Social Couponing Sales: The Influence of "Likes"

Emergent Research Forum Extended Abstract

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Abstract

Social media and social commerce continue to transform the way individuals interact with each other, but even more so how they interact with businesses and organizations. The power and influence of the social group has made social couponing sites such as Groupon or LivingSocial big players in the e-commerce marketplace. However, like many other forms of e-business, they have seen their share of fortune swing wildly at times. What makes this type of social shopping attractive and keeps customers participating in the daily deals? One possible explanation we explore in this research is whether the inclusion of social media "Likes" in advertisements for discount vouchers on social couponing sites is correlated with the level of sales. Specifically, we examine how the number of buyers and consequently the final level of sales are affected by the practice of displaying the "soft" variables of: the sold vouchers, the number of followers or number of likes, the amount of the price discount, and both the initial and final price.

Keywords

Social commerce, social couponing, social media, e-business

Introduction

The phenomenon of social networking has drawn great interest from researchers as well as consumers, transforming traditional business models. The power of users to participate interactively with vendors opens doors previously unknown in the marketplace. One such door is that of social couponing sites such Groupon or LivingSocial. These websites are global e-commerce marketplaces that offer both products and services to customers in an interactive format, where the power of the individual consumer is magnified when bargaining as a collective unit.

The current research proposes to test whether the inclusion of social media "Likes" in advertisements for discount vouchers on these social coupon sites is correlated with the level of sales. To test our proposition, we collected advertisement data from the discount voucher website Groupon. Groupon is a global e-commerce marketplace offering small to medium-sized merchants the chance to attract new customers and offering customers the chance to try new products and services at discounted prices (Groupon Press). These benefits help explain the popularity of these social commerce websites. However, as noted they can also experience downturns, with both sides (vendors and customers) voicing complaints about the platform's results (Pentina & Taylor, 2013).

While Groupon enjoyed spectacular growth during its first few years from 2008-2012, reaching its highest stock price of \$26/share in November 2011, its stock price took a steep drop in 2012, resulting in the CEO and founder Andrew Mason being replaced (Edelman et al., 2016). Since that time, Groupon stock climbed back from a low of \$2.72 in November 2012 to over \$12 where it stabilized from 2012-2013 (Dutta et al., 2014). Moving forward the company has again experienced various periods of growth and decline, leading to our research question: Does the inclusion of social media "Likes" in advertisements for discount vouchers on social couponing sites affect the level of sales?

Methodology

Data from 160 Groupon advertisements were gathered on a number of US states randomly selected to avoid duplicating data. We define duplicate data as a Groupon advertisement offered by the same company, regardless of its business activity, in more than one state. The variables collected include: InitialOffer, FinalOffer, InitialValue, and Facebook "likes." Using these variables, we created two nested models, with one of the models incorporating a social media variable (Facebook likes), whereas the second model does not. This comparison allows us to assess whether the inclusion of the social media variable supports our theory that of social media "likes" in advertisements are correlated with the level of sales.

In this study, FinalOffer represents the final number of products/services sold, InitialOffer represents the minimum number of products/services needed to be sold in order for a company to start honoring the received orders, InvInitialValue represents the inverse of the initial price of a product/service, and Facebook represents the number of "likes" received by a specific advertisement. If the minimum number of products/services sold is not reached, then no order will be honored. InvInitialValue draws on the relationship between the initial price of a product/service and the initial quantity of products/services offered (Dada & Srikanth, 1987).

Conclusion

Our results show that Facebook "likes" included in a model to explain the level of sales significantly increases the explanatory power of such a model. Social media can be a reliable variable correlated with the level of sales when incorporated in marketing strategies that use electronic coupons. We found support for a theory in which social media influences the way we communicate, consume products, and experience goods via online discount vouchers. Social media information displayed on discount voucher websites has a transformative power on consumer behavior, being correlated with the level of voucher sales and consequently the profit these e-commerce sites can realize.

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