.tippr.com/entries/111012-what-is-tippr>, accessed February 6, 2011.

⁵⁸"Contact Us," www.poweredbytippr.com/contact-us, accessed February 6, 2011.

EXHIBIT 5 Co**Twango**⁵⁹**Google Offers**⁶¹

Source: Created by

EXHIBIT 5 Competitors of Groupon (Continued)

Twangoo ⁵⁹	One coupon listed per day. A user clicks the offer to "purchase" the deal. If enough users purchase the deal, all users receive the deal.	Southeast Asia, Australia	Includes, but not limited to entertainment, retail and eating establishments within a city region	Daily. Users can go directly to Twangoo.com for the deal or sign up for the daily email to participate in the deal of the day.	A user or business suggests a business to feature. If interested, Twangoo works with the business to develop a deal that benefits both parties. ⁶⁰
Google Offers ⁶¹	Currently in the testing phase	Not clear	Instantly post discounts and other types of special offers across Google properties		Interested businesses can fill out a contact form

Source: Created by author

Conclusion

Groupon had found a revolutionary niche in the coupon market. Using connections in social media and the Internet, Groupon had gone from a concept of collective action to one of the fastest growing companies in America. It succeeded by partnering with local small business as well as by offering deals that were convenient, consistent and valuable. Groupon face many obstacles ahead, with intense competition and stricter legislation. However, Groupon managed to capture and engage an important customer demographic that was sought after by many businesses. Would its seemingly winning combination continue to allow the business to excel and expand in this increasingly contested market on its own, or did Groupon need the resources and capabilities that Google could bring to the table?

⁵⁹"FAQ," www.twangoo.com/hong-kong/en/page,3,faq, accessed February 6, 2011.

⁶⁰"Twangoo for Businesses," www.twangoo.com/hong-kong/en/page,5,twangoo-for-businesses, accessed February 6, 2011.

⁶¹"Thank You for Your Interest in Google Offers," www.google.com/landing/offers/index.html, accessed March 12, 2011.