

PRD:

Title: Recommend notification

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Vision: The timely pushed notification to the Groupon user who has just walked out of a service provider like a spa or restaurant to recommend the place to his/her friends will be more effective along with leaving a feedback. If the user has had a good experience, he is more likely to recommend the place to a friend and if the friend buys the same deal – the referrer gets X% off on their next visit to same merchant. Referrer should avail merchant's service outside Groupon's platform.

The 'X% off' to be decided by merchant themselves as per their needs.

Though this looks like we are pushing some business outside Groupon platform – its benefits are two fold –

1. Brings in more users – the referred friend buying same deal – increases sale of deals on Groupon – driving the revenue for Groupon
2. Brings more repeat customers to Merchants – outside Groupon platform – the life time value of such a merchant increases as they see an added benefit of working with Groupon. The vision is that this will help merchant satisfaction index.

(Groupon has already spent money and effort in onboarding the merchant and their deal. It benefits more to ensure we sell more number of deals that are already on our site. There are many instances where we have less than 10 deals sold for a service. We will not break even if we do not sell good number of deals per service or listing – concrete data for this to be obtained from BI team)

Overview:

The goal of the feature is to increase users on platform and also to make Groupon a better partner for merchants.

The benefit is two-fold – On one hand, this results in driving more/new users to Groupon platform as referrals and second, since the discount is on the next visit of the user to the same place outside Groupon platform, it fosters a long term relationship with the merchant.

Objective:

1. Get user's experience information and bringing more traffic to Groupon platform leveraging social approval of a service
2. Increase the chances of user returning to merchant – even outside platform
3. Improve merchant's experience with Groupon and making them see Groupon as a partner not just to spread awareness but to foster long term customers

Messaging:

"Like ZZ? Recommend it to a friend and take x% off on you next visit* to ZZ**"

** If the friend buys the same deal on Groupon.

* Next visit without a Groupon deal for a service

Success Metrics:

Number of active users on Groupon – new and repeat

Number of deals sold

Number of merchants working with Groupon – new and repeat

Merchant satisfaction index

Scenarios:**a. User who does not leave feedback, but opts to recommend in 1-2 clicks**

Alexa just got out of a relaxing massage on a Saturday afternoon, using her Groupon coupon with a massage center close to her house. She receives a notification to recommend the place to one friend and get 10% off on her next visit to center. Alexa, though happy and relaxed is in a hurry to get back on the road, is happy to refer the service to a friend instead of giving a written feedback. She thinks she will write a review once she gets home. But she clicks through the notification and sends it out to Sandra, who she knows will appreciate a good back massage. By the time she reaches her car, she receives a coupon of 10% discount which she can use for her next visit.

Alexa pulls away from the driveway smiling and thinking of when she will make her next appointment with center.

b. Value addition to merchant:

Sam owns a bakery which bakes novelty cakes for special occasion and various European snacks. Sam has used Groupon once before and it had helped him get few customers, though not profit driving, it did make his shop well-known among localites.

Sam is contacted by a Groupon sales representative informing him of the new 'Recommendation' feature which would improve chances of users visiting the bakery even after Groupon sale ends. This appeals to Sam more as he now has a chance of getting new customers and a value addition of having them return outside Groupon platform. Sam thinks that Groupon is adding this feature to may be help him improve his business – something that Groupon sales guy promised the first time already! He feels a little more comfortable to put up his next deal since Groupon is helping him get traffic and long term customers.

Details of feature:

1. Available on website – My Groupons page (TBD further on how to include this)
2. Available on app – both Android and iOS
3. Way to postpone recommending to a later time
4. Option to ignore the notification and remove it completely if user discards it more than say twice (more discussions and user study on this)
5. Decision on frequency on push notifications to the user – TBD

Social network Integration:

1. Recommend to friend either on social networks like Facebook, Twitter, Whatsapp or Snapchat (Engineering and Legal teams to be involved on this.)

2. Option to share via email services like gmail or a default mailing service
(Engineering to be involved for more details and options)
3. Option to share either privately or publicly with friend

Is it worth running such a promotion?

Break even analysis:

As per 2015 Annual Report, Total Operating Expenses: \$ 1.4 billion

Total Operating Expense	\$ 1.4 billion
% expense on Merchant or Deal onboarding	40% of 1.4 billion ~ 0.6 billion
Number of active deals	650,000
Operating cost per deal	0.6 billion/650,000 ~ \$900

Roughly, Groupon spends \$900 to assess a merchant/deal and runs it. Consider a merchant who wants to put 1000 deals over 90 days.

For example: 1000 deals of \$30 giving service worth \$65. Groupon fees is 50% of sales made by the deal.

To break-even, number of deals that should be sold is $= \frac{\$ 900 \times 2}{\$ 30} = 60$ deals

To break-even, Groupon must sell at least 60 of 1000 coupons for the deal, which is 0.06%.

Success measure:

If deal sells even 30% of 1000 coupons on Groupon – along with referral, total revenue from deal = 300 deals * \$30 = \$ 9,000

Groupon gets 50% of \$9,000 and merchant takes \$9,000 roughly. Though, merchant may or may not make a profit or break-even on the deal – same criteria on deals without the referral feature.

Total number of deals	1000
% coupons bought	300
Total gross revenue on the Groupon	\$ 9000
Groupon's fees	\$ 4500
Merchant's share	\$ 4500
% of deal buyers who refer friend	~60% = 180
% of referrals buy same deal	~40% = 72
% of referrers going back to merchant outside Groupon	~10% = 7

Merchant ends up with:

1. Marketing of his service

2. Traffic of 300 customers in 90 days
3. 7 repeat customers outside Groupon
4. 72 more Groupon customers after initial flow of Groupon customers

Calculations are all based on minimal conversion rates calculated based on Groupon's Annual reports and my best estimates*