

Groupon newest deal to reward customer loyalty

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Groupon has come up with another way for bargain hunters to save money as the online coupon distributor prepares to raise money from wary investors.

The additional savings will be offered through a customer loyalty program that Groupon plans to unveil Wednesday.

Merchants who join the service set a spending target for customers to hit before they qualify for an even steeper discount than Groupon usually offers through the millions of daily deals that it sells each week.

The new feature is meant to please consumers and merchants alike as Groupon tries to revive interest in its initial public offering of stock.

The IPO had Wall Street buzzing when Groupon first filed its plans in early June because of the company's sizzling growth rate. But interest has waned amid doubts about Groupon's accounting, leadership and ability to maintain its lead in a market now drowning in daily deals.

After drastically restating its revenue last week, Groupon signaled it still intends to complete an IPO that aims to raise up to \$750 million. The company, which is based in Chicago, hasn't specified a timetable for pricing the IPO, but analysts now expect it to occur within the next month, unless the already shaky stock market gets even rockier.

If Groupon's new program works like company envisions, consumers who spend enough money to qualify for the reward would receive an 80 percent discount instead of the 50 percent markdown frequently given on its daily deals. For example, someone who spent \$100 with a hair stylist might only need to spend another \$20 to get the next \$100 in service.

Merchants will have the final say on the size of the discounts.

Groupon's attempt to foster more customer loyalty addresses one of merchants' most common complaints about the daily deals that offer discounts on everything from manicures to meals. Many people who buy the deals from Groupon and similar services redeem the coupons without spending anything extra or returning again, leaving merchants with a loss after splitting the revenue with the coupon distributor.

The concept of offering the largest discounts to repeat customers is similar in concept to one of Groupon's many rivals, LevelUp, which requires its buyers to make three visits to a merchant to get a better deal each time. Other services offer better discounts to customers who notified their online friends and followers that

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they are shopping at a certain store or eating at a particular restaurant.

Groupon is promoting its rewards program as the easiest one around because consumers will only have to tie their spending to a single debit or credit card to start working toward a payoff from a merchant. The system also will make it simple for merchants to monitor customer loyalty, said Jeff Holden, Groupon's senior vice president of product.

The rewards program initially will be confined to the Philadelphia area, one of the first places where LevelUp introduced its service earlier this year. Merchants will be able to sign up for Groupon's rewards program starting Wednesday while consumers will have to wait to Oct. 14 to start getting the promotions.

Groupon's daily deals became such a hot commodity that Internet search leader Google Inc. unsuccessfully tried to buy the company last year for \$6 billion. Google has since started its own deals service called "Offers" in an attempt to catch up to Groupon, which sold 32.5 million deals to 23 million customers in the April-June period alone.

Despite its popularity, Groupon hasn't been making money as management focused on expanding into new markets. The company now offers deals in 175 North American markets and 45 countries.

Groupon has lost a total of \$623 million since its 2008 inception. Criticism of its accounting prompted Groupon to restate its revenue so it only records the amount of money that it keeps from its coupons. In the first six months of this year, Groupon now lists its revenue at \$688 million, down from the previously reported \$1.5 billion.

On the same day that Groupon shaved its revenue, the company also revealed that its chief operating officer, Margo Georgiadis, had left the company after just four months to return to her former employer, Google.

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