Local vs. Global Social Couponing Sites:
A Study of Merchants' Satisfaction

Francesca Magno
Department of Management, Economics and Quantitative Methods,
University of Bergamo (Italy)
email: francesca.magno@unibg.it (corresponding author)

Fabio Cassia
Department of Business Administration, University of Verona (Italy)
email: fabio.cassia@univr.it

Marta Ugolini
Department of Business Administration, University of Verona (Italy)
email: marta.ugolini@univr.it

Abstract

In recent years an increasing number of small service providers (restaurants, spas, etc.) have decided to run social couponing campaigns to enhance brand awareness, attract new customers and increase sales. Only few studies have been conducted to investigate merchants' satisfaction with the effectiveness of social couponing. More importantly, available results are mostly based on data collected among merchants that have run their social couponing campaigns through the largest, global daily deals sites, such as Groupon and Living Social. Nonetheless in the last few years, new local, white-label deals sites have entered the market.

The purpose of this paper is to understand whether merchants' satisfaction with the effectiveness of social couponing campaigns is different when using a local daily deal site instead of a global one. 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.

The results show similar levels of overall satisfaction for the two samples. Nonetheless significant differences between Groupons' and Kauppa's merchants emerged regarding the drivers of their satisfaction. Hence merchants may decide to use either a global or a local daily deals site, depending on the specific objectives they intend to achieve through couponing.

Keywords
Daily deals; coupon; social coupon; Groupon; promotion; merchant

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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, Living Social and others (Ong, 2014). These coupons give to the customers the opportunity to buy services with a discount ranging from 50% to 90% of the regular price (Kumar & Rajan, 2012).

Merchants may decide to run a social couponing campaign for several reasons (Magno, Cassia, & Ugolini, 2014): increasing their brand awareness (Kimes & Dholakia, 2011); balancing seasonality and periods of low demand (Sigala, 2013); stimulating existing customers' demand (Dholakia, 2010; Wu et al., 2012); increasing sales in general (Boon, 2013); and acquiring and retaining new customers (Kumar & Rajan, 2012). In particular, most of merchants using social couponing are small, local firms. This happens for two main reasons: first, because social couponing sites are able to act locally, by specifically targeting those customers living in the same town where each merchant is located and, second, because social couponing does not require a dedicated marketing budget, as commissions to the web site are not paid in advance (Krasnova et al., 2013).

Unfortunately, up to now, research on the satisfaction of merchants with social couponing has been scarce and empirical studies on this issue have shown 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 USA were not satisfied and unlikely to repeat this experience; another 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 merchants' satisfaction, with some respondents being very satisfied and others completely unsatisfied.

In addition, available studies have mostly analyzed 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 $2.33 billion revenues in 2012 (Groupon, 2013), and LivingSocial, which is the second player with $536 million revenues in 2012 (http://www.inc.com/profile/livingsocial). These two players were the pioneers (LivingSocial was founded in 2007 and Groupon in 2008) and have largely dominated the market up to now, but a number of followers have been entering the market in the last few years. In particular, as recently remarked by Ong (2014), the upcoming of white-label deals sites from local publishers may change the competitive landscape and this is a strategic issue worth examining (Ong, 2014).

Following these premises, the purpose of this paper is:
- to study the satisfaction of those merchants that have sold their coupons through one of these white-label deals sites in Italy; and
- to compare it with the satisfaction that we registered during a previous study (Magno et al., 2014) among a sample of Italian Groupon's merchants.

By analyzing 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. Hence our analysis will follow an inductive approach, based on a rich interpretation of data.

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

2. Method

This study is based on data collected from two groups of Italian merchants, which 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. It started operating in the province of Bergamo in November 2011, and then gradually extended its presence in 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 web site the details of the merchants that had published their offerings in 2012 and 2013, and then we visited these merchants' web sites (when available) to gather their e-mail addresses. The final sample list was composed by 486 merchants. In June 2014, we sent them an e-mail with a brief introduction to the research and a link to the online questionnaire. Overall we got 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 and currently Italy represents their second largest market in Europe (after UK) in terms of subscribers (Spagnuolo, 2014). Data from these merchants were collected during a previous study (Magno et al., 2014). The procedure followed to prepare the sample list was similar to the one described above. In particular we subscribed to Groupon's daily newsletters sent to people living in four Italian towns (Bergamo, Verona, Roma, Milano) from January 2012 to October 2012. We thus obtained a list of 679 merchants and we sent them an e-mail 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 data collections. Questions aimed to gather information about the respondents' profile (e.g. the kind of service they provide, the number of employees, etc.), their experience with Kauppa/Groupon (number of coupon campaigns they had run, number of coupons they sold, etc.) and their satisfaction. Free spaces were given, as well, to allow participants to express their free comments about their experience with social couponing.
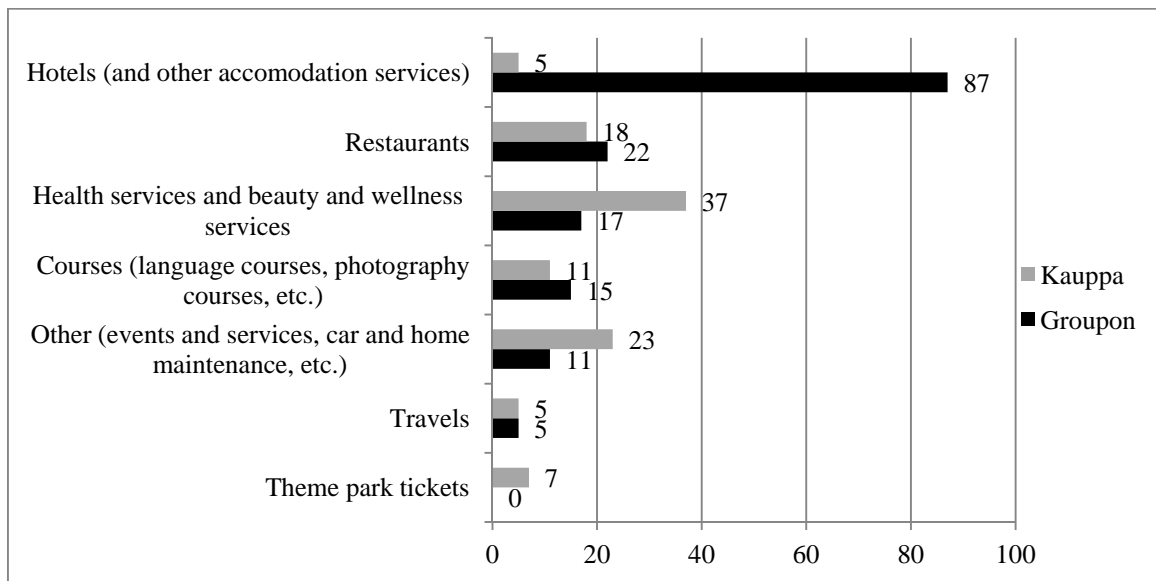
Data were analyzed and compared through several techniques, including descriptive statistics, t-tests and regressions.

3. Results

3.1. Respondents' profiles

Data show that the profiles of Kauppa's merchants vs. Groupon's merchants are different with regards to several aspects. First, slightly more than half of Groupon's merchants belong to the hotel industry, while Kauppa's sample included only 5 hotels. On the contrary, in the case of Kauppa the most represented service industry is the provision of health, beauty and wellness services (34.9% of the merchants). The percentages of merchants belonging to the two industries "restaurants" and "courses" are almost similar in the samples. Finally, the high number of Kauppa's merchants providing "other services" should be noted. This category consists of a great variety of highly unstandardized and creative services, such as the offering of a coupon for three hours of a handyman services.

Figure 1. Merchants classified by service industry

Source: our analysis

In addition (table 2), Kauppa's merchants are smaller than Groupon's ones (the percentage of firms with 1 to 3 employees is 67.9% and 39.5% respectively for Kauppa and Groupon).

Table 1. Merchants' 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: our analysis

3.2. Respondents' experience with Groupon/Kauppa

In both samples, about half of merchants had run just one coupon campaign at the time of the survey (table 2). Also the number of merchants with a high experience with social couponing (more than 5 campaigns) is similar.

On the contrary, highly significant differences emerge as regards the number of the coupon sold during each campaign. In detail, 62.3% of Kauppa's merchants had sold less than 50 coupons, while 68.2% of Groupon's merchants had distributed more than 100 coupons. This difference may be related both to the smaller dimensions of Kauppa's merchants and to the lower number of Kauppa's subscribers: these interpretations will be covered in the discussion section.

Hence, in sum, while the number of campaigns is similar, the amount of coupons sold per campaign is much smaller in the case of Kauppa.

Table 2. Experience of the merchants with coupon campaigns through Kauppa/Groupon

	Groupon (n=157)	Kauppa (n=106)
Number of coupon campaigns run so far 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		
Less 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: our 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 cases (table 3) approximately 60% of merchants retained some customers and also the percentage of retained customers in relation to the number of sold coupons is very similar in the two samples (18.7% for Groupon and 16.7% for Kauppa).

Table 3. Coupon users retained by merchants.

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

Source: our analysis

In addition, 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 show that the usage of coupons by existing customers was more common among Kauppa's merchants (table 4).

Table 4. Coupon used by existing customers.

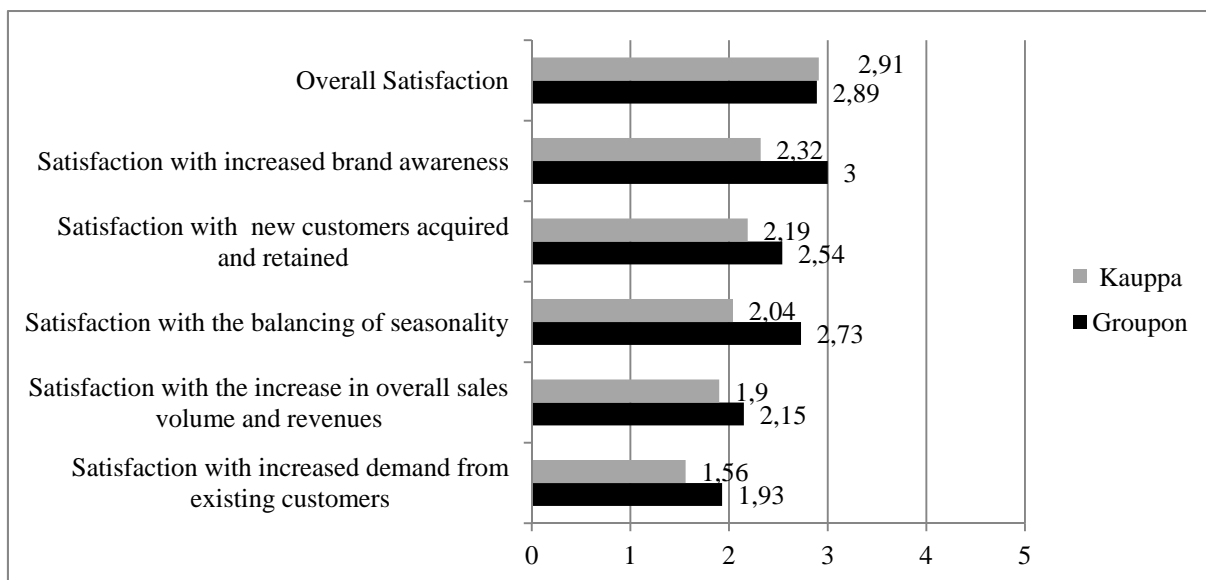|	Groupon (n=157)	Kauppa (n=106)
Number of merchants that report that one or more of their coupons were used by their existing customers	65 (41.4%)	51 (48.1%)
Percentage of coupons that were purchased by existing customers in relation to the total number of coupons sold	8.8%%	17.2%

Source: our analysis

3.3. Merchants' satisfaction with the coupon campaign

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

As regards the five specific objectives of social couponing, merchants' satisfaction in always lower in Kauppa's sample than in Groupon's one. All these differences are statistically significant at the 0.05 level except for the 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 particularly remarkable, such as for the satisfaction with increases brand awareness (2.32 vs. 3.00). Possible interpretations of these findings will be provided in the discussion section.

Figure 2. Kauppa's vs. Groupon's merchants satisfaction with social couponing.

Source: our analysis

After having measured the satisfaction, we run two linear regressions (one for Groupon's and one for Kauppa's samples) with the satisfaction with the five objectives of the 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 are more strictly related to their overall satisfaction).

The results (table 5) show 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.

Table 5. Results of the regression analysis. Dependent variable: overall satisfaction. Adjusted R²: Groupon = 0.682; Kauppa = 0.588. Significant results (p<0.05) are marked in grey.

		B	T-statistic	P-value	VIF
Costant	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 the balancing of seasonality	Groupon	0.146	2.025	0.045	2.547
	Kauppa	0.105	0.955	0.342	3.062
Satisfaction with the 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: our analysis

4. Discussion

Considering only the level of overall satisfaction, it may seem that Kauppa's and Groupon's merchants have similar perceptions about their experience with social couponing. Nonetheless, an in-depth examination of data reveals many relevant differences which deserve to be discussed.

First, while overall satisfaction is almost identical in the two cases, satisfaction with all the five objectives is significantly lower for Kauppa's than for Groupon's merchants. A possible interpretation of these apparently contradictory findings may be derived from the analysis of free comments. Most of Kauppa's merchants report that they were very satisfied about their relationship with Kauppa's salespeople. For example they state that the salespeople took care of their needs and spent time with them trying to design customized coupon campaigns. In addition salespeople were approachable and responsive in case any issue emerged. On this point, it should be noted that, at least at the beginning, the local publisher that launched Kauppa decided to use its established salesforce to sell Kauppa's services, as well. Thus, in several cases, there was a previous ongoing trust-based relationship between the merchant and the salesperson. The salesperson could thus evaluate which of the services included in his/her portfolio (i.e., Kauppa's services or traditional services) could better meet each merchant's specificities and needs. On the contrary, several Groupon's merchants reported that Groupon's salespeople adopted aggressive sales methods and did not give them all the information they needed to evaluate whether they should run a social campaign or not. Moreover Groupon's sales network is quite new (as this player entered the Italian market in 2010) and with lower knowledge of the local context. In sum, Kauppa's merchants overall satisfaction may register their satisfaction not only with the results of the campaign but also with its management process, i.e. the support they received from the sales network. Indeed Kauppa's merchants are mostly micro-firms and for them social couponing may represent the only innovative marketing tool adopted, thus 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's but not for Kauppa's merchants. By considering these data with those about the number of coupons which 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. Hence these merchants could have been aware that their organizations could sustain only a step-by-step increase in customers and sales. This interpretation is supported also by a merchant's free comment stating that Kauppa's salesperson helped her/him to evaluate the number of coupons s/he could sell without experiencing organizational stress. On the contrary Groupon's merchants seemed more attracted by the possibility of leveraging on Groupon's ability to reach a very high number of subscribers. As a consequence merchants considered their Groupon's campaign as a means to enhance their brand awareness. For example one merchant reported that no other marketing investment was as effective as Groupon, which brought her/him 464 customers in 48 hours. Finally it is interesting to observe that, even if the percentage of existing customer using the coupon is much higher for Kauppa, the possibility of enhancing the demand from existing customer is not a driver of the satisfaction of Kauppa's merchants (but it is for Groupon's merchants).

In evaluating the suggestion that different objectives are pursued by Groupon's vs. Kauppa's 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 don't live in their area. In the need to attract travelers, they are more willing to rely on a large, established social couponing web site (with possibly an international reach), such as Groupon. In this context, a large percentage of Groupon's merchants could have choosen "enhancing brand awareness" as a valuable objective to pursue.

Therefore by considering these evidences all together, it may reasonable to suggest that social couponing campaigns through the local daily deal site Kauppa may serve to a large extent merchants operating in different service businesses and pursuing different objectives compared to those of Groupon. Kauppa is able to leverage on its detailed knowledge of the local territory and business, and thus is able to mostly target micro-firms, which are more willing to attract local customers and also are sometimes overlooked by global daily deals sites. On the other hand, the major strength of Groupon relies in its ability to daily reach an impressive number of subscribers, thus offering to merchants the possibility of high-impact promotions. Therefore merchants may decide to use either the global or the local daily deals site, depending on the specific objectives they intend to achieve through the couponing campaign.

5. Conclusions and limitations

This paper has highlighted that running social couponing campaigns through either a local or a global daily deals sites may serve partially different objectives for merchants. While through a local daily deals site, merchants 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 sites are particularly useful for service providers that need to attract customers from a wide -national or even international– potential market, such as the case of the hotels that offer accommodations to travelers and of 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 these merchants the possibility to reach also foreign customers in their couponing campaign.

This supports the conclusion that both local and global deal sites could be used complementarily by the merchants, depending on the objectives they intend to achieve. Therefore it is paramount for merchants to be fully aware about the potentials and the limits

of social couponing through either a local or a global daily deals site. 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 only two daily deals sites, namely Kauppa and Groupon. Therefore further research is needed before extending the findings. In addition, despite the significant response rate, the possibility of respondents' self-selection should be mentioned. Moreover, while the purpose of this study was to investigate merchants' perceptions, future research could complement this knowledge by studying coupon users' perceptions when purchasing from local vs. global daily deal site.

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