

Social Media: Is it a valid source for creating new business?

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Abstract

Can social media be an effective way for merchants to create new business? We examine the effects of social media promotions on businesses by surveying 111 customers and over 30 businesses. We found that customers mainly purchased a promotion to either try out a new place or enjoy the value of the deal. On the business side, we found that businesses have had a good experience with offering social media promotions. Businesses can maintain profitability while offering a promotion via a Social Media site. The customer experience at the business is mostly the deciding factor in determining if they will return without the coupon. Through this study concludes that businesses were able to be successful offering discounts via a promotion on Social Media sites, such as Groupon and LivingSocial, as long as they follow some key steps in their strategy and prepare themselves for the positive and negative effects that they might experience. Customers in today's economy are always looking for deals and an easy way for businesses to increase their profits and bring in new customers is to offer deals on social media sites.

Keywords: Social Media Promotions, e-commerce, new customers, new business, business strategy

Introduction

Social media sites such as Groupon, LivingSocial, and CBS Local Offers, have become well-known sites that bring consumers and businesses together. Social media sites partner with businesses to offer consumers products and services at a discount that might not have been made available elsewhere. While there is little doubt that this is a good deal for consumers, we wonder how much of a financial benefit it is to the businesses that offer social media promotions (SMP). Can social media sites actually help bring in more customers and in turn bring in more money? The way it works is that businesses will offer a product or service at a discount and in return customers will enjoy the product or experience so much that they will return and be willing to pay full price for that same product or service without a SMP. For businesses, this translates into an increased customer base and sales. Although there have been varying opinions, some merchants have reported to have had great success with their SMP offering while others have had the opposite experience and have lost money. One such example is Need a Cake Bakery in London. After owner Rachel Brown offered a 75% discount on a dozen cupcakes she got over 8,500 orders via Groupon and lost \$3 per order plus \$19,500 she had to pay for help to fulfill the orders.

We explored the reasons a company offers an SMP. Is it really a benefit? Is there an increase in business? These are just a couple of the questions we will answer.

To go along with exploring the benefits to businesses we also explored the customer's point of view when purchasing and using their SMP. Did the customer have a good experience? Was the deal "worth it" in their mind? Did they have trouble using their SMP? Were the restrictions too binding? The customer experience will have a large impact on whether or not the SMP is successful on the business end and we plan to explore consumers' willingness to patronize the business without additional incentives. This research could help businesses have a better understanding of what the consumer is looking for when they purchase a SMP, as well as, the reasons the consumer has for returning to the business in the future.

The rest of this paper is organized as follows. Section 2 examines the history and consequences of

SMPs. Section 3 discusses our system design and research questions. Section 4 analyzes the results of the experiment and answers our research questions. Finally, Section 5 provides a conclusion and future experiments.

Literature Review

SMPs have become a form of e-commerce for small and medium size businesses that otherwise do not have an online sales presence (Lee and Lee, 2012). Promotions are usually for a percentage off, often times up to 50%. In most cases, a certain number of these promotions must be purchased for the deal to become active. Therefore, consumers that purchase the SMP must try to get others to buy the deal as well. This creates a relationship between the social media site, the consumer, and the merchant (Lee and Lee, 2012). The effects of social media promotions can be beneficial to the merchant; however it can also have negative effects.

The most important benefit for a merchant is customer reach. The cost of marketing to many people can be costly. SMPs help smaller businesses conduct powerful marketing in a responsive and customizable way (Krell, 2011). The only cost for the business is an Internet connection and a computer (Krell, 2011). To make SMPs successful, the merchants must have a good business plan while the coupon is active. By having a good plan, it will help them retain the new customers that are using their products and services for the first time. The coupon is what gets the customer in the door, but it is up to the merchant to give them incentive to come back.

There are some guidelines that can help merchants avoid problems with social media promotions. Merchants should use the promotions to build relationships with new customers. This can be accomplished by trying to cross-sell other products and services (Kumar and Rajan, 2012). An example of this would be a salon trying to sell hair care products to a customer that is using a SMP for a haircut. Merchants should be strategic about their discounts and how often they offer the promotions. The SMPs should be used sparingly so that consumers do not grow accustomed to them, which will lead to lost profitability (Hughes and Beukes, 2012). They should, also, perform a cost analysis to measure whether a higher discounted rate will leave the merchant with a high variable cost

(Lee and Lee, 2012). Perhaps less of a percentage off of a product or service or only make the SMP available to use on certain days of the week (Kumar and Rajan, 2012). Merchants should limit the number of consumers who can buy the coupon. By creating a limit, they are not overwhelmed if more consumers than they can handle purchase the SMP.

The biggest guideline to follow is to make sure that the consumer who is using the SMP is satisfied with the product or service. A business that believes 50% off the price should equal 50% off of the service will find themselves in trouble (Beatty, 2011). The social consumer should be offered the same products and services as a regular customer (Lee and Lee, 2012). Even if the social consumer is only going to end up being a one-time customer, they should have the same opportunities as any other customer. The reason behind this is that the social shopper is more likely to review your business on sites like Yelp and negative reviews about service can be detrimental to the merchant (Lee and Lee, 2012). Along with this, merchants should be prepared to handle the increased customer flow during the coupon period. If the service is slow, it can also show up in online reviews (Lee and Lee, 2012).

Businesses that are not prepared for the possible negative effects of the SMP can suffer while the promotion is active and continue after promotion is over. There have been numerous stories of SMPs that have been unsuccessful and even disastrous for businesses. One such example is the story of Back Alley Waffles in Washington D.C. Back Alley Waffles was a new business and it was only open for 3 months before closing its doors forever. The business blames Groupon. Back Alley Waffles says on their website, "Due to the shocking business practices of an obscenity known as 'Groupon' -- contemptible even by the nearly non-existent standards of the modern corporation -- I can no longer afford to sell waffles for \$8.00 and still pay, for example, my employees something north of a subsistence wage" (Kavoussi, 2012). The biggest complaint that the business had regarding Groupon was that they did not pay the money that was owed to Back Alley Waffles right away (Kavoussi, 2012). The business had to pay for food and labor, which immediately put them in financial distress. Groupon disagrees with Back Alley waffles and they say that the business was paid 2/3 of what it was owed. Meanwhile, only 18% of the SMPs were redeemed at Back Alley Waffles at that time (Kavoussi, 2012). Back Alley Waffles is just one of many examples of how a SMP can hurt a business especially if that business is not prepared.

SMPs are not the ideal way for businesses to acquire customers and yield profits (Kumar and Rajan, 2012). Kumar and Rajan conducted a study on 3 local businesses, which were an ethnic restaurant, a car wash service, and a beauty salon/spa. The study found that the businesses acquired a significant amount of new customers with their SMP (Kumar and Rajan, 2012). However, the 3 businesses all saw significant losses during the month in which the promotions were launched, creating a big financial burden for the merchants (Kumar and Rajan, 2012). The restaurant lost \$7000, the carwash lost \$6300, and the spa lost \$11,760, which took them 15-98 months respectively to recover (Kumar and Rajan, 2012). The losses would have not been so serious except that they did not retain the new customers (Kumar and Rajan, 2012). Businesses need to better prepare themselves for results like these before offering a SMP.

Social media sites give support to the merchants during SMP promotions. For example, Groupon allows a business to measure their promotion's impact using the Merchant Impact Report. Groupon can also calculate a deal's profitability using the profitability calculator. LivingSocial also has tools for businesses to use, such as deal performance metrics, which show a merchant when the deal is selling fast, how much revenue it is generating and when the merchant will get paid. Both sites also offer customer reviews and feedback to allow the merchants to see what customers are saying about their business. The reason that these tools are offered is because sites like Groupon and LivingSocial need the SMPs to be successful.

In a typical Groupon deal, the offer is for 50% off a product or service, where Groupon takes half of the remaining 50% leaving the merchant with about 23% (Bice, 2012). This percentage can be detrimental to a small business that is not prepared to handle it. It is believed that the amount of new customers introduced to the business offsets the percentage lost. However, Lightspeed Research says that existing customers purchase 63% of Groupons, while only 2% of the coupon buyers have never entered the business prior to the coupon purchase (Bice, 2012). That can be an alarming percentage to a small business owner who might be looking into offering a SMP for the first time.

In a study by Dholakia (2010), 66% of merchants who offered a Groupon said it was profitable. For these businesses, only 25% of the consumers purchased products and/or services that exceeded the value of the coupon and only 15% of those customers came back to purchase a product or service

at regular price (Dholakia, 2010). So businesses must decide if it is worth it to run a SMP if they only get 15% of the coupon customers at regular price.

Unfortunately, the SMP business has seen its share of problems. The leader in the social coupon business is Groupon and they have lost 80 percent of their stock value since its IPO (Pilnick, 2012). That is a very dramatic decrease in a little over a year. Their CEO Andrew Mason, who was one of the co-founders of Groupon, found himself out of a job as the company tries to pick itself back up. Many experts feel like the SMP fad has run its course with the continuing decline in the daily deal business (Pilnick, 2012). Perhaps the daily deal giant grew too fast for its own good. Groupon has bought up many of their smaller competitors (Pilnick, 2012). In the third quarter of 2012, Groupon's customer base was around 40 million; however, the company still managed to lose money. Their sales from that quarter were \$569 million but the net loss was around \$3 million (Pilnick, 2012). LivingSocial has had their fair share of problems in the SMP business. In late 2012, they laid off 400 employees, which equates to 10% of its global staff (Geron, 2012). These layoffs bring up many questions about the future of LivingSocial.

As Groupon and LivingSocial try to find other revenue streams, they remain SMP sites at their core. With businesses not wanting to give out massive discounts in order to bring in new customers, Groupon and LivingSocial will continue down a tough road. The one thing that they both have on their side is customer contact information. With the ability to mass market a business to potentially millions of consumers in one email distribution, their business will be there. Both companies need to become more proactive with the businesses that use them. They should help the merchants define a business model, so that they can harness the power of social media promotions and use it to grow their business. Only time will tell if the SMP or daily deal is a fad or is here to stay.

Research Questions

While there are both customer and business surveys, our research centered on businesses and how they can use SMP sites to maximize their full potential. We came up with the following five research questions to help us construct our surveys.

- 1) Do businesses see an increase in their customer base after a deal has been offered on an SMP

site? In order for a business to increase profits more customers have to get through the door and the way an SMP can make that happen is via the deals. Getting customers through the door by offering an SMP and then providing those customers a great experience will help increase the customer base.

- 2) Do businesses see an increase in sales after a deal has been offered on an SMP site? Sales numbers are an indicator of whether a business has the potential to be profitable. An increase in sales will not always lead to an increase in profits, but it's a good start. If a business is able to move product and be profitable, great, but if a business is moving product but not profitable then it's usually an easy fix, either product pricing or the cost of the product (for the business).
- 3) Are businesses more profitable after offering a deal on an SMP site? This is the most important question for a business when entertaining the idea of whether or not to offer an SMP. Turning a profit is what drives a business and while a business may take a loss while an SMP is still active, if they become more profitable after an SMP then it was worth it.
- 4) Why do businesses offer deals on SMP sites? The researchers are interested in knowing if there is a certain strategy to the way deals are offered and what strategies lead to increased sales, customer base, and profits. We feel this research will be very valuable to the businesses that offer these deals as well as the sites that market to these businesses. By understanding the strategies that lead to success businesses can take a lot of the guesswork out of the equation when offering a deal on an SMP.
- 5) Why do consumers purchase deals from an SMP site? In order for a business to know when to offer a deal, or even why they should offer a deal they need to first learn why consumers are purchasing deals in the first place. By doing so, a business can more effectively target their desired customers.

System Design

In order to answer our research questions we created two surveys, one consumer-based and one business-based. The consumer survey consisted of 13 questions while the business survey was 27

questions. Page logic was used in both surveys, so depending on each respondent's answers to certain questions they may not have seen all of the questions in their survey.

Experimental Design

The pool of respondents for the consumer survey came from college-aged students and other demographic areas that are most likely to use SMPs. Consumers were delivered a link to the survey through email and Social Media sites such as Facebook and Twitter; in total we received 111 responses.

The pool of respondents for the business survey came from businesses identified by the investigators who were known to participate in SMP sites. In total we sent out over 400 surveys and received 34 responses.

Experimental Results and Discussion

In this section we will discuss the results of both the consumer survey and the business survey as they relate to each of our research questions and compare those results to our expectations before the survey.

RQ1. Do businesses see an increase in their customer base after a deal has been offered on an SMP site? Ultimately, customers are the driving force behind a business's success or failure. If you don't have customers then you don't have a business. This is the simplest driver that causes a business to turn to an SMP site. By offering a deal on an SMP site, businesses are striving to get more customers to come and patronize the business, albeit at a discount rate. The hardest thing to do is get the customer in the door, so if a business can solve that problem they've won half the battle. Of the 30 responses received, the average number of times a business offered a deal (from the moment they offered their first deal to the time when they answered the survey) was 24.93 times, but when looking further into the responses, most answers were actually in the single digits (median value of 4) and there were a few businesses that offered a deal hundreds of times. This skews the average and if the outliers are thrown out (100, 200, and 300 respectively), the average shifts from 24.93 to 5.48 deals offered on average. Businesses are offering 5.48 deals versus 1 or 2 because the exposure level

necessary to successfully launch a deal is not instantaneous. Customers aren't always quick to see the deals so businesses need to offer the deals numerous times to gain the desired level of exposure.

Businesses do not offer 10+ deals because a deal can start to become stale and customers can feel like they are being inundated with offers from the same business.

This led to the next two survey questions that relate to an increase in customers; the first asked consumers how likely they were to go back to a business with a deal and the second questioned how likely they were to go back to a business without a deal. For both questions a Likert scale of 1-7 was used, with 1 meaning that they "definitely would not go back" and 7 meaning that they "would definitely go back". For the purposes of this research it was determined that any answer greater than 4 (might go back) was favorable and meant they would return. For the first question 76.47% of the respondents were favorable, meaning that they would return with a deal. Businesses don't want to constantly offer steep discounts to get customers in the door. For the second question, 43.94% of consumers who responded said they would return to the business without a deal, which is a very favorable result to businesses that have offered deals on SMP sites.

Next the investigation looked towards the actual increases or decreases in customer base that businesses experienced during the time a deal was active, and then after a deal had expired. Businesses were then polled as to how long they were able to maintain an increase if there was one. The first question asked businesses if while a deal was still active, did they see an increase in customer base as a result of people who purchased the deal.

Customer base:	Stayed the same	Increased 0 – 5%	Increased 6 – 10%	Increased 11 – 16%	Increased 16 – 20%	Increased over 20%
Responses:	14.81%	22.22%	18.52	3.70%	22.22%	18.52%

Table 1: Responses for Customer base increase

The numbers in Table 1 show most businesses saw an increase in their customer base while a deal was active. This is a good thing for businesses because more customers are coming through the door as a result of offering a deal through an SMP site. The second question pertaining to an increase in customer base that was asked of businesses was if their customer base increased or decreased or

stayed the same after the deal had expired. For this question a Likert scale of 1-7 was used with 1 meaning that the customer base “significantly decreased” and 7 meaning that the customer base “significantly increased” and 4 being that it “stayed the same”. Any answer that gave a rating of 4 or better was considered to be favorable in this case because the assumption was that the customer base increased while the deal was active (as shown by the previous question’s results) and if it stayed the same after a deal had expired then they still saw a net increase in the customer base. Only 22.22% of respondents say they saw a decrease in their customer base after a deal expired and 37.04% of respondents said that the customer base stayed the same and 40.74% said that the customer base increased “after” the deal had expired.

As can be seen from the results, businesses were able to increase their customer base by offering a deal on an SMP site which may or may not lead to an increase in sales and/or profit, but if a business is only looking to increase its customer base one could ascertain from the results above that it is a wise decision to offer a deal on an SMP site.

RQ2. Do businesses see an increase in sales after a deal has been offered on an SMP site?

Sales numbers are the second indicator of how well a business is doing. If a business isn’t moving product then they aren’t going to be in business long. The deals offered on SMP sites, in the most low-level terms, are supposed to increase sales. Businesses expect that sales will increase while the deal is going on and they hope to maintain the increase after the deal has expired. The first question that businesses were asked was how many deals did they sell. The thing we couldn’t be sure about (and that is why this question didn’t apply to RQ1) was whether or not the consumers who bought the deals were new to the business, or longtime customers. The average number of deals sold was 7,369.12, where 3 respondents sold more than 40,000 deals, one of which exceeded 75,000.

Removing these 3 atypical responses from the results gives us an average of 874. This result alone is a great indicator that sales increased while a deal was active, but the survey still asked if there was an increase in sales while a deal was still active. Only 19.23% saw an increase of greater than 20%, but 26.92% of respondents said they only saw a 6-10% increase while 23.08% of respondents stated business stayed the same. This was surprising since our assumption was that sales would increase while a deal was active on an SMP site. This indicates that many of the purchases were by existing

customers, which is why customer base increases did not increase by a large amount. This is a statistic that will cause businesses to pause before offering a deal because they are giving a discount to more existing customers than new customers and defeats the purpose of the SMP. This is why the survey asked consumers about the businesses they purchased deals for. The choices were: (1) a business you have never been to, (2) a business you patronize frequently, (3) a business you go to occasionally, (4) a business you haven't patronized in over a year or, (5) a business you "swore off" but tried again because of the deal. The first interesting result was that not one respondent said they bought a deal for a business they swore off. Businesses will have to look at the consumer experience carefully so they do not alienate their customers because consumers do not come back to a business they "swore off". The other significant statistic was that only 23.08% of respondents said they bought a deal for a business they patronize frequently. This is in direct contrast to what was discovered in the previously discussed survey question and means that further research is warranted. Finally, businesses were asked if they saw an increase in sales and how long were they able to maintain it. There are many factors that go into sales which makes sales hard to maintain. The results were that 36.84% of the respondents were able to maintain the increase in sales for 1-2 months, but the most telling statistic from this question is that 15.79% of the businesses polled were not able to maintain the increase at all.

According to the research, an increase in sales is not guaranteed, but it is still likely when offering a deal via an SMP site. It cannot be stated with fact that this is a way to attract new customers because there were results that were in direct contrast to each other. It also looks as though maintaining any increase will be difficult.

RQ3. Are businesses more profitable after offering a deal on an SMP site? This is the factor that matters most when a business is determining whether or not to offer a deal on an SMP. To start the investigation businesses were asked if they were able to remain profitable while a deal was active. A Likert scale of 1-7 was used with 1 meaning "very unprofitable" and 7 meaning "very profitable" while 4 meant there was "no profit but no loss either". For this study's purposes anything over a 3 was considered favorable because there was not a loss of money in those cases. Although 28.57% of respondents were neutral (answering no profit, but no loss), 53.58% of respondents said they were

profitable. This is an indication that maybe the key to business is to just get the customers in the door, and if you're business is good enough, you will turn a profit even when offering a 50% discount.

To further the investigation businesses were asked how much did profits increase. A little more than half of the respondents to the survey were able to see the question (due to their answer on the previous question indicating there was a profit). Of the respondents that saw the question: 46.67% indicated that profits increased by greater than 15%, 20% indicated profits increased 10 – 15%, and 20% indicated that profits increased by 5 – 10%.

The next two questions that businesses were asked offer an explanation as to why profits not only increased, but why they increased by so much. The first question asked what percentage of the deals were redeemed. The responses to this question showed how much “instant” profit a business made. If a consumer doesn't redeem a deal then a business did nothing to make money. Only 22.22% of businesses responded that 91 – 100% of the deals were redeemed. This is an incentive for businesses worried about selling too many deals because, if all the deals aren't being redeemed, then the possibility of being profitable during the deal period increases. Now this is not to say that none of the deals were redeemed. According to the survey 29.63% of the businesses responded that 81-90% of the deals were redeemed and 14.81% of the responses specified that 71-80% of the deals were redeemed. The second question that helped to investigate the reasons for being profitable while a deal was active had to do with customers spending habits while they were redeeming a deal. This is important to businesses because if they know that customers have a tendency to spend above a deal's allotment then they can be more comfortable in offering a deal on an SMP. Businesses were asked, on average, what amount above the deal value did customers spend. For this question 36% of respondents indicated that customers, on average, spent \$1 - \$10 over the deal value (the highest answer) but the telling statistic to come out of this question is that 80% of the businesses polled indicated that customers spent some amount over the value of the deal. This is great news for a business because it indicates that customers aren't slaves to the deal, and that they are willing to spend more money when they get to the business.

Overall, the research indicates that businesses were more profitable when offering a deal on an SMP site and this is the number one reason why businesses offer deals on an SMP site.

RQ4. Why do businesses offer deals on SMP sites? While the findings to the previous research questions are a good enough reason for other businesses to offer a deal via an SMP, another factor is strategy. Why are businesses offering deals on these sites? The first survey question was used to figure out a business's strategy. It asked the consumers what type of businesses they purchased deals for. This will allow businesses to see consumer tendencies and decide if their business is conducive to consumers purchasing deals from SMP sites. Consumers had seven choices (choosing all that applied) and they were as follows: (1) Restaurant, (2) Retail, (3) Art, (4) Education, (5) Beauty/Salon, (6) Entertainment, (7) Travel, and finally, (8) Other. "Restaurant" was the leader in this category garnering 69.12% of the vote. Other businesses that received at least 33% of the vote were Retail, Beauty/Salon, and Entertainment. Businesses that fall into the restaurant, retail, beauty/salon or entertainment categories are assured that there is an audience on the SMP sites.

The second question used to investigate strategy asked businesses if they were prepared for the effects (this encompasses both positive and negative effects) of running a deal. A Likert scale of 1 – 7 was used 1 meaning the business was "very unprepared", 7 meaning the business was "very prepared" and 4 meaning the business was "somewhat prepared". For the purposes of this research, any rating of 4 or higher meant that a business was prepared. The results showed that 90% of all respondents said they were prepared for the effects of offering a deal on an SMP site. As the example of Need a Cake Bakery (from the introduction) showed, if a business is unprepared for the effects of a deal, then it can be devastating for the business and ultimately lead to a business closing.

The next question in the investigation asked businesses what they did differently while the deal was active. The 5 choices offered were: (1) Increase Staff, (2) Change Prices, (3) Order More Product, (4) Order More supplies, and (5) Other (please specify). The two most popular answers were "ordering more product" and "ordering more supplies" both of which received 44.83% of the vote. "Increase staffing levels" was third with 37.93% and 24.14% said they "changed prices". Of the respondents that answered "other" to the question, most specified that they changed their hours by either offering weekend hours or night hours. Another comment made by a business in the "other" answers was that "they trained staff so that they were prepared to deal with the customers" of the SMP site. This is a great idea for any business that offers a deal via an SMP because, as was the case in

RQ2, once a customer “swears off” a business they do not go back. Since one of the ideas behind offering a deal via an SMP is to increase the customer base, having staff trained and prepared is a good way to execute that.

Another question for businesses asked what the discount for their most successful deal offering was. This will give other businesses an idea of what their discount needs to be for the deal to be successful. A discount of 41-50% was the most popular answer having received 48% of the vote. A discount of greater than 50% off received 32% of the vote. This proves that there needs to be a substantial discount to attract customers and entice them to buy the deals.

Finally, businesses were asked what was their overall strategy for offering a deal. The list of options for them to choose from were as follows: (1) Increase customer base, (2) Increase Sales, (3) Increase profits, (4) Increase exposure, (5) As a way to advertise, (6) Lure customers back, (7) Sell slow moving items, (8) Increase traffic during slow times, and finally, (9) Other (please specify). Businesses were allowed to check all answers that applied. The leading vote getter at 19.79% was that they used deals as a way to “increase exposure”. There was not a big difference between the options, as the responses were pretty evenly distributed. Option 6 (lure customers back) and option 7 (sell slow moving items) had the lowest percentage of the vote at 2.08% and 8.33% respectively. This makes them almost non-existent factors in the minds of businesses.

Overall, research indicates that businesses have a wide array of reasons for offering deals via an SMP site but there are some strategic things a business will have to do in order to be successful. The most important thing is to have a plan in place, be prepared for good and bad effects, and be able to deviate from that plan if need be.

RQ5. Why do consumers purchase deals from an SMP site? Businesses need to know why consumers are flocking to these sites for all of the deals that are offered. Is there a reason behind it or is it just because consumers have just become savvy shoppers and are always looking for a deal. To investigate, consumers were asked exactly what the deals they have purchased were used for. They were given 5 choices (selecting all that apply): (1) Items you would have purchased even without a deal, (2) Items you would have purchased only with a deal, (3) Items you have never tried before, (4) As gifts, and finally (5) Other (please specify). The number one response was “Items you would have

purchased only with a deal” with 37.78% of the vote. This has to be alarming to businesses who offer deals on SMP sites because they want customers to come back without a deal. The second response that is a cause for concern for businesses is “Items you would have purchased even without a deal”. This answer received 21.26% of the vote. This tells businesses that they need to be careful what they offer because if a consumer is willing to pay full price for something but is instead offered a substantial discount, then that consumer will come to expect that discount all of the time and will no longer be willing to pay full price.

The responses to the question discussed above will provide businesses with something to think about before offering a deal. Businesses have to be aware that some of the deals they make available to consumers can be detrimental to a business. Businesses need to be careful and identify their target market for a deal and try to find ways to minimize existing customers (those outside their target market) from purchasing the deals that are offered on SMP sites.

Conclusion

The research performed in this investigation led to some telling results. Businesses can be profitable while a deal is being offered (53.58% of respondents) and indications are that by offering a deal on an SMP site, businesses will be able to increase their customer base and increase their sales, but businesses can have a hard time maintaining increases. Businesses also have to be prepared and have a strategy in place in order to be successful.

Consumers have a number of reasons for buying deals that are offered on SMP sites and they tend to spend more money than allocated through the deal. In fact 80% of consumers who redeem a deal spend more money than the value of the deal. There is a slight tendency that consumers will not redeem their deal and that puts money in the business’s pocket without any work involved (outside of offering the deal). These are two great statistics for businesses and help drive the increase in profits that most businesses see when offering a deal on an SMP site.

Future directions to further this research would be to put more of the spotlight on customers and their tendencies. This may help solve the contrasting results we saw in RQ2. The research can help businesses identify their target audiences and figure out a way to persuade existing customers not to

purchase the deals. Another direction future research could take is to do a long-term study on businesses and consumers to determine why increases couldn't be maintained so other businesses can learn from past mistakes.

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