

Local vs. Global social-couponsing sites: a study of merchants' satisfaction*

FRANCESCA MAGNO** FABIO CASSIA*** MARTA UGOLINI****

Abstract

Purpose of the paper: In recent years, an increasing number of service providers have decided to run social-couponsing campaigns. However, few studies have been conducted to investigate their satisfaction. More importantly, the results available are generally based on data collected from merchants that have run their social-couponsing campaigns through the largest global daily-deals (Groupon, LivingSocial). Nonetheless, new local white-label-deals sites have entered the market. The purpose of this paper is to examine whether merchants' satisfaction with social-couponsing campaigns is different when using a local daily-deals site instead of a global site.

Methodology: This study is based on a cross-sectional design. Data were collected through two surveys conducted in the Italian context: the first among 157 Italian merchants that had used Groupon; the second among 106 merchants that sold their coupons through Kauppa, a local daily-deals site operating in six Italian provinces.

Findings: The results demonstrate similar levels of overall satisfaction for the two samples. However, significant differences between merchants using Groupon and Kauppa emerged in relation to the drivers of their satisfaction.

Research limits: it should be noted that this paper is based on the comparison of merchants' perceptions from two daily-deals sites: Kauppa and Groupon.

Practical implications: merchants may decide to use either a global or the local daily-deals site depending on the specific objectives of the couponsing campaign.

Originality of the paper: The few studies about social couponsing are based on data collected among merchants that have run their campaigns through the largest, global daily deals sites. To the authors' knowledge this is the first research involving a local daily deal site.

Key words: daily deals; coupon; social coupon; Groupon; promotion; merchant

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** Research Fellow of Management- University of Bergamo
e-mail francesca.magno@unibg.it

*** Researcher of Management - University of Verona
e-mail fabio.cassia@univr.it

**** Full Professor of Management - University of Verona
e-mail marta.ugolini@univr.it

1. Introduction and purpose of the study

Social coupons are online prepaid vouchers that are sold by service providers (i.e., by 'merchants') through daily-deals sites such as Groupon and LivingSocial (Ong, 2014). These coupons provide customers the opportunity to buy services with a discount ranging from 50% to 90% of the regular price (Kumar and Rajan, 2012).

Merchants may decide to run a social-couponing campaign for several reasons (Magno *et al.*, 2014): to increase their brand awareness (Kimes and Dholakia, 2011); to balance seasonality and periods of low demand (Sigala, 2013); to stimulate existing customers' demand (Dholakia, 2010; Wu *et al.*, 2012); to increase sales in general (Boon, 2013); and to acquire and retain new customers (Kumar and Rajan, 2012). Most merchants that use social couponing are small, local firms (Tuccillo, 2014). There are two principal reasons for this: first, social-couponing sites are able to act locally by specifically targeting customers living in the same town each merchant is located, and second, social couponing does not require a dedicated marketing budget, as commissions to the website are not paid in advance (Krasnova *et al.*, 2013).

Unfortunately, until now, research on the satisfaction of merchants with social couponing has been scarce and empirical studies on this issue have provided mixed results (Dholakia, 2010; Wu, *et al.*, 2012). For example, Wu *et al.*, (2012) reported that 36% of restaurant managers that had used social couponing in the United States were not satisfied and were unlikely to use it again; 36% were satisfied and likely to offer another daily deal; and 28% were unsure. Similarly, in a study among 157 Italian merchants that had run at least one social-couponing campaign through Groupon in Italy, Magno *et al.*, (2014) found a medium level of merchant satisfaction, with some respondents being very satisfied and others completely unsatisfied. In addition, available studies have generally analysed the perceptions of merchants that have run their social-couponing campaigns through the largest daily-deals sites such as Groupon, which is the market leader with US\$2.33 billion in revenue in 2012 (Groupon, 2013), and LivingSocial, which is second in the market with US\$536 million in revenue in 2012 (LivingSocial, 2014). These two players were the pioneers of social couponing (LivingSocial was founded in 2007 and Groupon in 2008) and have dominated the market until now; however, a number of followers have entered the market in the past several years. Ong (2014) recently noted that the upcoming white-label-deals sites from local publishers may change the competitive landscape and that this is a strategic issue worth examining.

The following outlines the purpose of this paper:

- to study the satisfaction of merchants that have sold coupons through white-label-deals sites in Italy
- to compare the results of this with the satisfaction levels found in a previous study (Magno *et al.*, 2014) of Italian Groupon's merchants.

By analysing the similarities and differences in the perceptions of the two groups of merchants, it will be possible to enrich our knowledge about the effectiveness of social couponing for service providers.

As this study cannot rely on previous comparable data from local white-label-deals sites, it is not possible to develop hypotheses. As such, our analysis will follow an inductive approach based on a rich interpretation of the gathered data.

The remainder of the paper is presented as follows: first, the method of this study and the research context will be introduced; the results will then be presented and discussed; conclusions and a discussion of the limitations of this study will complete the paper.

2. Method

This study is based on data collected from two groups of Italian merchants that have used two different social-couponing sites. The first group consists of a sample of merchants that have sold their coupons through Kauppa. Kauppa is a local deals site founded by the publisher of the main local newspaper in the province of Bergamo (1.07 million inhabitants) in the North of Italy. Kauppa began operating in Bergamo in November 2011, and gradually extended its presence to six other provinces in the same area (Brescia, Como, Lecco, Monza Brianza, Parma and Piacenza). To create the sample list, we collected from Kauppa's website the details of merchants that had published their offerings in 2012 and 2013, and visited these merchants' websites (when available) to gather their email addresses. The final sample list had 486 merchants. In June 2014, we sent all merchants from the sample list an email with a brief introduction of the research and a link to the online questionnaire. Overall, we received 106 usable answers (response rate: 21.8%).

The second group includes a sample of Italian merchants that had run a social-couponing campaign through Groupon. Groupon entered the Italian market in 2010. Currently, Italy represents their second largest market in Europe (after the United Kingdom) based on the number of subscribers (Spagnuolo, 2014). Data from these merchants were collected during a previous study (Magno *et al.*, 2014). Compiling the sample list for this group followed a similar procedure to that described for the first group. We subscribed to the daily newsletters Groupon sent to people living in four Italian towns (Bergamo, Verona, Rome, Milan) from January 2012 to October 2012. We thus obtained a list of 679 merchants and sent them an email with a brief introduction to the research and a link to the online questionnaire. We received 157 usable answers (response rate 23.12%).

To enhance data comparability, we used the same questionnaire for both groups. The questions aimed to gather information of the respondents' profile (e.g., kind of service provided, number of employees); their experience with Kauppa or Groupon (e.g., number of coupon campaigns they had run, number of coupons they sold); and their level of satisfaction with the coupon campaigns. Space was provided on the questionnaire to allow participants to express free comments about their experience with social couponing.

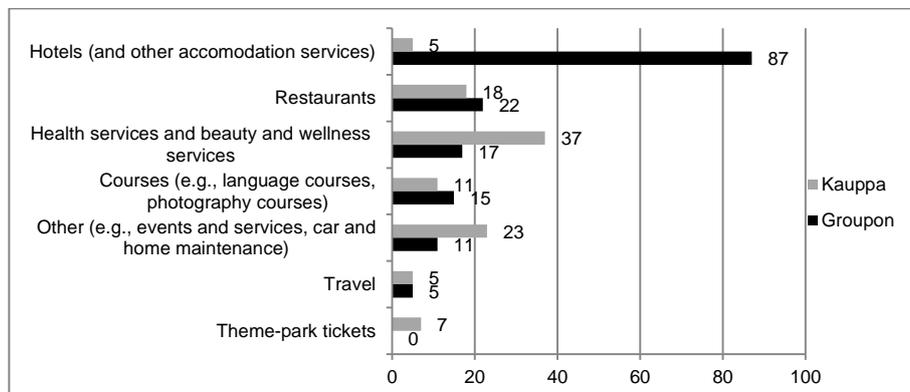
Data were analysed and compared using several techniques, including descriptive statistics, t-tests and regressions.

3. Results

3.1 Respondent profiles

Data demonstrated that the profiles of Kauppa's merchants versus Groupon's merchants are different in several aspects. First, slightly more than half of Groupon's merchants belong to the hotel industry, while Kauppa's sample included only five hotels. The service-industry sectors most represented by Kauppa are health, beauty and wellness services (34.9% of merchants). The percentage of merchants from 'restaurants' and 'courses' are quite similar in the samples. It should be noted that Kauppa had a high number of merchants providing 'other services'. This category consists of a great variety of unstandardised and creative services such as offering a coupon for three hours of a repair-person services.

Fig. 1: Merchants classified by service



Source: authors' analysis.

The study also found that Kauppa's merchants are smaller than those of Groupon (the percentage of firms with one to three employees is 67.9% for Kauppa and 39.5% for Groupon) (see Table 1).

Tab. 1: Merchant number of employees

Number of employees	Groupon (n=157)	Kauppa (n=106)
From 1 to 3	62 (39.5%)	72 (67.9%)
From 4 to 5	15 (9.6%)	9 (8.5%)
From 6 to 10	28 (17.8%)	20 (18.9%)
From 11 to 20	31 (19.7%)	2 (1.9%)
From 21 to 50	15 (9.6%)	2 (1.9%)
From 51 to 250	6 (3.8%)	1 (0.9%)

Source: authors' analysis

3.2 Respondent experience with Groupon and Kauppa

In both samples, approximately half of the merchants had run only one coupon campaign at the time of the survey (Table 2). In addition, the number of merchants with a high degree of experience with social couponing (more than five campaigns) was similar.

However, highly significant differences emerge in the number of coupons sold during each campaign. For example, 62.3% of Kauppa's merchants had sold fewer than 50 coupons, while 68.2% of Groupon's merchants had sold more than 100 coupons. This difference may be related both to the smaller business size of Kauppa's merchants and the lower number of Kauppa subscribers. These interpretations will be covered in the discussion section.

The data demonstrate that while the number of campaigns is similar, the amount of coupons sold per campaign is much smaller with Kauppa.

Tab. 2: Merchant experience with coupon campaigns through Kauppa/Groupon

	Groupon (n=157)	Kauppa (n=106)
Number of coupon campaigns run through Groupon/Kauppa		
Only 1	73 (46.5%)	49 (46.2%)
From 2 to 5	71 (45.2%)	52 (49.1%)
More than 5	13 (8.3%)	5 (4.7%)
Average number of coupons sold per campaign		
Fewer than 20	5 (3.2%)	41 (38.7%)
From 21 to 50	17 (10.8%)	25 (23.6%)
From 51 to 100	28 (17.8%)	19 (17.9%)
From 101 to 200	34 (21.7%)	10 (9.4%)
From 201 to 500	40 (25.5%)	7 (6.6%)
More than 501	33 (21%)	4 (3.8%)

Source: authors' analysis.

Participants were also asked to report whether they were able to retain coupon users (i.e., whether any coupon user had returned to the merchant without a promotion). In both groups, approximately 60% of merchants retained some customers, and the percentage of retained customers in relation to the number of coupons sold is also very similar in the two sample groups (18.7% for Groupon and 16.7% for Kauppa) (see Table 3).

Tab. 3: Coupon users retained by merchants

	Groupon (n=157)	Kauppa (n=106)
Number of merchants retaining one or more of their coupon users (i.e., users returned without a promotion)	93 (59.2%)	64 (60.3%)
Percentage of retained customers in relation to total number of coupons sold	18.7%	16.7%

Source: authors' analysis

Respondents were asked whether any of their coupons had been purchased by their existing customers (i.e., by customers that had already purchased from the merchant before the beginning of the coupon campaign). Data showed that the usage of coupons by existing customers was more common among Kauppa's merchants (Table 4).

Tab. 4. Coupons used by existing customers

	Groupon (n=157)	Kauppa (n=106)
Number of merchants reporting one or more of their coupons were used by existing customers	65 (41.4%)	51 (48.1%)
Percentage of coupons that were purchased by existing customers in relation to total number of coupons sold	8.8%%	17.2%

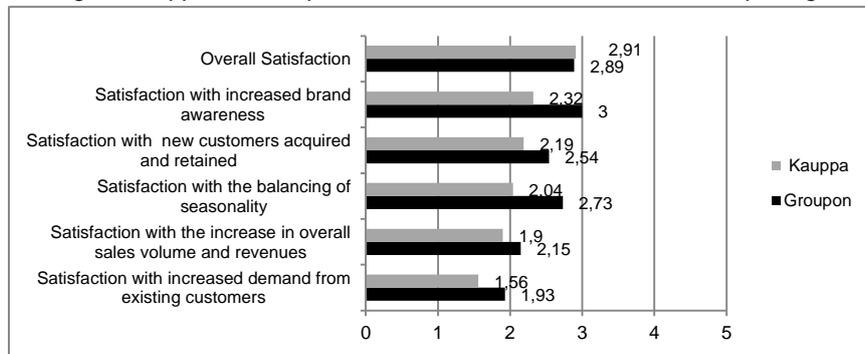
Source: authors' analysis.

3.3 Merchant satisfaction with coupon campaign

Overall, average merchant satisfaction was found to be very similar between the two samples ($X=2.91$ for Kauppa and $X=2.89$ for Groupon; $t(261)=0.85$, $p>0.10$). However, the distribution of the answers was slightly different, with 35.6% of Groupon's merchants either very satisfied (rating 5 on the 1–5 scale) or very unsatisfied (rating 1), compared to 20.7% of Kauppa's sample either very satisfied or very unsatisfied.

For the five specific objectives of social couponing, Kauppa merchants' satisfaction was found to be lower than that of the Groupon merchants. The difference in each of the five areas of satisfaction is statistically significant at the 0.05 level except for satisfaction with the increased overall sales volume and revenues, which is significant at the 0.10 level. In some cases, the difference between Kauppa's and Groupon's ratings are remarkable, for example, for satisfaction with increased brand awareness the result was 2.32 vs. 3.00.

Fig. 2: Kauppa vs. Groupon merchant satisfaction with social couponing



Source: authors' analysis

After having measured merchant satisfaction, we ran two linear regressions (one for Groupon and one for Kauppa) with satisfaction with the five objectives of the coupon campaign as the independent variables and the overall satisfaction as the dependent variable. Through these analyses, it was possible to identify which of the five objectives were perceived as most important by the merchants (and thus were more strictly related to their overall satisfaction).

The results (see Table 5) demonstrate that the objective of acquiring and the retaining new customers was very important for all merchants, while increasing brand awareness, balancing seasonality and stimulating demand from existing customers were relevant only for Groupon's merchants.

Tab. 5: Regression analysis

		B	t-statistic	p-value	VIF
Constant	Groupon		2.533	0.012	
	Kauppa		5.288	0.001	
Satisfaction with new customers acquired and retained	Groupon	0.329	3.946	0.001	3.408
	Kauppa	0.264	2.01	0.047	4.406
Satisfaction with increased brand awareness	Groupon	0.238	3.246	0.001	2.632
	Kauppa	0.201	1.607	0.111	4.01
Satisfaction with increased demand from existing customers	Groupon	0.11	2.073	0.04	1.389
	Kauppa	0.041	0.538	0.592	1.489
Satisfaction with balancing of seasonality	Groupon	0.146	2.025	0.045	2.547
	Kauppa	0.105	0.955	0.342	3.062
Satisfaction with increase in overall sales volume and revenues	Groupon	0.165	2.448	0.016	2.223
	Kauppa	0.283	3.16	0.002	2.052

Source: authors' analysis.

Dependent variable: overall satisfaction. Adjusted R2: Groupon = 0.682; Kauppa = 0.588. Significant results ($p < 0.05$) are marked in grey.

4. Discussion

Considering only the level of overall satisfaction, it may seem that the Kauppa and Groupon merchants have similar perceptions about their experience with social couponing. However, in-depth examination of the data reveals many relevant differences that deserve discussion.

First, while overall satisfaction is almost identical in the two cases, satisfaction with all five objectives is significantly lower for Kauppa merchants than for Groupon merchants. A possible interpretation of these apparently contradictory findings may be derived from analysis of the free comments. Most of the Kauppa merchants report that they were very satisfied with their relationship with Kauppa's salespeople. For example, they stated that the salespeople took care of their needs and spent time with them to design customised coupon campaigns. In addition, the

salespeople were considered approachable and responsive if any issue emerged. It should be noted that when Kauppa was first launched, the local publisher that launched it decided to use its established salesforce to sell Kauppa's services. As such, in several cases, there was a previous ongoing trust-based relationship between the merchant and the salesperson. The salesperson therefore had the means to evaluate which of the services included in their portfolio (i.e., Kauppa's services or traditional services) would better meet each merchant's specific needs. Conversely, several of the Groupon merchants reported that Groupon's salespeople adopted aggressive sales methods and did not provide them all the information they needed to evaluate whether they should run a coupon campaign. Moreover, Groupon's sales network is quite new (as it entered the Italian market in 2010) and has less knowledge of the local context. In sum, the overall satisfaction of Kauppa merchants is not only with the results of the coupon campaign but also with its management process (i.e., the support they received from the sales network). Indeed, the Kauppa merchants are generally from micro-firms and for them social couponing may represent the only innovative marketing tool they have adopted, which means they need support.

Second, the findings from the regression analysis suggest that while acquiring and retaining new customers was very important for all merchants, increasing brand awareness was a major purpose for Groupon merchants but not for Kauppa merchants. By considering these data alongside the data about the number of coupons that were sold, it emerges that Kauppa's merchants were interested in obtaining an incremental increase in the number of new customers. In interpreting this result, we should consider again that the majority of Kauppa's merchants were micro-firms, which means that these merchants could have been aware that their organisations could sustain only a step-by-step increase in customers and sales. This interpretation is supported by one merchant's free comment stating that Kauppa's salesperson helped them to evaluate the number of coupons they could sell without experiencing organisational stress. Conversely, Groupon's merchants seemed more attracted by the possibility of leveraging on Groupon's ability to reach a very high number of subscribers (Moretti and Tuan, 2014). Consequently, merchants considered their Groupon campaign as a means to enhance their brand awareness. For example, one merchant reported that no other marketing investment they had made was as effective as that of Groupon, which brought them 464 customers in 48 hours. Finally, it is interesting to observe that even if the percentage of existing customers using the coupons is a great deal higher for Kauppa, the possibility of enhancing the demand from existing customers is not a driver of the satisfaction of the Kauppa merchants but it is for the Groupon merchants.

In evaluating the suggestion that different objectives are pursued by the Groupon merchants versus the Kauppa merchants, the effect of a possible industry bias should be considered. Approximately 55% of Groupon's merchants belong to the hotel industry. This means that their main target is represented by non-residents (i.e., people that do not live in the area of the business). In the need to attract travellers, hotel businesses are more willing to rely on a large, well-established social-

coupons website (with possibly an international reach) such as Groupon. In this context, a large percentage of Groupon's merchants could have chosen 'enhancing brand awareness' as a valuable objective to pursue.

Considering all the evidence, it may be reasonable to suggest that social-coupons campaigns through the local daily-deals site Kauppa may better serve merchants operating in different service businesses and pursuing different objectives than those of Groupon's merchants. Kauppa is able to leverage its detailed knowledge of the local territory and business landscape, and thus, is able to target micro-firms, which are generally more willing to attract local customers and are sometimes overlooked by global daily-deals sites. Conversely, the principal strength of Groupon is in its ability to reach on a daily basis an impressive number of subscribers; thus, offering to merchants the possibility of high-impact promotions. Therefore, merchants may decide to use either a global or the local daily-deals site depending on the specific objectives they intend to achieve through the coupons campaign.

5. Conclusions and limitations

This paper has highlighted that running social-coupons campaigns through a local or a global daily-deals site may serve different objectives for merchants. While merchants using a local daily-deals site may pursue a step-by-step development of their business, global sites may help them to stimulate an immediate, large-scale market response.

Such global daily-deals sites are particularly useful for service providers that need to attract customers from a wider national, or even international, potential market (e.g., hotels that offer accommodation to travellers, and providers of other tourism-related services). As a possible consequence, a development strategy for global sites such as Groupon (but not for local sites such as Kauppa) could be to offer to merchants the possibility to reach international customers in their coupons campaign.

This supports the conclusion that both local and global deal sites can be used in a complementary way by merchants depending on the objectives they intend to achieve. Therefore, it is paramount for merchants to be fully aware about the potential and the limitations associated with different social-coupons companies (i.e., local or a global daily-deals sites). This awareness could help merchants to select the deals site most suited for their purpose.

Finally, it should be noted that this paper is based on the comparison of merchants' perceptions from two daily-deals sites: Kauppa and Groupon. Therefore, further research is needed to extend the findings. In addition, despite the significant response rate, the possible implications of respondents' self-selection should be mentioned. Moreover, while the purpose of this study was to investigate merchants' perceptions, future research could complement this by studying coupon users' perceptions when purchasing from local versus global daily-deals sites.

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