

Promotional Strategies for Small Businesses: *Group Buying Deals*

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Online group buying through Internet-based daily deal websites such as Groupon.com has become a popular social commerce tool for consumers and retailers alike in recent years. Considering the benefits of deeply discounted prices for consumers and opportunities to drive store traffic and enhance product trials for retailers, the popularity is not surprising. Despite the apparent mutual benefits, there are risks too. Anecdotal evidence reported by small businesses suggests that many deal offers fail to break even, attracting one-time, price-sensitive customers. Little empirical research exists on the value of group deals for small businesses or the implications of participation on consumer attitudes and intentions. Using equity theory as a conceptual basis, the study examines how buyers value collective buying deals, and how that value translates into positive future outcomes for the firm, including repurchase intentions and positive word-of-mouth.

Small businesses demand general information about how to market their products and services, which can be particularly challenging given their time and financial resource constraints. Meziou (1991) noted that although small manufacturing firms have strengths in customer satisfaction and efficiency and consider customer costs, they do not embrace the marketing concept, and they focus too much on sales and not enough on research, planning and profits. During the same time period, Weinrauch, Mann, Robinson and Pharr (1991) noted a "...dearth of research that has sought to identify, analyze and contrast marketing strategies that might enable small businesses to effectively marketing themselves despite constraining financial resources" (p. 53).

The demand for information about low-cost ways to enhance sales revenues and grow profits remains an issue for small businesses today. Recently, Bresciani and Eppler (2010) described small business branding as an "oxymoron" because small businesses lack the resources to establish a clear identity through marketing communications, even as small businesses rely heavily on their ability to attract new clients for survival. Although some research has been targeted toward specific cost-efficient marketing and branding activities for small businesses (e.g. Browning and Adams, 1998; Allaway, Mason & Moore, 1988; Chaudhry 2008), there is a gap in the literature regarding how to use marketing tools in a cost-efficient way. The gap is broader when it comes to marketing tools that have become increasingly popular in the last decade, including database marketing, search engine marketing and marketing via social media (Bresciani & Eppler, 2010).

Research indicates that small businesses want information about how to use these tools to market their businesses. In a survey of 314 small businesses, Sciglimpaglia and Toole (2008), found that 36% desired information about how to use the Internet to enhance their businesses and 30% wanted to learn how to grow their businesses. Twenty-eight percent wanted information about advertising and promoting their small businesses. Looney and Ryerson (2011) recently reported that small business owners in the upper Midwest feel they do not use social media (including blogging, podcasting, online video sharing, message boards, wikis, social networking, and collective buying) to its full potential. Small business owners from South Dakota reported that they would like to build and grow a social media presence because of its ability to reach a targeted audience at a low cost but did not know how. Looney and Ryerson (2011) indicated that most existing resources provide information about etiquette instead of specific instructions for use of social media.

This study provides a step toward closing the gap between desired and actual social media marketing knowledge by examining how collective shopping deals, also known as group buying deals, can be used by small businesses. Using equity theory as a conceptual basis, the study examines how buyers value collective buying deals and how that value translates into positive future outcomes for the firm, including repurchase intentions and positive word-of-mouth.

First, we provide background on collective buying deals, including a specific example from a small business that offered a group buying deal. Next, using equity theory as a conceptual framework, we develop hypotheses about the role of group buying deal value in outcomes that affect firm performance. The model is tested using survey results from a convenience sample of 234 respondents. Finally, the results are discussed and specific recommendations for small businesses that are interested in using collective buying deals as a marketing tool are offered.

BACKGROUND: COLLECTIVE BUYING VIA ONLINE GROUP BUYING DEALS

Group buying deals originated with the growth of social media, online channels with prevalent connections to interpersonal networks. Part of the category of social media known as social commerce (Tuten, 2010), group buying deals offer participating consumers substantial discounts for local businesses if a designated number purchase the deal prior to the deal's expiration (usually within one day). For instance, a relatively new small business in Raleigh, North Carolina, called Restorations Skin Care which specializes in weight loss body wraps and facials offered a 64% discount on a body wrap and facial. Deal buyers could get the \$80 service for \$29. In one day, the business sold 1,491 of the deals. The proprietor considered the deal a resounding success for her new business because the business has low marginal costs that were covered by the purchase price. Further, offering the deal allowed the company to gain awareness in the market, stimulate trial of its holistic products and services, and develop traffic to its store location.

Groupon's previously reported waiting list of 35,000 businesses suggests that many businesses are eager to experience the value of group buying deals (Sherr, 2010); however, group buying deals are not a guarantee of success for small businesses. Articles in the popular press and elsewhere have questioned the value for small businesses, pointing out that the costs of offering some deals cannot be covered by the revenue from deals sold (Vacanti, 2011). Dholakia (2010) conducted a study of 150 businesses which had used a Groupon group buying deal. He found that the Groupon promotion was profitable for 66% of the study participants. The remaining businesses failed to sell full price products to deal buyers and experience repeat customers originating from their Groupon deals. Although many types of businesses were included in the study, restaurants seemed to be disproportionate failures when it came to Groupon deals while spas were disproportionate winners. The failure of restaurants was related to inability to provide exceptional service when deal redemptions were at their peak, server apathy toward deal redeemers, who were characterized as cheap because they did not tip on the actual cost of the meal, and inability to upsell higher margin products to patrons who responded to the deal. While daily deal offers can clearly generate pre-sales and drive traffic, they are not guaranteed success tactics for small businesses.

THE POWER OF GROUP BUYING DEALS

How do these deals generate such high sales in a short period of time? The power of group buying deals is a mix of access to large numbers of people, price-oriented and time-sensitive deals, and the social nature of the sales context. Group buying deals are typically offered through daily deal websites such as Groupon or LivingSocial. These websites publish the daily deals to their member communities via email and mobile channels and promote the deals using online news feeds in social media channels such as Facebook and Twitter. The social channels of communication used ensure that those who buy a deal share the decision with their own networks, resulting in a high reach. Dholakia (2010) explained that

news of Groupon deals spread virally through Facebook updates and Twitter tweets as people encouraged their family and friends to “tip” the deal, a term used to refer to the point at which the minimum number of purchases for the deal to make is met.

Thus, the format of group buying deals is based upon several influential promotional strategies including couponing, the presence of social proof, and offer scarcity. Couponing is a sales promotion tactic designed to generate incremental sales in a set period of time with a price-off offer. Group buying deals are similar in that they involve price-off offers but do so with two additional qualifications: 1) consumers must pre-purchase the deal and 2) a predetermined volume of deals must be sold.

Group buying deals are only realized by individuals when a sufficiently large group of people purchase the deal. In addition, such deals are not always available as other group volume discounts may be; rather, the deals are offered for a fixed period of time, typically for one day only. The process then by which people benefit from the deal differentiates group buying deals from other forms of collective buying. That is, group buying deals do not involve collective decision-making; rather, the process of choosing to buy is an individual one, albeit possibly influenced by the social proof offered from others purchasing the deal. Further, the decision is influenced by the perception of scarcity. The scarcity principle works by creating a sense of urgency to make a purchase decision in consumers, resulting in increased quantities purchased, shorter periods of time devoted to decision-making and greater satisfaction with the product (Aggarwal, Jun, and Huh, 2011).

THE CONSUMER APPEAL OF GROUP BUYING DEALS

Group buying deals are popular with Internet users; a recent study found that 32.5% of Internet users had purchased a Groupon deal (eMarketer, 2011). Perhaps this is not surprising given the benefits offered to consumers. Deal buyers acquire products from businesses at significant discounts of as much as 80%, enabling them low-risk opportunities to try new businesses. The scarcity of the deal creates a sense of urgency, which from a business perspective entices consumers to commit to the deal, but from a consumer perspective creates a sense of gaming and play (Dholakia, 2011). However, while the group buying deals clearly have the potential to pre-sell products and drive store traffic, the deal-specific nature of the offers may not always result in positive outcomes for businesses. Small business owners also rely on upselling to deal buyers as well as return visits after the promotion ends to maximize their returns. To do so requires an understanding of how consumers value group buying deals and their intentions post-deal. To date, there is no known research assessing consumer perceptions of group deal buying experiences and intentions.

HYPOTHESES DEVELOPMENT

VALUE PERCEPTIONS

From the consumer’s perspective, collective buying deals are likely to be perceived differently from other types of sales promotions both because of the social aspect and because they require the consumer to pre-pay for the deal, increasing the consumer’s commitment to explore the business’s offerings. Therefore, in addition to consumer perceptions that the offer is a good deal, consumer perceptions of the value of the deal, and his/her subsequent behaviors, are likely to be affected by perceptions that the deal is acknowledged as a good deal by a critical mass and by perceptions that the offer is worth exploring.

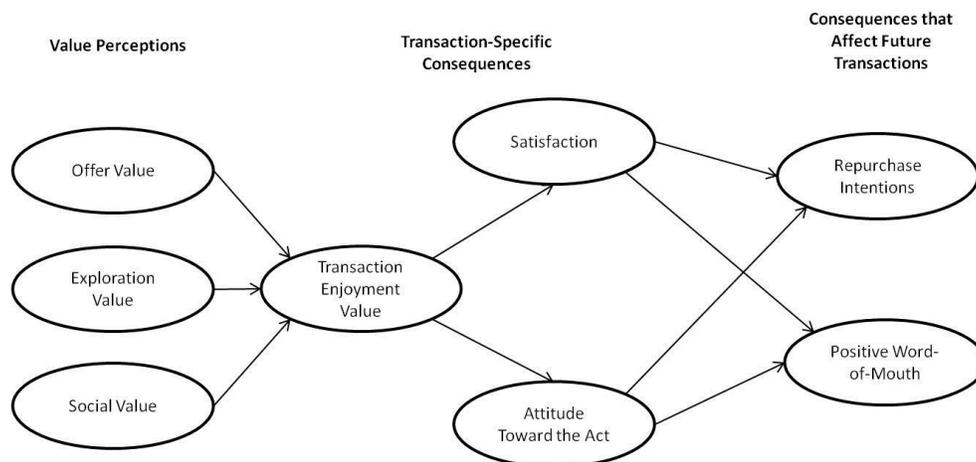
The idea that consumer valuations of group buying deals are broken down into three components is consistent with the work of Mimouni-Chaabane and Volle (2010) in the context of a different type of promotion. Mimouni-Chaabane and Volle (2010) provide empirical support for the idea that the

perceived benefits that are weighed against the cost of participating in a promotion can be separated into three types: utilitarian benefits (e.g. perceptions of monetary savings), hedonic benefits (e.g. perceptions of exploration benefits), and symbolic benefits (e.g. perceptions of social value). In the context of collective buying, relationships between each of these constructs and transaction enjoyment value, defined as the pleasure associated with the deal (Grewal, Iyer, Krishnan & Sharma, 2003), are proposed using equity theory as a conceptual basis.

Equity theory proposes the costs (what is given) to engage in a deal are weighed against the benefits (what is received), resulting in a judgment of value (Adams, 1965; Oliver & Swan, 1989). In the context of collective buying deals, perceptions of the transaction enjoyment value are expected to be related to the three types of benefits (utilitarian, hedonic and symbolic) relative to the costs associated with the deal. Figure 1 proposes relationships between the different types of consumer value judgments (gives vs. gets) that are relevant in the collective buying context and transaction enjoyment, transaction-specific consequences (*satisfaction* and *attitude toward the act* of purchasing the deal), and outcomes that are important to the firm because they affect future patronage (*consumer repurchase intentions* and *positive word-of-mouth*).

Utilitarian benefits, in this case characterized by perceptions of monetary savings, are compared to the immediate sacrifice associated with purchasing the deal and the deal's price to form consumer perceptions of *offer value*. From a consumer's perspective, the discount associated with the offering is thought to be a major driver of interest in the deal and willingness to pay in advance for the product (Dholakia, 2010). The more a consumer perceives a collective buying deal as a bargain (a deal of high monetary worth relative to the price paid), the more pleasure the consumer will associate with the deal. Therefore, *offer value* is expected to have a strong positive relationship with *transaction enjoyment value*.

Figure 1. Overall Model



Hedonic benefits, characterized in the context of collective buying as the exploratory benefits associated with satisfying curiosity about the products offered through the deal (Mimouni-Chaabane & Volle, 2010), are also compared to the costs associated with the deal. In addition to informing consumers of a merchant's existence, group buying deals encourage consumers to try goods they might otherwise have ignored (Edelman, Jaffe & Kominers, 2011). While merchants benefit from increased awareness and trial, consumers also are expected to meet their needs to explore different options. The resulting perception of *exploratory value* is expected to have a positive relationship with consumer pleasure associated with the deal. Consequently, *exploratory value* is predicted to have a strong, positive relationship with *transaction enjoyment value*.

Third, symbolic benefits, characterized in the context of collective buying as the social approval associated with taking advantage of the deal, are compared to the cost of the deal. As noted by Auty and Elliott (2001), consumers can rely on their consumption behaviors to foster a sense of belonging with other consumers. The social factor is particularly powerful in market sectors where consumption of the product is visible to other users. The nature of collective buying, where merchants may require a critical mass to buy the deal in order for the deal to be offered, encourages consumers to communicate with others about deals (via Facebook, Twitter, etc.), which increases the visibility of their consumption. As a result, consumers are expected to perceive greater social rewards relative to the monetary cost of the deal and the time/social cost associated with the communication when they take advantage of deals that appeal to a majority of individuals in the consumption network that is important to them. Consumers may also utilize the collective shopping deal as an excuse to share a meal or shopping experience with members of their social networks (Alves, 2010). The resulting perception of *social value* is expected to increase pleasure associated with the deal, resulting in a positive relationship with *transaction enjoyment value*.

Therefore, we hypothesize:

- H1a. Offer value will have a positive relationship with transaction enjoyment value.
- H1b. Exploration value will have a positive relationship with transaction enjoyment value.
- H1c. Social value will have a positive relationship with transaction enjoyment value.

TRANSACTION-SPECIFIC CONSEQUENCES

Transaction enjoyment value is expected to affect two transaction-specific consequences of purchasing and redeeming the collective buying deal: *satisfaction* and *attitude toward the act*. *Satisfaction* is defined as the post-purchase evaluation of a specific purchase occasion. A consumer's expectations are compared to his/her actual experience during the purchase transaction. A judgment is made regarding whether the experience fell below, met, or exceeded the consumer's expectations. Although *satisfaction* can be defined as "a cumulative, global evaluation based on experience with a firm over time" (Seiders, Voss, Grewal & Godfrey, 2005, p. 26), in this case, we are examining the consumer's satisfaction with the specific transaction when s/he redeemed the group buying deal. Since attitude is classically defined as an individual's evaluation of any psychological object (Fishbein & Ajzen, 1975), *attitude toward the act* is defined as an individual's evaluation of the act of purchasing and using the product (Mitchell & Olson, 1981).

The consumer's satisfaction with the purchase transaction when the deal is redeemed and his/her evaluation of the act of purchasing/using the deal are likely to be related, even though they are separate constructs. *Satisfaction* is an evaluation of the service experience when the deal was redeemed. *Attitude toward the act* is a reflective overall evaluation of whether the act of purchasing the deal was wise and beneficial to the consumer. Both constructs are expected to be influenced by the enjoyment value associated with the transaction of buying the deal. The enjoyment value associated with the transaction may help offset expectations that are not met, resulting in higher satisfaction ratings with the transaction. Further, perceptions of a transaction's value have been linked to satisfaction in previous empirical studies (e.g. Jones, Reynolds & Arnold, 2006). In the same way, positive evaluations of the *transaction's enjoyment value* are expected to have a positive effect on reflective evaluations that the act of purchasing and using the product was a good idea. Thus:

- H2: Transaction enjoyment value will have a positive relationship with satisfaction.
- H3: Transaction enjoyment value will have a positive relationship with attitude toward the act of purchasing a specific group deal.

CONSEQUENCES THAT AFFECT FUTURE TRANSACTIONS

Satisfaction and *attitude toward the act* of purchasing a group deal are expected to have relationships with two constructs that affect future transactions for the merchant: *repurchase intentions* and *positive word-of-mouth*. *Repurchase intentions* are consumer reports of the likelihood s/he will shop at a retail store again (Jones, Reynolds & Arnold, 2006). *Word-of-mouth* is a way to resolve psychological tension when a consumer has a high level of involvement in the purchase or use of a deal. Tension is relieved by sharing the experience with others (Jones, Reynolds & Arnold, 2006). *Positive word-of-mouth* occurs when the tension is created by a positive experience, so a consumer shares positive information about the merchant with other consumers.

The positive relationships between *satisfaction* and *repurchase intentions* and *satisfaction* and *positive word-of-mouth* have been replicated across a wide range of empirical studies in the past (e.g. Jones, Reynolds & Arnold, 2006; Bettencourt, 1997). Similarly, the positive relationships between *attitudes* and *repurchase intentions* and *attitudes* and *positive word-of-mouth* are well-established in the literature (e.g. Grewal, Krishnan, Baker & Borin 1998). Therefore, we simply seek to replicate these relationships in the context of group buying deals.

H4a: Satisfaction will have a positive relationship with repurchase intentions.

H4b: Attitude toward the act will have a positive relationship with repurchase intentions.

H5a: Satisfaction will have a positive relationship with positive word-of-mouth.

H5b: Attitude toward the act will have a positive relationship with positive word-of-mouth.

COVARIATE: INVOLVEMENT

Customer involvement with the product category may influence the customer's likelihood to repurchase from a company after they redeem the deal. Consumers portray part of their self-image and personal values through their involvement with products, brands, and retailers (Richins & Bloch, 1986). Therefore, we control for the effects of product category involvement on repurchase intentions.

METHODS

Primary research was conducted to test the hypotheses. The survey was a self-administered, online survey. A convenience sample of 234 respondents was recruited by the authors via social media (Facebook and Twitter) and through an undergraduate class about social media. The respondents who were recruited via Facebook and Twitter did not earn an incentive for participation; students were given extra credit as an incentive.

Respondents were prompted with a screener question: Have you purchased and redeemed at least one deal through a group deal such as Groupon or Living Social? Respondents that answered no were redirected to the demographic information (age, gender, income, education). Respondents who responded yes were prompted to give details about the number of deals they had purchased and redeemed, then to note the most recent deal they purchased and redeemed. For the most recent deal, respondents were asked to provide details about the amount they spent to participate in the group buying deal, the amount they saved, any additional money they spent when they redeemed the deal, and whether they shared the deal with friends, returned to the merchant, and whether they planned to return to the merchant (yes/no).

Next, the respondents who had purchased and redeemed at least one group deal were asked to respond to scale items that captured the constructs of interest: Offer Value (Grewal, Krishnan, Baker & Borin, 1998); Exploration Value (Mimouni-Chaabane and Volle, 2010); Social Value (adapted from Auty & Elliott, 2001); Transaction Enjoyment Value (Grewal, Monroe & Krishnan, 1998); Satisfaction (Voss,

Parasuraman & Grewal, 1998); Attitude toward the Act (Mitchell & Olson, 1981); Repurchase Intentions (adapted from Jones, Reynolds & Arnold, 2006); and Positive Word-of-Mouth (adapted from Jones, Reynolds & Arnold, 2006). All of the scales were 7 point, Likert scales anchored by 1 = Strongly Disagree and 7 = Strongly Agree except the Attitude toward the Act scale, which used three, 7 point semantic differential items. Finally, they responded to the demographic information (age, gender, income, education).

RESULTS

DESCRIPTIVE STATISTICS

Descriptive statistics for the overall sample and the sub-sample of group deal buyers are shown in Table 1. The sample of 234 respondents was 29.5% Male (69 respondents) and 67.1% Female (157 respondents; 8 did not respond). Most respondents fell within the age range of 18-24 (122 respondents) with a household income of less than \$10K per year (51 respondents) and some college (74 respondents). Of the sample, 83 respondents (35.5%) purchased and redeemed at least one group buying deal.

Table 1. *Demographics of Respondents*

Age					
<u>Total Sample</u>			<u>Group Deal Buyers</u>		
Age Range	Frequency	Percentage	Range	Frequency	Percentage
18-24	122	52.1%	18-24	28	33.7%
25-34	31	13.2%	25-34	17	20.5%
35-44	29	12.4%	35-44	17	20.5%
45-54	27	11.5%	45-54	9	10.8%
55-64	12	5.1%	55-64	3	3.6%
65+	2	0.9%	65+	0	0%
No Response	11	4.7%	No Response	9	10.8%
2010 Household Income					
<u>Total Sample</u>			<u>Group Deal Buyers</u>		
Income Range	Frequency	Percentage	Income Range	Frequency	Percentage
Less than \$10K	51	21.8%	Less than \$10K	8	9.6%
\$10.1-30K	26	11.1%	\$10.1-30K	6	7.2%
\$30.1-50K	29	12.4%	\$30.1-50K	12	14.5%
\$50.1-70K	17	7.3%	\$50.1-70K	5	6.0%
\$70.1-90K	23	9.8%	\$70.1-90K	12	14.5%
\$90.1-110K	17	7.3%	\$90.1-110K	10	12.0%
\$110.1-130K	4	1.7%	\$110.1-130K	1	1.2%
\$130.1-150K	7	3.0%	\$130.1-150K	2	2.4%
\$150.1K+	26	11.1%	\$150.1K+	13	15.7%
No Response	32	13.7%	No Response	14	16.9%
Education					
<u>Total Sample</u>			<u>Group Deal Buyers</u>		
Highest Level	Frequency	Percentage	Highest Level	Frequency	Percentage
Less than HS	3	1.3%	Less than HS	0	0%
HS grade/GED	13	5.6%	HS grade/GED	1	1.2%
Some college	74	31.6%	Some college	16	19.3%
Associate's Degree	25	10.7%	Associate's Degree	5	6.0%
Bachelor's Degree	73	31.2%	Bachelor's Degree	34	41%
Some Graduate School	11	4.7%	Some Graduate School	5	6.0%
Graduate Degree	21	9.0%	Graduate Degree	12	14.5%
Doctorate/MD/JD	4	1.7%	Doctorate/MD/JD	3	3.6%
No Response	10	4.3%	No Response	7	8.4%

CHARACTERISTICS OF DEAL REDEEMERS

The 83 respondents who completed the measures regarding their group buying deal experience were also predominately female (52 female respondents, 62.7%; 23 male respondents, 27.7%) and most fell within the 18-24 age range (28 respondents, 33.7%) while the most frequently reported annual household income was above \$150K (13 respondents, 15.7%). Thirty-four (41%) of respondents from our sample who participated in group buying deals had a Bachelor's Degree. According to a recent White Paper from Harvard Business School, these demographics are consistent with the self-reported information about the 29.25 million email subscribers to LivingSocial and Groupon deals: 71% female, 57% aged 18-34, 48% College Graduates, 30% with Household Incomes > \$100K (Eliason, Frezgi & Khan, 2010).

A binary logistic regression was conducted to see how the demographic characteristics within our sample related to the likelihood that a respondent participated in a group buying deal. Whether the respondent purchased and redeemed a group buying deal (yes/no) was the dependent variable. Age, gender, education and income were the independent variables.

The overall model was significant ($\chi^2 = 28.318$, $p < .001$) and explained 21.2% of the variance in the dichotomous dependent variable (Nagelkerke $R^2 = .212$). Among the independent variables, income ($\beta = -.199$, $p = 0.014$) and education ($\beta = -.542$, $p < .001$) were significantly related to participation in a group buying deal, which suggests that within our sample, respondents with lower income and education were more likely to participate in a group buying deal. Age ($\beta = .332$, $p = .052$) was marginally significant, which suggests older respondents within our sample were more likely to participate in a group buying deal. Gender was not significant.

On average, the 83 respondents had purchased and redeemed 5.49 deals, with a range from 1 to 50 deals. The respondents were asked to select and describe the most recent deal they purchased and redeemed. Most respondents purchased one of the deals in the most recent purchase (mean = 1.27), with a range from 1 to 4 deals purchased. On average, they spent \$29.34 on the specific deal they choose to report, with a range from \$0 to \$225. The respondent who spent \$0 got a Groupon for a free pita. The average savings for the deal they reported was \$41.25, with a range from \$2 to \$400. In addition to the amount spent on the deal, respondents spent an additional \$16.37 on average, with a range from \$0 to 400.

Of the respondents who participated in a group buying deal, 60 respondents (72.3%) shared information about the deal with their friends. Only 29 respondents (34.9%) returned to the company since they redeemed the deal; however, 70 (84.3%) of the respondents planned to return to the company in the future.

MEASUREMENT MODEL

The hypotheses were tested using a partial least squares (PLS) structural equation model. PLS provides a latent variable structure similar to LISREL structural models, but it is based on components instead of the covariance matrix, which makes it more flexible for small sample sizes. Further, using a structural model allowed us to test the proposed relationships in way that went beyond using summative measures in a regression because PLS considers the unique contribution of the individual items and automatically factors in the interrelationships between the constructs.

The PLS model was analyzed using SmartPLS version 2.0 M3. First, the measurement model was tested to ensure the measures used to capture the constructs are valid and reliable. With the exception of one of the loadings in the involvement scale, which was used as a covariate, the loadings of each reflective measure on its corresponding construct met the standards for reflective item reliability ($\geq .70$; Hair,

Black, Babin, Anderson & Tatham, 2006). Fornell and Larcker's (1981) composite reliability indicates the items met and/or exceeded standards for convergent reliability ($\geq .80$) (see Table 2 for loadings, means, standard deviations, and AVEs).

Table 2. *PLS Measurement Mode*

Construct	Items	PLS Outer Loadings	M	S.D.	Composite Reliability*
Offer Value	The deal appeared to be a bargain	0.872	6.02	0.89	.900
	The offer was a great deal.	0.920	6.06	0.85	
Exploration Value	At the offer price, I saved a lot of money.	0.805	5.55	1.05	.866
	Participating in this deal helped me discover a new product/service.	0.866	4.31	1.80	
	Participating in this deal helped me discover products/services I would not have discovered otherwise.	0.757	4.73	1.97	
Social Value	Participating in this deal helped me try a new product/service.	0.855	4.98	1.84	.886
	I believe that by buying this deal, I was consistent with the majority.	0.950	5.00	1.16	
Transaction Enjoyment	Participating in this deal provided me with an opportunity to be like others similar to me.	0.830	4.17	1.26	.883
	Taking advantage of a price-deal like this made me feel good.	0.819	5.71	0.86	
	I get a lot of pleasure knowing that I saved money at this reduced sale price.	0.863	6.14	0.87	
Satisfaction	Beyond the money I saved, taking advantage of these prices gave me a sense of joy.	0.857	5.60	1.02	.933
	I was satisfied with the product/service provided when I redeemed the deal.	0.932	6.14	0.81	
Attitude toward the Act	I was delighted with the product/service when I redeemed this deal.	0.939	5.93	0.95	.933
	The act of purchasing and using this deal was bad/good.	0.877	6.03	1.15	
	The act of purchasing and using this deal was foolish/wise.	0.891	5.95	1.15	
Involvement	The act of purchasing and using this deal was harmful/beneficial.	0.914	5.84	1.21	.860
	The product category is very important to me.	0.886	5.07	1.31	
	This product category matters a lot to me.	0.688	4.92	1.29	
Repurchase Intentions	In general, I have a strong interest in this product category.	0.875	5.43	1.30	.956
	I will probably shop from this company again in the future.	0.962	5.59	.949	
Positive WOM	I look forward to buying from this company again in the future.	0.953	5.53	0.95	.981
	I'm likely to say good things about this company.	0.967	5.79	0.94	
	I would recommend this company to my friends and relatives.	0.978	5.90	1.00	
	I recommend this company to others.	0.971	5.74	1.00	

*Fornell and Larcker's (1981) Composite Reliabilities, calculated by SmartPLS version 2.0 M3

Discriminant validity was assessed through the variance extracted test (Fornell and Larcker, 1981; Table 3). The results indicate all variables met the test for discriminant validity because the diagonal elements, which list the square root of the average variance extracted, are greater than latent constructs correlations listed on the off-diagonal elements in the same row and column.

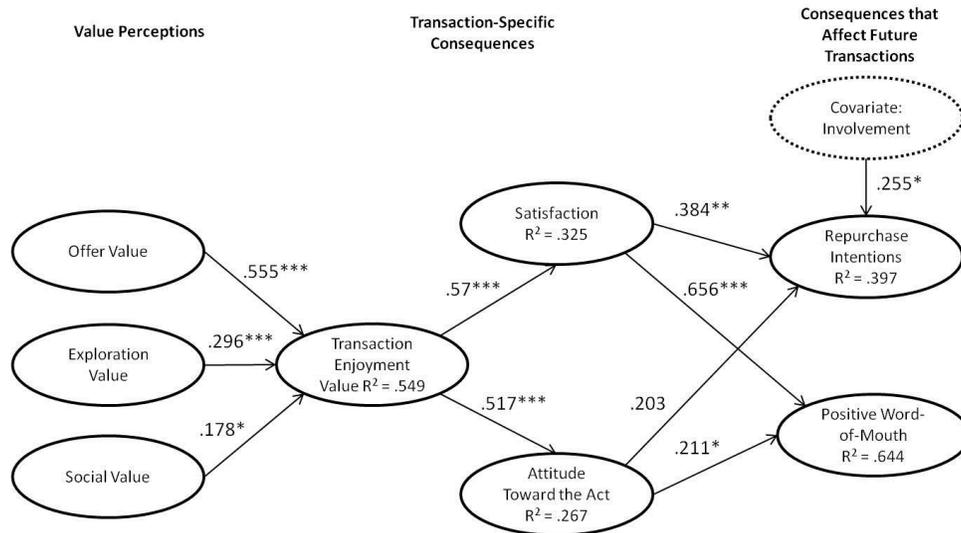
Table 3. *Discriminant Validity*

	1.	2.	3.	4.	5.	6.	7.	8.	9.
1. Attitude toward the act	0.894								
2. Exploration value	0.378	0.827							
3. Involvement	0.219	-0.030	0.821						
4. Offer Value	0.548	0.135	0.271	0.867					
5. Positive WOM	0.611	0.424	0.156	0.485	0.972				
6. Repurchase Intentions	0.493	0.199	0.350	0.386	0.746	0.957			
7. Satisfaction	0.610	0.434	0.132	0.625	0.785	0.542	0.935		
8. Social Value	0.325	0.195	0.201	0.282	0.381	0.339	0.398	0.892	
9. Transaction Enjoyment	0.517	0.406	0.284	0.646	0.422	0.352	0.570	0.393	0.846

PLS STRUCTURAL MODEL

Once the reliability and the validity of the measures are assured, path coefficients can be reported based on the results of a PLS structural model. For each predicted path, path coefficients (β) and t -values are reported that represent the results of a bootstrapping procedure of 200 subsamples. The model’s fit is assessed using the significance of the path coefficients for each path and the variance explained in the mediating and dependent variables. The results of the analysis with the path coefficients and variance explained are shown on the model diagram in Figure 2. The results for all but one of the hypotheses were supported.

Figure 2. *Hypotheses Tests*



H1a predicts *offer value* has a significant, positive relationship with *transaction enjoyment value*. This path is significant at $p < .001$ and shows a large effect on *transaction enjoyment value* ($\beta = 0.555$). H1b predicts that *exploration value* has a significant, positive relationship with *transaction enjoyment value*. This path is significant at $p < .001$ and shows a strong effect on *transaction enjoyment value* ($\beta = 0.296$). H1c predicts that *social value* will have a significant, positive relationship with *transaction enjoyment value*. This path is significant at $p < .05$ and shows a weaker effect ($\beta = .178$). The three constructs explain 54.9% of the variance in *transaction enjoyment value*.

H2 predicts *transaction enjoyment value* has a significant, positive relationship with *satisfaction*. This path is significant at $p < .001$ and shows a large effect on *satisfaction* ($\beta = 0.57$). H3 predicts that *transaction enjoyment value* has a significant, positive relationship with *attitude toward the act*. This path is significant at $p < .001$ and shows a strong effect on *attitude toward the act* ($\beta = 0.517$). *Transaction enjoyment value* has a medium effect size on *satisfaction* ($R^2 = 0.325$) and *attitude toward the act* ($R^2 = .267$).

H4a predicts *satisfaction* has a significant, positive relationship with *repurchase intentions*. This path is significant at $p < .001$ and shows a large effect on *repurchase intentions* ($\beta = 0.384$). H4b predicts that *attitude toward the act* has a significant, positive relationship with *repurchase intentions*. This path is not significant ($\beta = 0.203$; $p = .063$). *Involvement* is controlled for as a significant covariate ($\beta = 0.255$; $p < .05$). The three constructs explain 39.7% of the variance in *repurchase intentions*.

H5a predicts *satisfaction* has a significant, positive relationship with *positive word-of-mouth*. This path is significant at $p < .001$ and show a large effect on *positive word-of-mouth* ($\beta = 0.656$). H5b predicts *attitude toward the act* has a significant, positive relationship with *positive word-of-mouth*. This path is significant at $p < .05$, which indicates the relationship between these two constructs is not as strong as the relationship between *satisfaction* and *word-of-mouth* ($\beta = 0.211$). The two constructs explain 64.4% of the variance in *positive word-of-mouth*.

Although SmartPLS does not provide goodness of fit measures because it does not use a global scalar function, we use the method reported by Tenenhaus, Vinzi, Chatelin and Lauro (2005) to calculate goodness-of-fit (GoF). The global criterion GoF is the geometric mean of the average communality and the average R^2 . Using this technique, and the categorization of small (.10), medium (.25) and large (.36) effect sizes (Scheepers, Wetzels, & de Ruyter, 2005), the GoF of our model was categorized as a large effect size (0.586).

DISCUSSION AND IMPLICATIONS

The results of this study provide valuable insight for small businesses into how consumers view and experience group buying deals during post-deal evaluation. While businesses offering discretionary services (e.g., spas) with low marginal costs have largely benefitted financially from group buying deal offers, other businesses may find additional effectiveness measures must also be considered in assessing the overall success of offering a group deal.

IMPLICATIONS FOR SMALL BUSINESSES

Should small businesses utilize group buying deal offers? The results of this study and those reviewed in its development suggest that deals can be developed to meet the marketing objectives of small businesses. First, the literature recommends that small businesses offering discretionary products such as spa services are well-suited for success with group buying deals (Dholakia, 2010). Particularly in difficult economic times, many consumers may have decreased expenditures on such products and services. These consumers will respond positively to substantial discounts on something they want and have felt missing in their lives. Second, businesses with low marginal costs are ripe for success with group buying deals (eMarketer, 2011). Third, Dholakia (2010) found that the key predictor from a business perspective as to the profitability of the deal is employee satisfaction with the deal experience. He suggested that employees who are in the proper mindset for dealing with deal-prone customers (stereotyped as demanding but price-sensitive) are in a better position to provide the level of customer service which can ultimately create upsells and repeat business.

In terms of the recommendations based on this study, small businesses should seek to enhance perceived transaction enjoyment value. This can be accomplished by establishing a noticeable difference in the price point of the offer, by enhancing the perception of exploration, and the social aspects of the deal. For instance, small businesses which use a series of group buying deal offers can test the relative responsiveness and profitability at different price points in order to identify the best offer. The copy promoted in the offer can focus on the value of exploring new experiences and encourage deal prospects to consider planning deal redemptions with their friends and family.

Satisfaction with the deal experience is key to return business and positive word-of-mouth. We suggest that the offer affects satisfaction, but small businesses recognize there are many influences on perceived satisfaction. For instance, if a business is over capacity due to the success of a group deal offer, customers may feel that service is rushed or otherwise less than ideal. Thus, businesses also must consider their constraints in terms of capacity to manage the deal. One recommendation is to extend the life of the promotion's redemption date to spread out the need to service deal customers.

Other recommendations for small businesses seeking to use group buying deals offer to stimulate store traffic, enhance product trialability, and build awareness include the following:

- Ensure market for group deals in the geographic area overlaps with that of the business' target audience to ensure the offer resonates with the receiver.
- Create an offer on a product or service that helps communicate the business's unique selling proposition to ensure brand promotion whether people on the list respond to the offer or not.
- Use the offer to position an aspect of the business that can be used on an ongoing basis to increase the likelihood those who respond will become repeat customers. Avoid products that are infrequent expenditures.
- Plan the initial offering so the cost of attracting a new customer through the offer does not exceed revenue (considering the lifetime value of the customers to be attracted) or hurt the business's ability to serve existing customers.
- Gather testimonials from customers (preferably with a photograph) who respond to the deal and use their stories to attract additional customers.
- Encourage customers who respond to the deal that are satisfied or delighted with their experience to tell their friends, perhaps using another incentive if response is higher from deal-prone customers.
- Measure the success of the offer – in terms of deals sold, redemptions, and repeat business. Consider subtracting redemptions from existing customers, which lowers margins and hurts overall ROI. Use the information gathered to design future offers.
- Test the success of integrating the social shopping deal with other marketing efforts.
- Gather information from customers who respond to the deal so they can be thanked for their business, surveyed for satisfaction metrics, and contacted with future offers. Be clear about how customer's privacy will be protected in the process.

IMPLICATIONS FOR A MODEL OF GROUP BUYING

This study sought to establish the forms of value participants associate with the group deals they have purchased and redeemed and to establish the relationships between perceived value, satisfaction with the deal, attitude toward the act, and subsequent behaviors, specifically intent to return to the business and positive word-of-mouth recommendation. In terms of understanding perceptions of *transaction enjoyment value*, the results suggested that *transaction enjoyment value* is the outcome of three specific forms of value: *offer value*, *exploration value*, and *social value*. Though all three forms are useful in explaining *transaction enjoyment value*, the value of the offer itself had the largest effect. This suggests

that though deal buyers may appreciate the fun in finding and using new deals and the social aspect of sharing deals with others, a deal will be primarily evaluated based on the perceived financial value of the offer. Groupon and LivingSocial guidelines clearly encourage businesses making daily deals to make a strong discount offer to consumers.

Businesses using group buying deal offers to meet marketing objectives hope to generate sales beyond the products offered in the deal and to encourage repeat visits. The results suggest satisfied deal buyers are more likely to purchase from the business again and to speak to those in their networks positively about the experience. To the extent that the business can enhance the perceptions of *transaction enjoyment value* and *satisfaction* during redemption, *repurchase intentions* and *positive word-of-mouth* should accrue. In this study, we focused the model on our understanding of specific deal attributes which could affect perceived value and satisfaction. However, businesses should consider the many influences on customer satisfaction when establishing specific tactics to increase repeat business and positive word-of-mouth.

IMPLICATIONS FOR FUTURE RESEARCH

There are many opportunities for future research as past sales promotion and small business marketing literature is reexamined in the context of social commerce. For instance, Chandon, Wansink and Laurent (2000) noted sales promotions are most effective when the type of promotion is congruent with the type of product (e.g. monetary promotions are more effective for utilitarian products than hedonic products). Similarly, the hedonic and utilitarian benefits associated with group buying may be more or less effective depending on the type of product offered in the deal. The current study suffered from two key limitations. First, the sample was a self-selected convenience sample. Second, the sample was somewhat small. In follow up studies, this model should be reexamined using a probability sample of deal redeemers rather than a self-selected convenience sample. A longitudinal study to track cases of repeat business would also be useful.

In conclusion, this study presents a view of the value of group deals from a consumer perspective. While small businesses approach group deals as a tool for driving store traffic and increasing product demand and brand awareness, they also seek to generate residual benefits from the deal in the form of opportunities to upsell, future repeat business, and positive word-of-mouth communication. Small businesses take these residual benefits into account when they evaluate the return on investment and effectiveness of the deal holistically, considering not just the margin generated from deal redemptions but also the value of future patronage and word-of-mouth communication. Unfortunately for small businesses, the primary source of value associated with group deals is the utilitarian value of savings. That said, group deal buyers do experience other forms of value, which also influence perceived satisfaction and attitudes. With that in mind, this study explains the triggers for generating repeat business and positive word-of-mouth for group deal buyers.

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