

Groupon's Six Key Value Props – The Pro's & Con's

Groupon's Value Proposition to a Small Business

Advocates say...

Contrarians say...

1

A platform to generate new customer leads

- New customer traffic will bring add-on business
- Great for new businesses to generate quick customer awareness and customer base

- You have no control over who sees your deal
- Groupon doesn't give out emails of those who bought your deal
- Coupon clipping customers are not likely to be loyal
- Coupons destroy existing customer loyalty
- Coupons don't always bring new customers
- Teaches customers that you are willing to offer deep discounts
- Teaches customers to buy only when you offer discounts (coupons attract "deal-hoppers")
- Unprofitable high-volume business degrades support to regular business, as customer service declines, customers old and new tend to leave

2

Delivers geographic-centric deals

- Geo-targeting ads puts coupons in front of the population most likely to buy
- Coupons reward loyal customers

- Geographic-centric delivery moves backwards in technology timeline, it's "so 2000s." Google ads, for example, target based upon interest (search terms) and geographic location

3

Offers "Pay for Performance" model – cash outlay only when minimum coupons are sold

- Easy to calculate/prove ROI

- For small businesses with little structure and resources, it becomes difficult to execute on the delivery of goods or service; often the Groupon is recalled or cancelled – the "day after" syndrome
- For the "Day After", small businesses spend all their time fulfilling Groupons, that they struggle to service existing business patrons
- Groupon is an expensive new customer acquisition cost (and once you have new customers, you have to do something to keep them)

4

Pure advertising

- Besides delivering a sales coupon for a particular product or service, Groupon delivers a short message about the company, effectively a subscription based advertisement

- Mismatched delivery of irrelevant coupons alienates subscribers. Alienated subscribers don't read the ad beyond the headline offer.
Since Groupon emails don't target the recipient by interest group, subscribers often receive coupons that are dramatically mismatched, e.g. - a 36-year old male receives a coupon for fake nails and a pedicure.
- You don't get to pick the demographic the email is sent to, as you do in traditional marketing

5

Generates Buzz and Leverages Word-of Mouth advertising

- WOM advertising is the most powerful advertising method ever known to mankind
- WOM generates new sales leads outside of the Groupon
- To meet the minimum amount of purchasers, there is incentive for the current buyers to spread the word to recruit other buyers

- WOM entrants look for the same deal as the Groupon provided, whether they bought the Groupon or not
- WOM advertising may spread the wrong message about your company – that you are willing to discount and deal

6

Creates a sense of urgency

- Since a Groupon purchase is valid for just one day, and a Groupon often has an expiry date, the offer creates a sense of urgency, drawing the customer to the store when the customer may not otherwise show

- Same old story – trains a customer base to shop when only discounts are available