



Using Groupon for health and wellness businesses



In Lee

School of Computer Sciences, Western Illinois University, Macomb, IL 61455, U.S.A.

KEYWORDS

Social shopping;
Social commerce;
Social merchant;
Merchant;
Reputation;
Review;
Groupon;
Yelp

Abstract Social merchants are small business owners and entrepreneurs who adopt social shopping as a new sales channel. They employ social shopping intermediaries, such as Groupon and LivingSocial, to promote their products or services to price-sensitive customers at large discounts. The success of social merchants depends in part on the reputation they gain at merchant review sites (e.g., Yelp, TripAdvisor, Angie's List), via which consumers post online product and merchant reviews. An analysis of social shopping provides insight regarding how social shopping works and what merchants must be aware of if they utilize social shopping intermediaries. This article shares these insights in the context of a set of health and wellness merchants that were studied for five years. Specifically, this article discusses how their Groupon daily deals affect merchant reviews, and how surviving vs. failed social merchants differ in terms of their review scores and number of reviews. Finally, this article provides recommendations about merchant review management to health and wellness merchants.

© 2016 Kelley School of Business, Indiana University. Published by Elsevier Inc. All rights reserved.

1. The rise of social shopping and health and wellness merchants

Rapid advances in web technologies, cloud computing, and mobile communications provide great opportunities for companies to develop new businesses, processes, products, and services. Social

shopping is one type of e-commerce that combines product/service sales with consumer participation in a social network environment where constructive relationships are formed between consumers and local merchants (Lee, Yoo, Choi, & Shon, 2015). Social shopping has the potential to change the marketing strategies of merchants in many business sectors, including health and wellness, education, and restaurants.

Social shopping intermediaries not only provide information reach and richness to customers and

E-mail address: i-lee@wiu.edu

participating merchants but also make use of social media and various online communities via which consumers can exchange opinions on products and merchants (Ghose & Ipeirotis, 2009). Such exchange of opinions in online communities is known as electronic word-of-mouth, or eWOM. Consumer-generated product/merchant reviews on social networking sites and other online communities can have a positive impact on trust and the purchase intentions of users. To support users' browsing and increase their stickiness, social networking sites have enabled a number of features, such as user profiles, blogs, and tags (Holsing & Olbrich, 2012).

Health and wellness merchants promote individuals' health and well-being. Increasing life expectancy of the growing middle class and their awareness of health and wellness are driving growth of the health and wellness industry. According to Statista (n.d.), the biggest segment in the global wellness industry is beauty and anti-aging, with revenue of over \$1 trillion in 2013; close behind are the nutrition and weight loss, wellness tourism, and fitness segments. Another segment commonly linked with wellness is the spa industry. In 2013, the spa industry in the United States generated revenue of approximately \$15 billion, representing a total of 164 million visits made to 20,000 spas nationwide.

Growing acceptance of social shopping by consumers has had a definite impact on health and wellness merchants. Our analysis shows that between 2011 and 2015, more than 25% of health and wellness merchants became new Groupon merchants. In an increasingly competitive social shopping arena, identifying the success factors of daily deals has become crucial for health and wellness merchants.

Stories abound of the successes and failures of health and wellness Groupon merchants. A popular spa in a New York City suburb offered Groupon daily deals in 2014 with two options: \$125 for a 25- and 50-minute spa service (up to a \$220 value) and \$165 for a 50- and 80-minute spa service (up to a \$420 value). Over the four-day daily deal promotion, 373 coupons were sold. In addition to the daily deal, the spa waived the membership initiation fee, and about 10% of the Groupon customers became repeat customers. Yoga studios are also popular Groupon merchants, and many studios repeatedly offer Groupon deals. A newly established yoga studio in the Chicago area has been offering three Groupon deals over two-year periods to attract new clients. Yelp reviews from Groupon buyers are overwhelmingly positive, with an average review score of 4.8 out of 5 from 20 Groupon customers. The yoga studio only broke even on the Groupon promotion but made up profits via repeat visits and good WOM.

While some health and wellness service merchants have boosted business through Groupon deal promotions, other merchants have struggled with negative reviews and financial losses. For example, the Yelp page of a San Francisco-area skincare studio was flooded with 20+ negative comments following Groupon deals. While the studio's overall Yelp review score was over 3.0, its Groupon customers' review score was below 2.0. The business closed in 2014.

We have studied social shopping since 2010, and this analysis has provided insight regarding how social shopping works and what merchants should be aware of if they use social shopping intermediaries such as Groupon and LivingSocial. This article will share these insights in the context of a set of health and wellness merchants. The remainder of this article is organized as follows. In the next section, various perspectives on social shopping and merchant reviews are discussed. Then, health and wellness Groupon merchants' reviews and survival data are analyzed.¹ Finally, based on the study findings and industry practice, managerial recommendations are made for health and wellness Groupon merchants.

2. Perspectives on social shopping

Social shopping brings buyers and sellers together via e-commerce, whereby shoppers' social networking facilitates shopping activity. Social shopping attempts to use web technologies to mimic the social interactions that take place in physical malls and stores. Social shopping intermediaries can largely be divided into two categories: (1) group shopping sites and (2) social shopping marketplaces.

Group shopping sites gather individual consumers together to purchase products and services from merchants at discounted prices. Group shopping sites represent client merchants for commissions and promote daily deals to consumers.

Social shopping marketplaces bring merchants and consumers together to facilitate transactions, and deals are made between merchants and shoppers. The social shopping marketplace functions like a shopping mall where multiple merchants and shoppers interact with each other via the marketplace platform.

Social shopping intermediaries allow merchants to utilize Internet technologies and localized online advertisements in ways merchants were previously

¹ Data on the health and wellness merchants were collected from Groupon and Yelp at three different times: June 2011, July 2013, and July 2015.

Download English Version:

<https://daneshyari.com/en/article/1013849>

Download Persian Version:

<https://daneshyari.com/article/1013849>

[Daneshyari.com](https://daneshyari.com)