

Groupon business analysis assignment

[Business](#)



Group has been identified with industry did weaknesses as well as the strengths based on competitiveness, strategy, the impact of leadership, strategy and human resources. Out of all these factors, Group has major threat regarding competitiveness. Competitiveness has a very large impact on the company's profitability and customer base. In the competitive market of online deals, Group faces high threat of new entrants where the differentiation of products and customer loyalty are difficult to achieve. The "daily deal industry" is built upon a clever idea rather than major technological advancements so there are few barriers to entry.

However, the set up cost is low and easy to replicate with a short amount of time for many new entrepreneurs to enter the market. On the other hand, biggest concern for new market entrants is the difficulty to establish initial customer base and merchant network. According to the five porter's model, bargaining power of supplier is low because of many potential suppliers. Group can easily switch to different suppliers rather than sticking to one individual supplier. Similar to other coupon firms, Group localize their deals, the recreants in the network are usually local and small in size which also contributes to the low supplier power.

In the bargaining power of buyers, the customers are the buyers in this case and they have significant power as a group. Their incentives are only driven by prices and quality. If Group does not offer attractive prices, the quantity demanded will decrease very quickly. Since it's hard for Group to differentiate products and retain loyal customers, customers might easily stop using Group or choose their competitors offers with no switching costs. Therefore, Group has to respect the aggregate buyer power from the entire

customer base. The major weaknesses that Group faces are the threat of substitutes.

In November 2011, Group went public instantly raising 700 million that valued the company close to 13 billion; entry barriers prompted numerous followers who entered the market with similar services (Wong 2011). By early 2011, there were more than 500 online sites that offered discounted daily deals in the U. S. (Guppy et al, 2012). Among these, Living Social is considered as the only serious competitor of Group (Guppy et al, 2011). With the large and well-funded competitors with similar offerings such as Livingston and Amazon, it made no difference between these deal sites in the consumers' eyes.

The threat of substitutes has made Group face increasing competition and revenue will decrease due to increasing options for consumers in the daily deal industry. Therefore, bottom line profitability is the number one priority. Before Group grew into a multimillion dollar company, it was not very successful in the beginning. Andrew Manson, the CEO and the founder of Group, started this company small with the website called the point. Mom which was an idea he came up with a website that allows internet users to cluster in order to negotiate and buy at the best conditions.

At first, it was not successful and so he decided to change his business model. Andrew Manson had a growth mindset. Although his first company was not as successful, he saw a vision in this company that could grow and develop into something big. With the hardships he faced with the first launch of the point. Com he embraced the challenges and changed the outlook of

his company in a whole new perspective. In November 2008, at 29 years of age, he founded Group which the word came from “ Group” + “ Coupon”. (Steiner 2010). It was an e-commerce site based on the concept of group purchasing.

At this time, the idea is to distribute vouchers already negotiated with small retailer (Steiner 2010). Manson sells them at its customers and he withdraws a commission of 50%. The website launched its first offer in October 2008, for a pizza at half price and then many offers are diffused in Boston, New York and Toronto. (Steiner 2010). Within 2 years, the site had an explosive growth. According to a report in Forbes and a report in the Wall Street Journal, Group should generate 1 billion dollars faster than any other company. (Steiner 2010).

The company has gone worldwide within the two years and is installed in over 48 countries, to 11, 000 employees. (Group December 31, 2012). As a successful leader, Andrew Manson took the risk and turned it into a phenomenon. He states “ Although there are risks in moving too fast, companies often don’t survive long enough to apologize for moving too slow,” “ Perhaps more importantly, by moving quickly, we reached a scale that has helped us solidify our market leadership, and accumulated data that is enabling our future and helping us continuously improve the experience of our customers. (Dryer 2012). Group CEO Andrew Mason addresses the company’s bumpy road, calling it “ an unfortunate side effect of our unprecedented growth. ” Relevant to the article “ What makes a leader? ” by Daniel Coleman. The article relates with Andrew Manson who believed in effectiveness in leading change which ties in demonstrating emotional

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intelligence. Group is still a leading market in the online coupon industry; however, there are any significant factors that lead to a decrease in profitability.

There are high threats of new entrants with fierce competition and there are low switching costs for consumers. The online discounting industry does not build brand loyalty. The company's future growth for financial stability seems to be a doubt for analysts. With high competitors and the low switching costs for consumers, I believe that the company is at a crucial turning point. The subscriber growth is slowing but they are not yet profitable. According to the statistical data below, Group's subscriber Roth rate is declining. Source: <http://shenanigan's.Mom/article/352851-after-abysmal-earnings-the-time-to-short-group-is-now> From year 2010 to 2011 the decline in growth numbers is extreme subscriber growth is no longer an option. For the long term chance at profitability, Group must switch to a more effective strategic plan by establishing value to merchants in providing all subscribers to more personalized deal recommendations and segment merchants to provide a tiered advertising service. Another good strategy would be to lock in repeat customers by forward repeat deals o customers, based on historical purchasing data.

As stated before, Group must gain a greater understanding of the drivers of subscriber activity such as market characteristics, merchant types, and even subscriber demographics. Once Group plans to switch to effective strategies as outlined above, the company will be able to choose a distribution of subscriber acquisition costs that will provide higher return per dollar spent. After Group has become an established company, the revenue has started to <https://assignbuster.com/groupon-business-analysis-assignment/>

decrease with the issue of high competitors' and low customer switching costs.

However, this recent past year, company has focused their shift to a mobile app that has a “ Local Explorer” feature which automatically bubbles up content in the city in which a user is currently located. (Roberts 2013). This is a useful strategy for customer focus because it helps customers with more convenience when they are on holiday and perhaps more likely to be in need of discounted meals at restaurants, etc. Also on the web, there is a personalized homepage for “ curates collections of deals based on the customer’s interests, previous purchases. ” (Roberts 2013).

To argue market focus for customers, it was crucial that the right deals are reaching the right customers is extremely important in switching marketing into sales. Group has the opportunity to continue to attract subscribers and non-subscribers simply by providing a more extensive selection of deals. But more importantly, to meet the customers' needs, Group must continue to provide a wide selection and be sure that deals tailored to each customer base somehow reach those customers. This company collects data on the customers by collecting their previous daily deal purchases and sending it through email.

However, they must take this further in order to fulfill the customers' convenience and their wants. Since Group is an online company, there is minimal communication with customers so it is very important to distinguish their brand from other competitors. One of the unique marketing that Group has done is their release of scheduling tool for merchants. On March 19th

this software, appointment based merchants (massages, haircuts, guided tours, etc.) have the opportunity to more easily book and organize upcoming customers. (Roberts 2013).

This helps the local businesses' attract new and more customers and benefits Group for having many local merchants as their customers.

However, if certain merchants lose interest in running daily deals, Group may need to consolidate its focus on those that are most attainable. This may mean a shift towards running deals with merchants that are more likely to benefit from a daily deal. With over 10, 000 employees at Group there are still many spots to be filled in this newly innovative company. The Group website explains future employees all about the do's and the don't of working in this company.

Getting hired to Group requires few basic things that all companies want before hiring any employees. First, must be organized and dynamic, dressing neatly and showing up early. These are the main attributes that this company is looking for in order for to hire a successful employee. According to the Group Career website, it outlines the positive benefits and the dynamics of working at this company. Group offers benefits to their employee that includes health insurance, dental, life insurance, flexible spending accounts, flexible hours, and many more.

The company's motto is " small teams building huge. Which means that the working dynamic is heavily based on teamwork. Also Group tries to build close relations with workers so there is a positive and fun working atmosphere that will help the employees to do their best work every day.

Overall the human resource organization at Group is very well organized. By doing this analysis assignment, I have drawn many close relations about competitiveness of the industry and marketing strategies as well as drawing financial conclusions and learning about the impacts of employees in the company.

All of these factors helped draw many conclusions about how many companies run and how the system plays out with all the important aspects of running a successful company. Group is a newly innovative company that has built upon a clever idea that became a huge success. With key strengths and weaknesses that the company has to offer, it challenges many obstacles to improve and develop into a bigger and better company. Out of the weaknesses, this company currently faces significant threat to large and well-funded competitors like Livingston and Amazon that hinders profitability.