Measurable Marketing – Path to Purchase Presentation

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Agenda

1. Background
2. Groupon 101:
   A. Market Landscape
3. Consumer Value - Why Consumers use Daily Deals (what is motivating them in the pre-purchase moment)?
4. Merchant Value - What are the merchants gaining from Daily Deals?
Focus on Local Businesses

What is Groupon?
(don’t call it a coupon site)

Lee's Sandwiches – Multiple Locations
$8 for Sandwich Meal with Choice of Smoothies or Iced Coffees for Two (Up to $17.50 Value)

In a Nutshell
More than 33 European- & Asian-Inspired sandwiches, such as tuna almond & barbecue pork, washed down with iced coffee & smoothies.

The Fine Print
Expires May 9, 2012
Limit 1 per person, may buy 1 additional as a gift. Limit 1 per visit. Valid only at listed locations. Must choose from menu.
See the rules that apply to all deals.

Over 1,000 bought

View all Now! deals
54 deals available today in San Jose

More Great Deals
$35 for a Dental Package with Exam, Cleaning, and X-rays at Right Dental Group ($300 Value)
Great response from National Brands/Deals

The Body Shop – Half Off Skincare and Bath Products

- $20
- View Deal

worth: $40
discount: 50%
savings: $20

The Body Shop
Location: Multiple Locations
Groupon in over 48 countries

1 day available, 16th July, almost 1500 people in 28 busses went from the Netherlands to Paris!

Mobile app’s, very popular in the Netherlands. Iphone app was downloaded 40,000 times within 10 days!
Market Landscape
Groupon is more than five times the size of the #2 player Living Social in terms of revenue and more than twice the size in terms of subscribers.

In fact, the vast majority of Living Social subscribers also subscribe to Groupon.

Less than 5% of Daily Deals subscribers belong to Living Social and not to Groupon.

Source: March 2012 Hall & Partners Study
The study found that Groupon has the largest “heart share” in the category.

Indicated as ‘my favorite deal site’ more than twice as frequently as the next most popular, and six times more frequently than Living Social.

The study also found that higher household income is associated with the purchase of more daily deals.

And that one of the key motivators for daily deals purchase is to try new products, be able to talk about them and make suggestions to friends.

How does this work?
What are each getting out of the deal?

Consumers

• Discovery
• Toe-in-the-water-trial
• Off-the-couch factor
• Social elements
• Out-of-my-rut factor

Merchants

• New Customers
• Increased visibility
• Profitable deal
• Word-of-mouth recs
• Revive Lapsers
• Customers that repeat/revisit
Groupon Users –

Who are these people and why are they using Groupon?
Are Groupon users “Deal Hunting Gremlins?”
Low income cheapskates only interested in getting a steal?
Reality – Groupon appeals to smart shopping consumers with disposable income looking to discover
Leading reason for leaving Groupon – Financial difficulties
Groupon User Profile

Affluent households are quite hip to daily deals. In fact, Groupon.com users are more than twice as likely as non-Groupon.com users to live in households with annual incomes in excess of $100,000.

And according to Groupon survey data, users are reported to be highly educated, with 80% having a College Degree and 30% of those having a Graduate Degree.

Groupon has a diverse group of affluent purchasers

- The GFK MRI Survey of American Consumer

Groupon User Profile

Future, Current, and Boomer Household Decision Makers

Source: GfK MRI Survey of the American Consumer, March 2012, Education from Groupon survey data
GROUPON HAS A DIVERSE GROUP OF AFFLUENT PURCHASERS”

2012 GfK MRI Survey of the American Consumer

67% of Groupon purchasers are women

• 38% are Millennials
• 29% are Gen X-ers
• 29% are Boomers

80%+ of US purchasers have at least a college degree

Groupon users are significantly more affluent than non-users - more than twice as likely to live in households with annual incomes $100,000+

General Demographics

Compared to Gen Pop, Groupon users:
- are more likely to be Female
- Higher Education
- Higher incomes
- Fewer children in the household

GfK MRI research also indicates that wealthy households are quite hip to daily deals. In fact, Groupon.com users are more than twice as likely as non-Groupon.com users to live in households with annual incomes in excess of $100,000. Moreover, Groupon.com users are 73% more likely to live in households whose net worth exceeds $1 million.
Merchants: What are they getting out of this?
More companies are finding the deals profitable. Merchants report that:

- Find Deals Profitable: 62% (down from 22%)
- Are Breaking Even: 19%
- Have Lost Money: 19%

Results remain strong whether a business has run 1, 2 or 7+ deals.

The number of merchants that plan to repeat is increasing. The likelihood to run future Daily Deals:

- After 1 Deal: 65%
- After 2 Deals: 87%
- After 3-4 Deals: 81%
- After 5-6 Deals: 85%
- After 7+ Deals: 86%

Businesses report 80% of customers spending above the deal value (consistent across all waves).

Businesses report 80% of the customers from daily deals are new – this is consistent over the 3 waves of his study (Spring 2011, Oct 2011 and May 2012).

1. This is a figure that under reports value since most merchants are hoping for profitability through repeat business and the methodology doesn’t allow enough time for repeat customers.
2. Utpal had predicted the opposite.

Source: Utpal M. Dholakia, Rice University July 2012
INCREMENTAL PURCHASES

83% were motivated by the Groupon to visit and purchase

54% of respondents brought companions

4 out of 10 of those companions made a purchase

61% report improvement in Merchant perception

88% plan to revisit the store in the next 12 months

82% spent more than the Groupon face value

Groupon National Sales Studies of Deal Purchasers (including data from Sony, American Apparel, Old Navy, Jamba Juice, Body Shop, Shutterfly, and Harlem Globetrotters) N=4,644, October 2011- May 2012

**TRUE / FALSE**

**Daily Deal Fatigue – Consumers are over it**

**Groupon Fatigue – Consumers have had it with the Brand**

**Users are cheap, low income, bottom feeders**

**Users only care about the discount**

**Fad industry about to fade away**

Source: Rice University, 9/11/2011
Satisfaction Benchmarks
ForeSee tracks Satisfaction for over 500 companies

- Groupon’s Merchant Satisfaction score is very strong – especially for a B2B score
- Groupon’s Customer Satisfaction also very strong – Top 5 of Internet retailers*

*Based on ForeSee Satisfaction Study of Top Online Properties
June 2012
Marketing Tool Comparison
Traditional Marketing Channels Measurements

- TV
- Radio
- Outdoor
- Print
- Direct Response
- Online Banners
- Paid Search

As a new medium – Groupon is held to a different standard than traditional marketing tools

Groupon

- Brand Impressions
- Consideration
- In-Store Over-Spend
- Customer List
- Companion spend, repeat & recommend
- Lapsers regained

Groupon

Repeat Customers
Overspend
Recommendations

The only reliable way for retailers and service providers to reach this 18-34 demographic, as well as the 74 million Americans below the age of 18, is to eventually abandon or shift a majority of ad expenditures away from the failing non-Internet space (and towards Groupon and Facebook).

Motley Fool 1/25
As a new medium – Groupon is held to a different standard than traditional marketing tools.
How to measure this new marketing tool?

• Compare with traditional marketing campaigns
  • National or local level?
• What are the key metrics to measure?
• How to measure ROI?
• How do we replace assumptions and conjecture with facts?