

## Daily Discount Website: Deal is Closed or On?



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### **Abstract**

The rise of Groupon and similar daily deal website in U.S.A. has inspired many entrepreneurs in India into daily deal space. This paper examines why and how of daily deal websites, user and merchant experiences with regard to daily deal websites. Even though the daily deal website models is a rage, the unidentified fate of taking new challenges without doubt poses a big question for aspiring individuals who want to promote their businesses online and acquire large audience

### **Keywords:**

Daily Deal Websites, Discount, Offers, Loyalty, Sales Promotion

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### **Introduction**

From a fixed “time and space” service of a shop, transforming to a “24 x7” of service is what e-commerce has evolved today. The rise of internet has drastically changed the way people and organizations around the world communicate and carry out business with each other. From merely a medium of transferring data or communication, the internet phenomena have given birth to application termed as *e-commerce*. Oxford Pocket Dictionary defines e-commerce as commercial transactions conducted electronically on the Internet.

Products and services are now available on a command of mouse. Increasing measures of security in online transactions by service providers Visa and MasterCard as well as other players has resulted in rise in confidence of audiences in online commerce. The emergence of faster data transfer busted this trend even further. Organizations around the world have started setting up shops over the net. Entire market place for trade and commerce have seems to come up virtually.

The increasing influence and magnitude of e-commerce in business world has received more consideration from government and businesses ever since the level of interest in e-commerce has become advanced among Asian countries. Today, e-commerce has evolved to a huge amount and there are adequate examples on the internet to study..

India offers similar growth story in e-commerce. Indians are applying their entrepreneurial skills in e-ventures as well. Traditional business is getting e-clever. Traditional Indian bazaars are facing competition from e-bazaars, and some of the brick and mortar ventures are responding by having e-presence of their businesses.

## Literature Review

### What is a daily deal website?

"Daily deals" are progressively more fashionable means of conducting online sales promotions. Daily deals are online discount vouchers that target consumers in a given city and are typically offered by small and local businesses in that city, such as restaurants, spas, salons and gyms. (Subramanian, 2012) . 'Daily Deal Coupons' are also referred as 'Social Coupons'. Businesses aim at gaining new customers and customers will be motivated to try a new product or service at deep discount. Unlike advertisements in news paper, television, or other media, here, customers study all deals available carefully and purchase deals by paying token amount. Token amount compels and customers in consuming deal offers from the vendor resulting in to higher hit ratio.

### Why people like it?

- Good Deal- generally all products listed are at deep discount, a price that is too compelling for buyers. Perceived value of the deal is higher as it is a paid deal as compare to a totally free offer.
- Sense of Urgency- Deals are not forever, its time bound. If customer would like to avail the deal he/she will have to act quickly. Less time to think logically and hence may result in impulse buying.
- Aspiration- Any customer would like to upgrade life style or want to avail products which are beyond reach because of price. Customer may indulge in to luxuries like premium vacation, spa, fine dining restaurants etc.(Knight, 2011).

### How it works?

- These sites work on the concept of group buying. What is group buying? It is when a group of people come together and leverage their size in exchange for discounts. The deal usually is only "on" or possible if adequate people purchase the coupon. (Coupon Advisor, 2011)
- The site negotiates a deep discount from vendor and lists it.
- People go and visit a website, buy a discount coupon choice.
- Daily deal sites earn revenue through sells of coupon. Recently some daily deal sites like snapdeal have started selling merchandise as well.

### Benefits to Business

- Even if customer will not buy the coupon or product, business will gain from increase awareness about business/brand and recall.
- It is not intrusive promotion, but interactive promotion as the customers of these sites actively seek such promotional offers.
- Increase in volume- business can aim at increasing volume of nonmoving products.

- New customer acquisition- discount deals on such website brings in first time buyers to vendors. (Daily Deal Sites)

### Challenges for daily deal website

- Repeat Patronage- A study conducted by Rice University Associate Professor of Management Utpal Dholakia estimated that close to 80% of daily deal users were new customers. However, fewer spent beyond the deal's value or returned to purchase a product or service at full price. The lack of repeat business resulted into many organizations refraining from such deals. (Fuscaldo, 2011)
- Many Deals- Unlike Groupon which feature a deal daily for 24 hours, Indian deal site offers plenty of deals for longer period of time killing urgency and impulse say Kunal Shah founder of freecharge.in(Sinha, 2012)
- Customer Quality- Deal site reaches to customers through their data base. However the question is do organization needs buyers who seek discount and primarily patronage due to deals? (Aaron)
- Monotonous offer – With plenty of websites offering daily deal with so many products, there is no element of surprise or novelty, people considers discounts for granted.
- Survival of fittest -The business model which looked so rosy and potential started to witness some rough patches on the road. With the **closing of Taggle and Dealivore** it is apparent not everything is bright in the daily deal business.(Corporate Blog).

### Problem Statement

Phenomenal success of Groupon in America followed by snapdeal in India in daily deal space has resulted into many clones of deal websites. What future lies ahead for daily deal websites , merchants and consumers?

### Objectives

1. To understand how discount deal web site works.
2. To measure the awareness level about discount coupon websites in Ahmedabad city.
3. To find out preferred discount website by internet users in the city.
4. To find out preferred coupon category.
5. To identify gaps in terms of customer expectations from discount coupon website.
6. To examine the implications of online discount vouchers
7. To study the factors which play an important role in making purchase decisions from these websites.
8. To find out whether these websites are beneficial to the merchants who give discounts by collaborating with these sites.

**Methodology**

**Research Design :** Descriptive

**Population:** Internet users in Ahmedabad city, Merchants in Ahmedabad city

**Sample unit:** Internet users and merchants who use Discount Coupon websites, Merchants who are using discount deal website for sales promotion.

**Sample size:** Consumer : 300  
Merchant : 100

**Sampling method:** Non-probability purposive sampling

**Research Instruments:** Questionnaire & In-dept Interview

**Hypotheses Testing & Results**

In order to achieve above objectives following hypothesis were tested using appropriate statistical analysis and concluded as follow.

**Hypothesis 1:**

**H<sub>0</sub>:** Time spent on Internet is independent of Shopping Online

**H<sub>1</sub>:** Time spent on Internet is dependent on Online

**Table 1: Chi-Square Test Time Spent Online Versus Shopping Online**

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	60.679 <sup>a</sup>	24	.000
Likelihood Ratio	65.761	24	.000
Linear-by-Linear Association	.353	1	.552
N of Valid Cases	150		

a. 25 cells (71.4%) have expected count less than 5. The minimum expected count is .05.

**Inference**

Time spent on Internet is dependent on the habit of purchasing online. More a person spends time on Internet, the more he/she is likely to shop online.

**Hypothesis 2:**

**H<sub>0</sub>:** Convenience is not a significant factor in making a purchase decision online.

**H<sub>1</sub>:** Convenience is a significant factor in making a purchase decision online.

**Table 2: One-Sample Test – Convenience Versus Purchase Decision**

	Test Value = 2.5					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Convenience	-6.321	149	.000	-.400	-.53	-.27

**Inference**

Convenience in making a decision plays a significant role in making a purchase decision online. People prefer online shopping because it is more convenient and hassle free.

**Hypothesis 3:**

**H<sub>0</sub>:** Innovative product availability plays a significant role in making a purchase decision online

**H<sub>1</sub>:** Innovative product availability plays a significant role in making a purchase decision online

**Table 3: One-Sample Test Innovative Product versus Purchase Decision**

	Test Value = 2.5					
	T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Innovation	.945	149	.346	.093	-.10	.29

Inference

In case of the respondents who are students, Innovative products availability is not a significant factor in making a purchase decision online.

**Hypothesis 4:**

**H<sub>0</sub>:** Discounts/offers are significant factors to make a purchase decision online

**H<sub>1</sub>:** Discounts/offers are not significant in making a purchase decision online

**Table 4: One-Sample Test – Discount Offers Versus Purchase Decision**

	Test Value = 2.5					
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Discounts offers	-3.891	149	.000	-.280	-.42	-.14

Inference

Discounts and offers attract people to make a purchase decision online.

**Hypothesis 5:**

**H<sub>0</sub>:** Convenience in making a purchase decision online is linearly correlated to the experience after purchase

**H<sub>1</sub>:** Convenience in making a purchase decision online is not linearly correlated to the experience after purchase

**Table 5: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
dimension0 1	.081 <sup>a</sup>	.007	.000	.944

a. Predictors: (Constant), Time Saving

b. Dependent Variable: Purchase beneficial

**Table 6: ANOVA – Convenience Versus Purchase Experience**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.872	1	.872	.979	.324 <sup>a</sup>
	Residual	131.802	148	.891		
	Total	132.673	149			

a. Predictors: (Constant), Timesaving

b. Dependent Variable: Purchase\_beneficial

**Table 7: ANOVA – Convenience Versus Purchase Experience Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	1.236	.206		5.991	.000	.828	1.644
	Timesaving	-.091	.092	-.081	-.989	.324	-.272	.091

a. Dependent Variable: Purchase\_beneficial

**Table 8: ANOVA – Convenience Versus Purchase Experience Residuals Statistics<sup>a</sup>**

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	.78	1.15	1.05	.076	150
Residual	-1.145	3.036	.000	.941	150
Std. Predicted Value	-3.456	1.289	.000	1.000	150
Std. Residual	-1.214	3.217	.000	.997	150

a. Dependent Variable: Purchase\_beneficial

#### Inference

Here  $R^2 = 0.081$

- ⇒ Only 8% of the variation in the dependent variable (Purchase Beneficial) is explained by independent variable (Time saving).
- ⇒ Which is clear evidence that, the purchase experience of the respondents does not depend on what they perceive about Time saving as a factor for making an online purchase decision.
- ⇒ Also  $p = 0.324, p > 0.05$

Hence, the regression model under study is insignificant.

Purchase experience and Time Saving as a factor to make a purchase decision online are independent of each other.

#### Hypothesis 6:

**H<sub>0</sub>:** Discounts/offers availability factor in making a purchase decision online is linearly correlated to the perception about the genuineness of discounts

**H<sub>1</sub>:** Discounts/offers availability factor in making a purchase decision online is not linearly correlated to the perception about the genuineness of discounts

**Table 9 :Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
dimension0 1	.023 <sup>a</sup>	.001	-.006	1.216

a. Predictors: (Constant), Discounts and offers

b. Dependent Variable: Discounts genuine

**Table 10: ANOVA – Discounts/Offers Availability Versus Perception About Genuineness Of Discounts**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.117	1	.117	.079	.779 <sup>a</sup>
	Residual	218.976	148	1.480		
	Total	219.093	149			

a. Predictors: (Constant), Discounts Offers

b. Dependent Variable: Discounts genuine

**Table 11: ANOVA – Discounts/Offers Availability Versus Perception About Genuineness Of Discounts Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	1.303	.270		4.826	.000	.769	1.836
Discount Offers	.032	.113	.023	.281	.779	-.192	.255

a. Dependent Variable: Discounts genuine

**Table 12: ANOVA – Discounts/Offers Availability Versus Perception About Genuineness Of Discounts Residuals Statistics**

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1.33	1.46	1.37	.028	150
Residual	-1.462	2.665	.000	1.212	150
Std. Predicted Value	-1.384	3.154	.000	1.000	150
Std. Residual	-1.202	2.191	.000	.997	150

a. Dependent Variable: Discounts genuine

**Inference**

Here  $R^2 = 0.023$

- ⇒ Only 2.3% of the variation in the dependent variable (perception towards discount genuineness) is explained by independent variable (Discounts/offers).
- ⇒ Which is clear evidence that, the purchase experience of the respondents does not depend on what they perceive about Discounts as a factor for making an online purchase decision.
- ⇒ Also  $p = 0.779$ ,

$p > 0.05$

Hence, the regression model under study is insignificant. We can conclude that what people think and what they experience is totally different.

**Hypothesis 7:**

**H<sub>0</sub>:** Gender is independent of the importance of discounts/offers in making a purchase decision online

**H<sub>1</sub>:** Gender is dependent on the importance of discounts/offers in making a purchase decision online

**Table 13: Chi-Square Tests – Gender Versus Making A Purchase Decision**

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	11.813 <sup>a</sup>	4	.019
Likelihood Ratio	12.032	4	.017
Linear-by-Linear Association	.353	1	.553
N of Valid Cases	150		

a. 2 cells (20.0%) have expected count less than 5. The minimum expected count is 2.92.

**Inference**

There is a difference in perception of male and female in terms of making an online purchase decision.

**Hypothesis 8:**

**H<sub>0</sub>:** Occupation of the respondent does not have an impact on the respondent's experience with the websites

**H<sub>1</sub>:** Occupation of the respondent does have an impact on the respondent's experience with the websites

**Table 14: ANOVA - Occupation Vs. Respondent's Experience**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	151.230	1	151.230	51.305	.000
Within Groups	878.407	298	2.948		
Total	1029.637	299			

**Inference**

Occupation of the respondents does not have an impact on the respondent's experience with the websites.

**Hypothesis 9:**

**H<sub>0</sub>:** Percentage hike in customers does not have a significant impact on the Merchant's experience with the sites

**H<sub>1</sub>:** Percentage hike in customers has a significant impact on the Merchant's experience with the sites

**Table 15: ANOVA – Footfalls after Association**

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	2.332	3	.777	1.534	.211
Within Groups	48.658	96	.507		
Total	50.990	99			

**Inference**

Percentage hike in customers has a significant impact on the Merchant's experience with the sites.

**Summary of findings****Consumers**

1. Networking and E-mail are the two most performed tasks by the people on internet.
2. 32% of the people regularly shop online.
3. 97% of the people agree that online shopping is more convenient than offline shopping.
4. 97% think it saves a lot of time.
5. 23% are neutral about shopping online or offline. It does not make any difference for them.
6. More than 50% of the people feel that the price comparisons become easier online.
7. 85% professionals purchase online because customization is

offered.

8. Only 15% people are not registered on any discount coupon websites.
9. Snapdeal is the top of mind recall.
10. Based on their experience of shopping online 86.7% people say that their purchase proved to be beneficial and the discounts offered are genuine.
11. Convenience and discounts are the highest rated factors.

Above finding suggest wide scale acceptability of internet and e-commerce amongst urban consumers.

**Merchants**

1. Most Merchants tie up with these websites for brand building and promotions.
2. 55% merchants feel these kinds of promotions are needed at the startup phase.
3. 44% Merchants have enjoyed at least 20 – 40% profits hike

after giving discounts through these sites.

4. 83% Merchants have found footfalls have increased and would like to approach these websites at regular intervals.
5. 55% of the merchants think people only visit their outlets because they are getting discounts.

Findings from merchants suggest mixed response to daily deal website; it seems merchants are enjoying short-term increase in foot falls.

### Discussion

- Most of the consumers are attracted towards these websites because of the heavy discounts they are offering.
- Consumers visit these outlets only till the discounts are available, not otherwise. This makes the deal loss making for the merchants.
- Good number of people avails offers, especially in case of Restaurants and Personal care category resulting in to poor service quality
- Merchants are benefitted to some extent, as it is a good way of promoting their business.
- But after a certain time, when other deals come up, people would not remember the previous ones as there are many.
- Until and unless the merchant has built a good loyal customer base after the campaign, it is a loss making deal for him.
- The best part is, the Merchants are not paying anything for this campaign to these websites, which they would otherwise pay in case they are promoting through any other promotional tools.
- The websites are popular amongst the merchants only because it is a new way of promoting their business, at lesser initial costs.
- The cost to the merchant is only the discounts they are providing.
- The websites get their share of commission directly from the customers and the merchants get their share when the customer enches the coupon. Thus there is no loss to the merchant in a way.
- Today every category of businesses is promoting their business on these websites.
- It has become very popular. Daily deal websites for different areas in the city are coming up. They feature deals for a specific area. In future we may see launch of daily discount website in niche areas.
- These sites promote a certain deal for a day or two on their "Newest deals" section after that these deals are available but are not seen on the home page. This makes it difficult to decide for the customers as there are many deals going on simultaneously.

- There are so many business discount deals featured on these websites, it creates a commotion.

### Conclusion

Consumers can get a better price if they purchase in greater numbers; and that is the basic premise of group buying websites that have emerged in India and in other parts of the world in recent past. 'Group Buying' in India as a business development and customer acquisition strategy makes an enormous amount of sense; but e-commerce in India has yet to take off. With the exception of travel-related websites, few companies have succeeded in the sector, in part because broadband connectivity is poor in many parts of the country and a significant number of consumers are still wary of using credit cards on the Internet. Offline experiences, such as a day at a fancy hotel, don't have to be sent through the mail. Thus, the most common types of offers on most group buying sites are deals on retail services, the most popular being restaurants, spas and salons, and weekend getaways. The websites are popular amongst the merchants only because it is a new way of promoting their business, at lesser (or no) initial costs. Daily deal sites have a way ahead to go, but to sustain with the competition, they should keep innovating and come up with new ideas to attract the audience.

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