1. Groupon has many competitors prominently like LivingSocial.com, BuyWithMe.com, GiltCity.com, etc. due to their business model being easy to replicate i.e., imitable as they’re doing mass emailing, transaction processing and use of the basic website.

Moreover, they do not have their own unique product or core competency but rather sell other merchants’ products which eventually makes them dependent on merchants.

Apart from these two, Groupon has a traditional rivalry with Newspaper ads, yellow pages, etc.

Thus, I do not think such a business model can survive for a long time.

1. Consumers – a. Referral reward of 10$ for future purchases.

b. “Live Off Groupon” Challenge for an entire year without spending any cash.

c. Affiliate Marketing program.

d. Search Engine marketing and online advertisements, TV campaigns.

Merchants – a. Sales team for local merchants.

b. Built a salesforce of account executives.

c. Maintaining editorial staff for promoting offers.

d. Scheduled promotions according to the merchant.

1. American Apparel’s original cost = $50

Selling price after voucher = $25

Vouchers sold = 133,000

so, $25 X 133,000= 3,325,000 = $3.3M cash made by AA

Let’s assume Groupon had a share of 30% and AA had 70% share.

So, AA made = 70% of 3.3 M = $2.3 M

1. Assume AA needs 10% of the original cost to make the apparel= 10% ($50) =$5

Hence, total cost they need to make 133,000 apparels= $5 X 133000 = $665,000

But they sold for 25$ at 70% share so 70% ($25) =$17.5x133000=$2,327,500 = $2.3M

Profit made by AA = Selling price-cost price=$1,662,500 = $1.6M

1. Now, assume Cost to make apparel= 30% ($50) =$15 thus total cost price => 15$ X 133,000=$1,995,000

So, profit = 2,327,500-1,995,000=$332,500

Thus, the profit is sensitive to the cost which AA needs to make apparel. It could result into loss if the cost price is higher than the selling price.

1. Groupon being a coupon selling company can come up with a tight contract with the merchants where merchants need to provide their products’ deals only to Groupon exclusively. Otherwise, for the number of customers, merchants can contact Groupon’s competitors also for hosting the deals.

In this way, the exclusive content will make customers approach Groupon rather than going to competitors

Also, as Groupon has a greater number of consumers who are young, women, educated, and single so collectively an offer applicable for all these, can help Groupon sell more vouchers and earn profits.

1. I would support Groupon 2.0 as it has the following products -
   1. Groupon Rewards - Creating a base of loyal customers for Merchants and eventually Groupon, by providing vouchers to customers after attaining a particular threshold.
   2. Groupon Stores – Letting the merchants define and run their own deals, making Groupon more flexible for merchants.
   3. Groupon Now – Helping boost the merchant traffic during down periods and earn them.
   4. Groupon VIP – Locking in the customers for an annual fee of $30.