

# e-commerce essentials

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## CHAPTER 2 E-COMMERCE BUSINESS MODELS AND CONCEPTS

### CASE 1 Deals Galore at Groupon



**SUMMARY** Groupon Now! is a location-based service that helps you find great local deals that you can buy and use immediately via your mobile phone. This video illustrates how Groupon's location-based service works for mobile phone users. L= 1:31.

**URL** <http://www.youtube.com/watch?v=6TpGn47rqBU>

**CASE** Groupon's business model is based on the theory that everyone loves a great deal. Groupon is a popular "deal of the day" Web site offering discounted gift certificates usable at local or national companies. Each day Groupon e-mails its subscribers discounted offers for goods and services that are targeted by location and personal preferences. Consumers can also access its deals directly through its Web sites and mobile applications.

Customers purchase Groupons from the company and redeem them with affiliated merchants. The discounts are huge—usually 50 to 90 percent off. But there's a catch: A deal becomes available only if a certain number of people sign up for a specific daily Groupon offer. If the predetermined minimum is not met, no one gets the deal that day. This reduces risk for retailers, who can treat the coupons as quantity discounts as well as sales promotion tools. Groupon makes money by keeping approximately half the money the customer pays for the coupon.

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Groupon personalizes “deals” for users who supply some information about themselves, such as their zip code, gender and age—and it will make sure you see the deals most relevant to you. Subscribers who opt for personalization still receive information about their location’s featured deal of the day as well, and they can also pass along deals to their friends via e-mail or broadcast them to their social networks.

Most deals are only valid for a few hours and have a limited quantity. Subscribers can buy Groupon Now! deal vouchers on the Web, through Groupon’s mobile app for iPhone or Android devices, or by accessing Groupon’s mobile touch site at [touch.groupon.com](http://touch.groupon.com). It is possible keep track of Groupons by location, date and expiration.

This is how Groupon Now! works:

1. The user enters his or her location to find deals nearby. The user chooses the type of deal he or she would like to see.
2. If the user finds a deal he or she likes, that person “buys” the deal online via Groupon. The user can print the voucher or bring it up to display on a mobile device.
3. The user presents the Groupon Now! deal voucher to the merchant within the specified time frame and receives a discounted “deal” on movies, restaurants, or retail items.

#### VIDEO CASE QUESTIONS

1. What features of contemporary e-commerce does Groupon Now! utilize?
2. What value does this service provide subscribing merchants? What value does it provide customers?
3. What kinds of businesses are most likely to benefit from using Groupon?
4. Visit Groupon’s Web site and enter your zip code. What kinds of deals are displayed? Would you use Groupon? Why or why not?
5. Are there any disadvantages to both customers and merchants in using Groupon Now?

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