IT'S A JUNGLE OUT THERE

A consumer behaviour oriented master's thesis on how restaurant owners can utilise online discount concepts properly

Navn: Ketil Schjorterich Skotte

Vejleder: Marcus Schmidt, Institut for afsætningsøkonomi

Titel: It's a Jungle Out There

Uddannelse: Cand ling. Merc. i Engelsk og Interkulturelle Markedsstudier

Måned: August

År: 2012

Uddannnelsesinstitution: Copenhagen Business School

Antal sider og typeenheder i alt: 84 nummererede sider, 167895 tegn, 73,8

normalsider (167895 divideret med 2275)

Table of contents

Resumé af IT'S A JUNGLE OUT THERE

Denne kandidatafhandling undersøger, hvordan restauranter og caféer bedst kan benytte de såkaldte online rabatkoncepter. Er nogle koncepter eller sites bedre end andre? Er der forskel alt efter, hvilken type restaurant der er tale om? Og kan det i virkeligheden bedre svare sig at håndtere promoveringen selv?

Igennem de sidste to år har online rabatkoncepter vundet kraftigt frem her i Danmark og København. Det hele startede med den amerikanske virksomhed Groupon, der blev lanceret i Chicago i november 2008. På denne tid var finanskrisen lige brudt ud, og de amerikanske forbrugere tog Groupons blanding af kuponer og internettet til sig med det samme og var med til at gøre virksomheden til verdens hurtigst voksende. Groupon kan kategoriseres som et såkaldt dagens deal site, der dagligt sælger kuponer til forskellige produkter og services til halv pris. Herhjemme gik der ikke lang tid før konceptet blev kopieret med stor succes af Downtown.dk. Siden har denne type koncepter vundet frem i stor stil på det danske marked, og i dag er der mere end 25 forskellige dagens deal sider. Det er dog ikke den eneste form for online rabatkoncept. Kortklubber og last-minute booking sites giver også forbrugerne mulighed for at spare penge.

En af de brancher, der har benyttet sig meget af koncepterne, men som samtidig forholder sig ganske kritisk til dem, er restaurationsbranchen. Kritikpunkterne går på, at priserne bliver sænket til et uholdbart lavt niveau, og at koncepterne er med til at kannibalisere branchen. Er det virkelig tilfældet? Gennem primær og sekundær empiri samt relevante teorier og tekster forsøger denne kandidatafhandling at komme til bunds i emnet.

Første del er en introduktion til emnet. Problemformuleringen klargøres, afhandlingens afgrænsning defineres, og læseren bliver introduceret til de forskellige online rabatkoncepter, til Groupon, der var starten på disse koncepter og til traditionelle rabatkuponer, der inspirerede Groupon.

Anden del gennemgår den mest relevante teori, forklarer og bruger Howard og Sheths *A Theory of Buyer Behavior* (1969) i praksis og gennemgår den research, der tidligere er foretaget inden for afhandlingens emneområde. Den særligt interessante teori er Dodson et al.'s tekst om *Economic Utility Theory* og *Self Perception Theory* (1978)*,* Wathieu et al.'s tekst om blandt andet *Price*

2

Salience Theory (2004) og Gupta and Cooper's tekst om *Discounting of Discounts* (1992)*.* Alle tekster spiller en central rolle i forhold til at forklare forbrugeres forhold til og opførsel over for rabatter. I kapitlet kommer det blandt andet frem, at rabatter skader dyre brands' image og omsætning på lang sigt, i højere grad end tilfældet er med billige brands, og at deal sites'nes 50 procent rabat sandsynligvis er unødvendig høj i forhold til at få forbrugere til at ændre købsadfærd. Howard og Sheths model bliver brugt i samspil med empiri omhandlende to købssituationer med den konklusion, at modellen har brugbare elementer med henblik på strukturering af interview. Til sidst gennemgås den tidligere research, som består af amerikansk research om Groupon, dansk research om Downtown.dk og sitets kunder, dansk research om Restaurant 2 Night og sitets kunder og en undersøgelse om de danske restauratørers tilfredshed med deal sites. Researchen maler et meget uskønt billede af deal sites'ne og deres kunder.

I tredje del gennemgås og analyseres resultaterne af denne forfatters dybdeinterview med brugere af online rabatkoncepter samt restauratører. Analysen af førstnævnte viser blandt andet, at næsten alle respondenter har haft dårlige oplevelser gennem deal sites samt, at de sjældent vender tilbage som "normale" kunder. I analysen af sidstnævnte bliver det tydeligt, at restauratørerne ser deal kunder som værende dårlige kunder, og at de foretrækker de kunder, der bliver sendt fra Restaurant 2 Night.

Kandidatafhandlingens fjerde og sidste del opsummerer og konkluderer på de første tre dele. Her bliver også givet anbefalinger til restauratørerne og foreslået emner, der kan undersøges yderligere i fremtiden. Restauranter i middel til topklasse bliver anbefalet helt at undgå deal sites og i stedet satse på nogle af de mindre brandskadende sites som for eksempel Early Bird eller Eat Card, mens billige steder kun anbefales at benytte sig af deal sites, hvis de stadig kan profitere på det på kort sigt og ikke bliver nødt til at slække på kvalitet eller service. Til sidst opfordres restauratører til at stå sammen for at kunne forhandle sig frem til bedre ordninger og ikke blive trynet af rabatkoncepterne.

Part 1

INTRODUCTION

1.1 Introduction

The ongoing financial crisis has affected people and companies alike, and the restaurant industry is no different. Born from the restaurant owners' fear of dwindling turnover, several different online discount concepts, led by Groupon and an army of "deal of the day" sites, have emerged. While many restaurant owners have embraced the promotion value these concepts represent, it seems that just as many have criticised them and accused the discount concepts of cannibalising the industry (D-R-C 2012). Furthermore, the many different concepts and companies battling over the consumers' wallets make it extremely difficult for the restaurant owners to know which type of concept is best suited for their needs – or whether collaborating with one is even the best solution for them. I identified this problem during an internship at the last-minute booking site, Restaurant 2 Night. Through conversations with the company's business partners the need for more guidance and clarity was revealed to me. It is therefore the goal of this master's thesis to map the different concepts and companies, and analyse them and their offerings in order to be able to guide restaurant owners in Copenhagen to make the best decisions for their businesses. The recommendations will be given by answering the following problem formulation:

Which types – if any – of online discount concepts are best suited to which types of restaurants and how can the independent restaurant owners in Copenhagen use them optimally?

This problem formulation will be answered by using a combination primary and secondary qualitative as well as quantitative data, and relevant consumer models as well as theory on discount effects and consumer behaviour.

This master's thesis is divided into four main parts. The first, which you are currently reading, is an introduction to the concepts and the industry that this master's thesis revolves around. The second covers theory and previous research. The third describes the methodology behind the interviews conducted for this master's thesis, reviews the results and analyses them. The fourth part summarises and concludes upon the third three parts, thereby providing recommendations for the restaurant owners and making suggestions for future research.

While this master's thesis provides recommendations for effective promotional activity, it mainly belongs to the tradition of *Consumer Behaviour* within the field of *Marketing*. This is because it

finds the answer to the problem formulation mainly by turning to consumer research – both with regard primary and secondary research data and the theories used. The master's thesis can help shed light on how these relatively new concepts can be utilised best as a promotional activity.

1.1.1 Online discount concepts

What is the definition of "online discount concepts"? In this master's thesis, the term "online discount concepts" covers three main types of concepts. First, there are the deal-of-the-day sites. These sites are similar to old fashioned coupons, but have been given a modern twist by being entirely online based. Every day, the sites post offers on their websites and through direct mail. The customer then buys the coupon online, after which s/he can use it at the given place. In this master's thesis, this type of concept will occupy the more time and space than the two other because it is the dominant concept market wise. The second type of concept is the card clubs. These typically require the consumer to pay an annual fee in order to receive a membership card that entitles the owner to a discount at a number of places. Last, there are the last-minute booking sites. This type of concept functions much like last-minute travels. The restaurants sell their unused capacity to the customers at a discount. Currently there are only two sites in Copenhagen. These concepts will be explained more thoroughly in chapter 1.2, *"The current situation in the industry".*

1.1.2 What is meant by "restaurant industry"?

What exactly is the definition of the restaurant industry? Broadly speaking, the restaurant industry encompasses everything from pizzerias and bars to small take away places with no seats, to Michelin starred restaurants, but in this master's thesis it is defined more narrowly as cafés and restaurants. That is, places where the customers mainly come to sit and have a meal and something to drink.

1.1.3 Why this industry?

So, why choose the restaurant industry? To this question there are two answers. First, the industry was quick to embrace the concepts, and restaurant offers are still very prevalent in the deal-of-the-day sites daily offers. A few months back, I conducted a small piece of research tracking the daily deals from the three biggest deal-of-the-day companies, Downtown, Sweetdeal and Groupon, over the course of 30 days[1]. At Downtown.dk 20 different places offered 25 different deals and there was an active food deal on 24 out of the 30 days. At Sweetdeal.dk 16 different places offered 17 different deals and there was an active food deal on 29 out of the 30 days. Lastly, at Groupon.dk, 12 different places offered 13 different deals and there was an active food offer on 19 out of the 30 days. When you take into account that there are typically three or four deals per day, these numbers show that restaurant offers are a big part of the offers promoted by these sites. Furthermore, most of the companies (for instance Greed, Restaurant 2 Night, Early Bird and Menu Card) who provide offers in a single product category have chosen restaurants as their focus.

The second answer is that although the restaurant industry has been quick to adopt the concepts, it also remains highly suspicious and critical of them. In fact, the industry seems to be the most vocal of all in its criticism of the discount concepts as seen in the recent survey by D-R-C and in the media (Dahlager 2012). This conflict between feeling the need for an alternative means of promotion in this time of crisis and the simultaneous awareness of the dangers of using these concepts make the industry very interesting with regard to giving recommendations. One last thing that should be noted is that because of the extremely localised nature of these concepts, this master's thesis will only focus on Copenhagen. However, many of the recommendations can be used in cultures similar to the Danish.

1.2 The current situation in the industry

The purpose of this chapter is to provide a detailed overview of the online discount market in Denmark and then compare the concepts to some of the important and/or innovative concepts in

---

[1] The results can be found in appendix 5

the United States – the originator of these concepts. Since this master's thesis revolves around the Danish market, this will be covered much more extensively than the American market, which will only be outlined in order to draw comparisons to the Danish market. Before doing this though, a quick overview of the current state of the restaurant industry in Denmark will be provided.

1.2.1 The Danish restaurant industry

As opposed to, say, Americans, Danes are not a population that eats out very frequently. In fact, 40 percent of the Danes eat out less than once a month (Kjær 2011) so for most people having a meal at a restaurant is seen as a luxury rather than an everyday scenario. While this could indicate that the restaurant industry in Denmark would be in a perpetual crisis, the opposite held true in the beginning of the new millennium. From 2003 to 2008 the Danish restaurant industry experienced a constant rise in turnover, but as has been the case with most industries (Horesta 2011) the ongoing financial crisis has also affected the restaurant industry. The industry now employs fewer people than it did five years ago (ibid.) and the percentage of restaurants that went into bankruptcy in 2010 is one percentage point higher than the average for all industries in the business sector (ibid.).

There are positive developments, though. After a drop from 2008 to 2009, the turnover for the Danish restaurants rose from 2009 to 2010, although not quite to the level of 2008 (Horesta 2011). Furthermore, industry experts Flemming Østergaard of Lloyd's Brokering and Finance, and Jesper Uhrup, editor in chief at Gastro, are of the opinion that the restaurant industry is somewhat crisis proof. Østergaard says: *"even when the outlook is none too good, people go out to eat and drink. We saw it after the austerity measures in the 1980's. The restaurant industry suffered a minor setback, but quickly recovered while the hard times continued elsewhere"* (Pedersen 2009). The two experts point out that the high end restaurants will probably lose guests while the less expensive bistro and trattoria type restaurants will prevail. This trend has already been seen with the enormous success of the Cofoco chain (ibid.).

Whether the industry is just suffering from a minor setback or is indeed finding itself in a severe crisis remains to be seen, but one thing has been proven so far, namely that the many restaurant

owners have embraced online discount concepts in order to attract new guests and/or sell unused tables. Interestingly, it is all types of restaurants, from cheap Indian places to gourmet restaurants holding a Michelin star that have tried being part of one or more concepts. This means that while the effect of the financial crisis on the restaurant industry remains to be seen, many restaurant owners have felt (or fear) them and have therefore turned to alternative means of promotion. The next section will therefore cover the different discount concepts available for the restaurant owners.

1.2.2 The online discount industry

Roughly speaking, the market in Copenhagen consists of three types of discount concepts: deal-of-the-day sites, last-minute booking sites, and card clubs. Currently the dominant type of concept is the daily deal sites (of which there are currently more than 25 of).

The deal-of-the-day sites are inspired by traditional coupons (more about them in chapter 1.3) but have added the dimension of utilising the social networks to make consumers benefit from *"the collective buying power"* i.e. the consumers' ability and willingness to spread the offers to their social network through social media in order to receive the favourable offers *(Price 2009; Groupon official website).* As will also be described more thoroughly in chapter 1.4, the first mover in this young industry was the Chicago based Groupon, which launched in 2008 soon spawning countless imitators in the U.S and beyond. In Denmark, Downtown.dk was the first company to imitate Groupon's business model, launching in May 2010 before Groupon had expanded its services to Denmark. As with Groupon's success in the U.S, the success of Downtown in Denmark soon spawned numerous copy cats.

Almost all of these sites have a concept identical to that of Groupon. Every day they post one to four deals on their website. These deals require a certain number of purchases before they are activated. As a customer, you buy the deal online and when enough people have bought it, the deal is activated and a coupon can be printed. The coupon is then valid for the specified deal, be it a sushi menu, a massage or maybe a helicopter ride. It just has to be shown upon the arrival at the restaurant/shop/etc. The deals on these sites typically offer a 50 percent discount on the products

and services, but occasionally as much as 90 percent can be saved. Recently, this very rigid and steep price structure has finally been challenged by a new company. Its name is Shopbox and in an attempt to give the restaurant owners more freedom to choose how big a discount they can afford to give, the discount percentages on Shopbox.dk vary from 10 percent to 50 percent. Whether this new pricing structure will affect the market has yet to be seen.

As previously mentioned, there are currently more than 25 daily deal sites in Copenhagen alone, but as is often the case, a select few dominate the industry. According to numbers from an FDIM/Gemius survey from last year, the most visited sites are Downtown (85.000 monthly users), Sweetdeal (85.000) and Groupon (69.000). From these three industry leaders there is a big gap down to number four, Dagens Bedste (35.000), and number five, Dealhunter (19.000) (Madsen 2011). In spite of the "big three's" dominance, new sites open up frequently and the aforementioned survey also shows that the deal sites attracted more than twice as many visitors in September 2011 compared to September 2010, so consumer interest for these deals is currently on the rise.

In comparison, the last-minute booking industry is a lot smaller and easier to keep track of. Originally, last-minute booking was used in the travelling industry, but the new concepts focus on the restaurant business. As of the time of writing this, there are only two dedicated last-minute booking sites in Denmark focusing on restaurants, Restaurant 2 Night and Early Bird. As the term "last-minute booking" implies, both companies help restaurant owners sell their unused capacity at a discount from day to day[2]. Although their concepts are similar, the two companies differ on two key areas. Restaurant 2 Night provides between 10 and 40 percent discount on everything on the menu, including drinks, while Early Bird provides a 33 percent discount on a fixed menu and no discount on drinks. From a restaurant owner's perspective, Restaurant 2 Night therefore provides a greater degree of freedom and is more flexible. The other area pertains to the selection of partner restaurants. Restaurant 2 Night has chosen to include a wide variety of restaurants and cafés without much prejudice, while Early Bird favours a smaller, but higher quality selection of restaurants.

---

[2] Restaurant 2 Night lets its customers book up to two days in advance, although at a smaller discount

The last of the three sectors in the industry is the card clubs. In comparison with the two previously described concept types, card clubs extend to more businesses with most big chains having their own membership card that gives consumers percentages of products for an annual fee. Covering all the different card clubs is neither relevant nor possible within the scope of this master's thesis, so instead the focus will be directed at the card clubs providing discounts for restaurant visits in Copenhagen, since the restaurant business is the main focus of the master's thesis.

Card clubs in the restaurant industry go back as far as the 1950's where the *"first credit card in the world"* (Diners club website) was introduced in the shape of Diners Club. In Denmark, Club Lorry and Politiken Plus have been staples for many years, but recently Menu Card, a new ambitious competitor focusing solely on restaurant visits, and Eat Card, which focuses on high quality restaurants and hotels, have emerged. Menu Card's tactic for gaining market share has been to issue free cards and one year's free membership to anyone interested. Whether this tactic will pay off for them remains to be seen since the first cards were issued in autumn 2011.

As this chapter shows, the Danish market is currently very crowded and opaque. Not only do the restaurant owners have several very different concepts as an option, but within these different concepts there are different companies, who may appear to be identical, but in reality many of them have small but significant differences that can mean make a big difference for the restaurant owners. This is especially true in the case of the daily deal sites where more than 25 different – but very similar - sites compete. To the customer they may be identical but to the restaurant owner little things such as the size of their commission, how many people are subscribing to their direct mail service, and their terms of payment[3] can really make a difference.

1.2.3 New twists on a well worn concept

Trying to make an exact comparison between the Danish and the American discount industry is a daunting task that would require time and space not afforded within the confines of this master's thesis. This is partly because the industry is based as locally as it is. Since the businesses offering

---

[3] Some daily deal sites pay the restaurants owner when the coupon is sold, some when it is redeemed.

savings via Groupon and similar concepts are usually local businesses, the online discount concepts have to treat each new city as a new market. The concept may not change from city to city, but the products and services offered do.

As could be expected, the rapid and overwhelming success of Groupon spawned countless imitators around the United States and the rest of the world, but instead of just listing these and describing their financial situation, I have chosen to cover those that bring something new to the table. These companies try to evolve the formula and could serve as an inspiration for Danish businesses.

Living Social

Living Social is another "deal of the day" site and by far Groupon's biggest competitor in the U.S. What makes the company stand out is its twist on the "collective buying behaviour" concept. When buying a product/service through Living Social you receive a unique link, which you can then share. If somebody buys the deal through your link, the deal becomes free for you (Moreau).

MOGL

MOGL's goal differs from that of Groupon. Instead of focusing on reaching new guests, MOGL attempts to take the restaurants' existing customer base and increase the frequency of their visits and the amount of money they spend per visit by offering rewards such as discounts (albeit much smaller than the typical 50 percent) and monthly prices to the biggest spenders. Another interesting innovation by MOGL is that all purchases can be done using a credit or debit card by linking it to MOGL. This eliminates the need for the annoying paper coupon and thereby removes some of the social stigma associated with "deal of the day" sites and coupon use in general. It also makes impulse purchases easier (Hindman 2011).

Google Offers

Google Offers stand out by not requiring a minimum number of purchases to be made before the deal is activated. Thereby, it removes some of the focus from the "collective buying behaviour", which has proven to be difficult to utilise properly anyway (more on that in chapter 2.4.2). Google

Offers also lets customers use Google Wallet, which lets you pay via a smartphone, as a means of payment, thus also removing the need for a clumsy coupon (Moreau).

Aside from these conceptual innovations, there are many companies focusing on single product categories in the U.S. This can be restaurants, fashion, and even cable tv and telecommunications products. We have seen the beginning of a more niche oriented product segmentation in Denmark as well, with companies focusing on restaurants (Greed, Restaurant 2 Night, Early Bird) and travelling (Take Offer), but there are still plenty of product categories waiting to be explored. These examples show that there are indeed companies trying to evolve and perfect the formula which is necessary if these sites should be regarded by restaurant owners as viable options for promotion in the long run.

1.3 The history of coupons

Daily deal sites such as Groupon and Downtown owe a great deal to the traditional coupons found in for instance in newspapers, coupon pamphlets, and on the internet. In short, a coupon is a slip of paper that entitles the person in possession of it to a discount on a given product or service. There are two types of coupons: welfare coupons and grocery coupons. Welfare coupons are given to people living in – or in risk of – poverty, while grocery coupons can be found in the abovementioned places. The latter can be divided into two categories: store specific and manufacturing coupons. Store specific coupons are issued by certain retailers and can only be used at said retailer, whereas manufacturing coupons are issued by the manufacturer of the discounted product and can be used at stores carrying the given product.

The company thought to have invented the coupon is none other than Coca Cola. In 1887, Asa Chandler came up with the idea of distributing coupons for a free glass of Coke. The campaign resulted in more than 10 percent of the American population trying out Coca Cola, and the soft drink being served in every state. It took two decades and helped make Coca Cola the company it is today (Tuttle 2010). While Coca Cola may have invented the coupon as a promotion effort, it was not until the Great Depression and its financial hardships that coupons came into their own (Black Friday). In the 1940's, supermarkets entered the scene and replaced local grocers as the point of coupon use, and from there on the use of coupons in the U.S was on the rise. In 1965, an

estimated 50 percent of American households were using coupons. The number grew to 65 percent in 1975 (Black Friday), and in the 1990's the use of coupons peaked, with an estimated 83 percent of households using coupons in 1997 (All about coupons). Since then, it has somewhat declined. In 2003, 77 percent of households used coupons (Black Friday) and although the current economic situation bears resemblance to that of the 1930's, and the number of coupons redeemed rose from 2.8 million in 2008 to 3.5 million in 2009, numbers are still far from the high point in 1992 when 7.9 million coupons were redeemed (Tuttle 2010). In spite of this, coupon use is still widespread in the U.S and recently a new segment of coupon users has come to the attention of the public eye: extreme couponers who make couponing a way of living. The recent television show "Extreme Couponing" is a good example of this. In the show, different (female) couponers show how they cut up to 95 percent of their grocery bill by using coupons. This segment has been described as the marketers worst nightmare because they do not use coupons as a way to try out new products, but instead only buys products they have a coupon for (Patel 2011: 1). A buying behaviour also spotted among the users of deal-of-the-day sites by restaurants owners (more on that later).

A remarkable thing about the use of coupons is that it does not seem to be tied to a certain age or income. Everyone uses them, although the age groups 18-24 and 65+, and households with an income of less than 25.000 USD a year are slightly less likely to do so (Black Friday). While the user distribution is fairly even when it comes to age and income, gender plays a significant role. 86 percent of the women in the U.S use coupons, whereas only 69 percent of the men do (ibid.). This can perhaps be explained by many women still being responsible for grocery shopping in their household, thereby also managing coupons. As the history and statistics show, coupon use has such a long tradition and is so commonplace among Americans that it is not entirely surprising how Groupon and its imitators were able to achieve success in such a short period of time by imitating some of the aspects that make coupon use so widespread.

In Denmark, coupons do not have the same history and cultural influence. The most well known source of coupons is perhaps "Kupon-Nyhederne" ("The Coupon News"), which was first published by Bonnier in 1982. Kupon-Nyhederne was a small book containing numerous coupons received monthly by every household in Denmark except those who explicitly requested otherwise. One of

the reasons for this lack of coupons has been the legal gray area they have always been in. In fact, they were not permitted for many years.

1.4 The rise of Groupon

As mentioned in the introduction, the most successful and widespread type of the online discount concepts so far has been the deal-of-the-day sites led by "the world's fastest growing company" (Anderson: 2011), Groupon. Although Groupon is now a billion dollar corporation, its origins only date back as far as the end of 2007 when founder Andrew Mason started "The Point", a predecessor to Groupon. The Point was not a money maker for Mason, but the attention it had received by consumers prompted him to keep working, and in November 2008 Groupon launched in Chicago. It only took a few months before Mason was ready to expand Groupon to other cities. In March, the site launched in Boston and New York followed two months later. By the end of 2009, Groupon were expanding its deals to 10 new cities a month. In July 2011, Groupon sent out more than 900 deals every day to its 70 million subscribers in the 46 countries it were operating in at the time (Anderson 2011), and these numbers are still on the rise.

So what is Groupon? The name itself is a contraction of group and coupon, and herein lies a lot of information about the company's concept. Groupon basically sells coupons to different products and services online through its website. As opposed to traditional coupons, Groupon sells for SMB's, and the most common deals are restaurant visits and take away, as well as wellness services, rather than grocery products such as cereal and toilet paper, which are typical to traditional coupons. This obviously covers the coupon part of the company name. The group part enters the equation because every deal has to be bought by a certain number of people before it is activated[4]. Groupon therefore encourages people to "share" the deal with their friends on Facebook and/or Twitter so it can be activated.

What makes Groupon so successful? Apart from being well managed and able to handle its rapid expansion four points stand out. First and foremost, there is the economy. Groupon launched only

---

[4] The number is set by the business running the deal, and not Groupon. Therefore it differs from deal to deal.

a couple of months after the beginning of the ongoing financial crisis, thereby tapping into the consumers' eagerness to save money and the SMB's fear of losing revenue as a result of more economically cautious customers. Second, Groupon arrived at a time where the Internet really came into its own across age and income groups with things like distribution and commerce starting to properly get a foothold. For instance, redemption of internet deals rose by 360 percent from 2008 to 2009, and Google searches for "printable coupons" and "online printable coupons" more than doubled in that same time span (Enright 2011). E-commerce in general was also rising. In 2009, e-commerce sales were growing much faster than retail sales in the U.S, contributing with sales of 144 billion USD, according to the U.S Commerce Department (ibid.). Additionally, the social networks, namely Facebook and Twitter, had also gone from being a young people's platform to something housewives could just as easily use (particularly the former). The nature of these platforms where you share news, videos and more with your friends and family was a perfect match for Groupon's concept of utilising the "collective buying power" by sharing deals with your network. Third, the cultural embedment of coupons in the U.S meant that the concept seemed new and fresh but simultaneously familiar to the consumers, since it was basically a concept they knew about. It had just been moved to the internet and given a younger and flashier packaging. Last, it should not be forgotten that the concept is incredibly simple to utilise for Groupon and the SMB's, and easy to use for the consumer. It is also highly scalable. While the last point certainly was an advantage for Groupon when it started out, it is also the reason why the concept has been so easily and (therefore) frequently copied.

While there is no question that Groupon as a company as well as its concept and business model have been very successful, the company and its imitators have also been criticised for a number of reasons. SMB's have lamented the deal-of-the-day sites' failure to deliver guests who are interested in returning at full price and the very high commission taken by the sites, while guests have been complaining over poor service (at the SMB's) and unreliable reference prices. With this chapter, the introductory part of this master's thesis concludes. The next part covers the most important theory in regard to this master's thesis and also reviews the previous research on the subject of online discount concepts.

Part 2

THEORY AND PREVIOUS

RESEARCH

2.1 Theory and literature review

The following chapter reviews the academic papers and theory deemed to be particularly important in regard to this master's thesis. Other relevant, but less crucial theory will therefore be introduced on a continuing basis.

2.1.1 Dodson et al.: Economic Utility Theory and Self Perception Theory

The paper "*Impact of Deals and Deal Retraction on Brand Switching*" by Joe Dodson, Alice Tybout and Brian Sternthal, which revolves around consumer deals' effects on brand switching and loyalty, may be from 1978, but nonetheless it is still tremendously relevant in the marketplace of today. Just consider the following statement from the paper's introduction: *"Several factors account for the emergence of consumer deals as an important part of the marketing mix. First, as economic conditions deteriorated in the early seventies, consumers became more value oriented in their consumption choices. … Third, the declining efficiency of advertising, accelerated by ever increasing production costs, media costs, media clutter, and government control, appeared to make deals a relatively efficient means of attracting and maintaining customers"* (Dodson et al. 1978: 72). The introduction also mentions that the number of distributed and redeemed cents-off coupons increased greatly in the early seventies thereby becoming a more integral part of *"the marketer's arsenal"* than before (ibid.). But is this way of marketing a product favourable in the long run? The authors set out to investigate this by answering two questions: "*What the effect of a consumer deal is on brand switching*", and "*What the effect of deal retraction is on subsequent loyalty on the dealt brand*" (ibid.: 72-73). The authors hypothesise that: a) deals do enhance the probability of brand switching, and b) deals result in reduced brand loyalty (ibid.: 75). These predictions are based on two theories, which are also very relevant with regard to this master's thesis: *Self Perception Theory* and *Economic Utility Theory*.

Economic Utility Theory

In all its simplicity, *Economic Utility Theory* dictates that "*deals serve as economic incentives that enhance the utility of a brand, thus attracting former purchasers of other brands*" (Dodson et al. 1978: 73). Furthermore, the theory also proposes that the probability of brand switching increases

as the economic incentive rises (i.e. the higher the value of the deal is, the more likely are people to switch brands). *Economic Utility Theory* can be used to explain why deals make consumers switch brands but not why deals should be inversely related to brand loyalty. This is where Self Perception Theory enters the picture.

Self Perception Theory

According to Self Perception Theory, "*individuals examine their own behaviour and the circumstances in which that behaviour occurs as a basis for determining their attitude toward an object*" (Dodson et al. 1978: 74). The theory states that when people make the decision to purchase a product or service it is based on either internal or external causes – or a combination of both. Internal causes are feelings or opinions about the product/service that stem from within, while external causes are incentives being put upon the consumer, for instance in the shape of a deal. Studies testing *Self Perception Theory* have shown that the presence of an external factor overshadows the internal causes. So when people buy on discount they therefore tend to attribute their purchase to the external factor, i.e. the discount, rather than their own liking of the product/service. This means that when the deal is retracted, their incentive to purchase is removed which results in decreased brand loyalty (ibid.).

Although the above provides a good introduction to the theory, *Self Perception Theory* contains more layers. The theory dictates that deals should be categorised in terms of both their economic value and the effort they require of the consumer in order to be redeemed. So, if a deal requires a moderate effort to redeem and has a high economic value, the purchaser will attribute his actions to the economic value of the deal rather than his/her liking of the product/service because: *"Why did I go to the effort of redeeming this coupon? Because of its economic value"* (Dodson et al. 1978: 74). This means that brand loyalty is decreased when the deal is retracted, both for consumers who switched brand during the deal and those who had bought it prior to the deal period. In fact, *Self Perception Theory* states that the brand loyalty will decrease more than if a deal had not been present. The same effect also occurs in the instance of low economic value deals that require little effort to redeem. Conversely, if a deal that requires substantial effort to redeem but has a low economic value is purchased, the consumer will more likely attribute his/her

decision to a liking of the product/service since s/he went through a lot in order to save only a little thus enhancing brand loyalty.

The paper's experiment tracked 459 families and included two product categories to allow *"cross validation of the findings"*. The effects of different types of deals and the effects of the retraction of these on the families' shopping behaviour were then observed, and results were gathered and analysed (Dodson et al: 1978: 75). The authors conclude that deals do indeed induce brand switching but that the retraction of them are related to decreased brand loyalty. Dodson et al. believe that *Self Perception Theory* is the most reasonable explanation for this, but still state that further research is recommended.

Another case described in the paper, which also supports *Self Perception Theory*, is an experiment conducted by Dobb et al. in 1969. Over the course of a 20-week period, the authors introduced *"new brands of inexpensive, frequently purchased consumer products in experimental stores at a discounted price and in comparable stores at a regular (competitive) price* (Dodson et al. 1978: 73)*.* The discount on these items ran over a nine day period after which it was retracted. After the 20-week period the aggregate sales were measured. The results showed that during the discount period, the experimental stores outsold the control stores as predicted by *Economic Utility Theory*. However, after the discount was retracted, the sales of the experimental stores fell below those of the control stores in line with the prediction of *Self Perception Theory*. In fact, aggregate sales for the experimental stores were lower than those of the control stores (ibid.). In similar experiments, Lawrence (1969) and Shoemaker & Shoaf (1977) also concluded that discounts only induced brand switching in the time period they were offered (Hoek & Roelandts 1991: 55-56).

While the product categories were different and the experiments took place more than 30 years ago, *Economic Utility Theory* and *Self Perception Theory* are still very relevant in regard to the subject of this master's thesis. *Self Perception Theory* can, for instance, help explain the relatively low percentage of repeat guests described by the business owners in the Utpal Dholakia survey (in the forthcoming chapter about previous research). If accurate, *Self Perception Theory* do not shed a positive light on discount concepts, least of all the "deal of the day" sites since they have high discounts compared to other discount concepts and are only moderately difficult to redeem.

One thing that *Self Perception Theory* and the paper by Dodson et al. do not investigate is whether differently positioned products/services are affected differently by deals and deal retraction. The next paper seeks to answer this question.

2.1.2 Wathieu et al.: The Asymmetric Effect of Discount Retraction on Subsequent Choice

In an interesting paper from 2004, Luc Watieu, A. V. Muthukrishnan and Bart J. Bronnenberg investigate the effects of deal retraction further and predict that deal retraction hurts high priced brands more than it does low priced brands. This prediction is based on the theory of **Price Salience Theory** which is how "*The contrasting of temporary discounts with quality invariance influences the level of attention consumers place on the price attribute*" (Wathieu et al. 2004: 652). According to this theory, price salience especially occurs when a brand, which is not normally perceived by the consumer to compete on price (i.e. a high quality, high priced brand), is sold on discount, whereas the discount on a low priced brand will not attract the same attention since it is expected to compete on price in the first place (ibid.: 653).

 Through three experiments, the authors found that the retraction of discounts was not always detrimental to the discounted product, but rather that (as suggested by their predictions) high quality, high priced brands suffered while low quality brands thrived (Wathieu et al. 2004: 656). These results do not undermine *Self Perception Theory* but instead build on - and nuance - it since they corroborate that a discount and the ensuing retraction of it do indeed accentuate the price (external) aspect of the brand. However, in their study this only seems to be a problem in regard to high quality, high priced brands, which has interesting implications with regard to different types of restaurants and cafés using the online discount concepts.

2.1.3 Gupta & Cooper: The Discounting of Discounts and Promotion Thresholds

In this paper from 1992, the authors set out to investigate a number of questions regarding discount effects. Do consumers tend to discount the price discounts? Is there a threshold level on promotional discounts that needs to be reached before the consumers change their opinion about

buying a product or service? Do discount percentages reach a saturation level above which the effects of a higher discount are minimal? And finally, how does the type of product or store influence the answers to these questions (Gupta & Cooper 1992: 401)? In order to answer these questions, Gupta & Cooper carried out a meticulously designed experiment, taking into account both store and brand image (ibid.: 405).

The discounting of discounts

When a product or service is on discount, do the consumers accept the advertised discount as it is or do they discount the discount? In 1977 Olson & Jacoby wrote that *"external stimuli do not exert direct effects upon behavior but only indirect effects. Stimuli must first be perceived and interpreted before they can affect decision processes and overt behavior"* (Olson & Jacoby in Gupta & Cooper 1992: 402). In order words, the advertised discount (AD) has to be processed in the mind of the consumer before his/her brain calculates the perceived discount (PD) (Gupta & Cooper 1992: 402). For the marketer, it is the PD that matters since it determines the consumer's opinion about the discount. Past studies indicate that the PD tends to be lower than the AD. In 1981, Blair & Landon came to the conclusion that reference price claims were discounted by 25 percent, and in 1988 Mobley et al. found that even when no reference price was mentioned, consumers still perceived the value of a 25 percent discount to be only 21 percent and the value of a 50 percent discount to be only 45 percent (ibid.). Furthermore, both Bitta et al. and Fry & McDougall found that the higher the discounts are, the more they are discounted by consumers (ibid.). In their own study, Gupta & Cooper also found that consumers discount the discounts and that the level of discounting increased as the discount became higher.

Store and brand image

Another question that begs to be answered is whether the image of the store selling the product influences the discounting of discounts. According to ***attribution and information-processing theory,*** consumers pay less attention to information that is "more of the same" than to new information (Gupta & Cooper 1992: 402-403). Based on these theories Lichtenstein & Bearden (1989) suggest that *"consumers' internal price standards, perceived value of the deal, and source credibility perceptions are likely to be higher when they encounter an advertisement from a store*

that does not consistently make reference price claims and is highly distinctive in its price promotion behavior" (Lichtenstein & Bearden in Gupta & Cooper 1992: 403). This means that stores frequently running promotions are more likely to make the consumers think *"this store always offers deals, so its regular price is really not a regular price"* (Gupta & Cooper 1992: 403). While previous authors have made this argument, Gupta & Cooper's results were not conclusive enough to warrant a confirmation of this thesis (ibid.: 406).

Another parameter influencing the discounting of discounts is whether the product/service on discount is a name or store brand. In an experiment from 1981, Della Bitta et al. found that the perception of the quality of a Texas Instruments calculator did not vary although its price did. They attributed this to the brand value of the product. Because consumers have more well developed internal price references and perception of quality regarding name brands than they have of store brands, the former should not arouse as much suspicion when put on discount. This notion is shared by numerous other researchers in the field such as Dickson & Sawyer and Blair & Landon (Gupta & Cooper 1992: 403). The results of Gupta & Cooper's experiment also support this notion (ibid.: 406).

Change in purchase intention and promotion thresholds

When all is said and done, the goal when using discounts as part of a promotional strategy is to influence the buying behaviour of consumers, preferably even changing their purchase intentions so they choose your brand. This is where promotion thresholds enter the picture. A promotion threshold is *"the minimum value of price discount required to change consumers' intentions to buy"* (Gupta & Cooper 1992: 404). The previously explained concepts of AD, PD, store image, and name brand vs. store brand all fit into this. When marketers run a promotion, the AD is influenced by the store image[5], whether the product on sale is a name or store brand, and lastly, how big the discount is. This results in the PD, which is what really matters for the marketer. Another question is whether promotions reach a saturation level where the impact is minimal.

---

[5] As previously mentioned, Gupta & Coopers results were inconclusive with regard to this, but other researchers have argued that it does influence PD, which is why it is included here.

The study by Gupta & Cooper found that the promotion threshold in AD for a name brand was practically zero, while it was at 20 percent for store brands. The study also confirmed the presence of a saturation level, at 20 percent for name brands and 30 percent for store brands. Note that the saturation level does not mean that an increased discount does not have an effect, but rather that it is not as effective as it is below the saturation level (Gupta & Cooper 1992: 408-409).

****

The research conducted by Gupta & Cooper, and the other authors mentioned in this section have interesting implications with regard to this master's thesis. First, it suggests that the high discounts of about 50 percent employed by the "deal of the day" sites might actually make the consumers distrust the reference prices and discount the discounts. It also suggests that a discount of 50 percent is not really necessary in order to attract new consumers to a product, since the saturation level is lower. These results speak in favour of last-minute concepts such as Restaurant 2 Night and Early Bird, which employ lower discounts.

Of course, it should be noted that all the above research originates in the United States which does mean that it is not tailored to the Danish market. The American culture has a longer tradition of marketing and discounts and the Americans have a different mentality and purchase behaviour than the Danes which should be taken into consideration. That being said, the differences should not be major since Denmark and The United States are still reasonably similar societies and therefore the trends and tendencies found by the different authors should still be very valid with regard to this master's thesis.

2.2 Howard & Sheth: A Theory of Buyer Behavior

In 1969, John A. Howard and Jagdish N. Sheth took it upon themselves to formulate a theory explaining why consumers choose the brands they do. The result was "*A Theory of Buyer Behavior",* a positive theory based on the assumption that the consumer is guided by a "bounded rationality" (Howard & Sheth 1969: 467). The model is analytical as opposed to prescriptive and can be categorised as being part of the cognitive approach to consumer behaviour (Bray 2008: 10).

"A Theory of Buyer Behavior" has since gone on to become one of the most widely used and respected consumer buying behaviour models. In this chapter, the model itself and its relevancy with regard to this master's thesis will be explained, while the model will be applied to a specific purchase situation in the next chapter.

2.2.1 The framework of the model
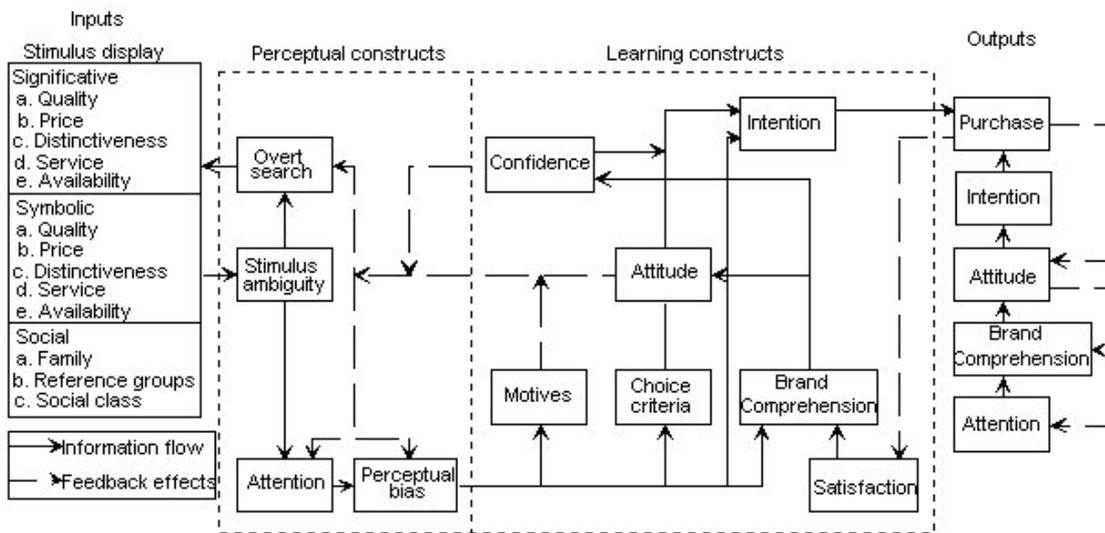
"A Theory of Buyer Behavior" consists of four major components: *Stimulus Variables, Response Variables, Hypothetical Constructs, and Exogenous Variables* (not displayed in the model above) (Howard & Sheth 1969: 470). At its most basic level, the model can be said to function like this: the buyer receives various *Stimulus Variables/Inputs* and through the *Hypothetical Constructs* s/he forms an opinion resulting in the *Response Variables/Outputs* and thus a purchase decision. Throughout the formation of opinion within the *Hypothetical Constructs,* the *Exogenous Variables* influence the process. This short explanation makes the model appear very linear, but in fact many of these different variables act as feedback for, and on, each other which makes the model somewhat cyclical and very complex. Therefore, a more thorough explanation of the components of the model will be given here.

2.2.2 Stimulus Variables

Stimulus Variables (or *Inputs* as they are called within the model) represent the many stimuli that the buyer receives from his or her environment be those either commercial or social. The commercial inputs consist of various marketing efforts and activities employed by different companies. This can be commercials, in store advertising, and billboards, while the social inputs come from the buyer's personal network. An example of a social input is word of mouth (Howard & Sheth 1969: 470-472). After these different inputs are received they are *"processed and stored through their interaction with a series of Hypothetical Constructs"* (ibid.: 472)*.*

2.2.3 Hypothetical Constructs

Hypothetical Constructs can be divided into two categories: *Learning Constructs and Perceptual Constructs.* This part of the theory is "*the result of an integration of Hull's (1943, 1952) learning theory, Osgood's (1957) cognitive theory, and Berlyne's (1963) theory of exploratory behavior, along with other ideas"* (Howard & Sheth 1969: 472).

Learning Constructs

Learning Constructs can be said to contain the function of *concept formation* and are the major components of decision making. There are six types of *Learning Constructs: motives, brand-potential of the evoked set, decision mediators, predisposition toward brands, inhibitors,* and *satisfaction with the purchase of the brand* (Howard & Sheth 1969: 472).

Motives are, well, the motives the buyer has for buying a product or service. They can be either specific or non-specific. Specific motives for eating out at a restaurant could be comfort or self-reward, while non-specific could be prestige or thriftiness.

Brand-potential of the evoked set is the range of brands the buyer knows about and considers within a certain product category. These can range from his or her favourite restaurant where s/he has been five times in the last year to the new restaurant s/he just read a positive review of in the newspaper.

Decision mediators represent the way the buyer matches his or her evoked set with his or her motives in order to rank the alternatives. The two things shaping the buyer's cognitive processes

are actual experience and information. Actual experience is past visits to a restaurant while information is word of mouth, professional reviews, or advertising.

Predisposition is a combination of the previous three *Learning Constructs* that refers to the buyer's preference and attitude toward the brands in his or her evoked set. It is, in short, an internal ranking table. Together, these four *Learning Constructs* make up the decision part of the process.

Inhibitors are disruptive external forces that can prevent the buyer from buying a product (or in this case eating at a restaurant). Howard and Sheth list four types of inhibitors. These are: a high price of the brand, lack of availability of the brand, time pressure on the buyer, and the buyer's financial status. The first two come from the *input* system described above while the last two are *exogenous variables,* which will be described shortly. As described, the inhibitors are external because of their random and situational occurrence, e.g. a restaurant may not have any available tables on the given night. However, they can be internalised by the buyer if they persist over time. For instance, if the same restaurant is often fully booked, the buyer will incorporate this inhibitor into his or her decision process.

The sixth and last type of *Learning Construct* is *satisfaction,* which refers to the buyer's evaluation of the actual purchase experience. If the experience is perceived to be better than expected by the buyer, the brand's status in *the evoked set* will be enhanced, but if the opposite holds true, it will be diminished. Howard & Sheth even state that if the brand performs particularly poor it can be erased completely from the buyer's *evoked set* (Howard & Sheth 1969: 472-475).

Levels of Problem Solving

It should be noted that according to Howard & Sheth the level of predisposition toward one or more brands will influence the amount of search conducted by the buyer. A low level of *predisposition* will result in *extensive problem solving,* a medium level of *predisposition* will result in *limited problem solving* while a high level of *predisposition* will result in *routine response behaviour* (Howard & Sheth 1969: 475-476). These degrees of cognitive search can be compared to the FCB planning model's high/low involvement purchases (Vaughn 1986: 57). This model assumes that the buyer spends more time searching when s/he plans to purchase something expensive such as a car than when s/he buys a soft drink. Although the price of a restaurant visit

can vary highly depending on the place, the product category can be categorised as a medium involvement purchase, thus prompting the buyer to conduct a medium amount of research. As mentioned, Howard & Sheth's levels of problem solving are similar to the FCB planning model, but the two do differ.

First, the FCB model is both internal and external while Howard & Sheth's problem solving is strictly internal. Second, the FCB model always assumes that an expensive purchase warrants a high amount of searching, while Howard & Sheth think that the amount of internalised processes depend on the *brand preference of the evoked set*, which is shaped by past purchase experiences, commercial messages, and non commercial word of mouth. Therefore, a buyer who is extremely satisfied with, and loyal to, a certain car brand could in theory purchase a car using *routine response behaviour.* Because the amount of internal problem solving is determined by the abovementioned factors, purchases in the same product category can be very different depending on the buyer. The same buyer could even use a different level of problem solving in the same product category from situation to situation because of a different *motive* (new experience versus familiarity) or an updated *evoked set*. This last instance is particularly relevant within the restaurant visits product category, where the motives often change and *the evoked set* is often updated.

Perceptual Constructs

The other half of the *Hypothetical Constructs* is the *Perceptual Constructs.* These serve *"the function of procuring and processing information relevant to a purchase decision"* (Howard & Sheth 1969: 477). The inputs that are processed by the brain come from the commercial and social stimuli described in the *Stimulus Variables* section of this chapter. There are three types of perceptual constructs: *sensitivity to information, perceptual bias,* and *search for information.*

Sensitivity to information revolves around *"the opening and closing of sensory receptors which control the intake of information"* (Howard & Sheth 1969: 477), or in other words; how we either pay attention to or ignore information. There are two variables to this *Perceptual Construct:* the first has to do with how the ambiguity of information can affect whether the buyer chooses to pay attention to or ignore the information. If it is too simple and/or familiar, or too complicated and ambiguous, the brain will not pay attention. However, if the ambiguity is moderately ambiguous,

the brain will pay attention. It is worth noting that some pieces of information will start out as being deemed too complex before evolving into being deemed as adequately complex, or go from adequate to too simple, after the buyer has been exposed to it several times (ibid.). This latter is often the case with television commercials. The second variable has to do with the buyer's predisposition towards a specific brand. Over time, buyers attach different connotations, either good or bad, to different brands. Therefore the *Learning Construct* of *predisposition* acts as feedback to this variable. The buyer will naturally pay more attention to information from brands s/he prefers than to those s/he avoids or does not care about.

Even when information enters and is processed by the buyer's brain it may be distorted to match his or her own internal frame of reference. This, second *Perceptual Construct,* is called *perceptual bias*. The *Learning Constructs* of *motives, evoked set, and decision mediators* act as feedback to this *Perceptual Construct.* It is worth noting that commercial stimuli are more likely than social stimuli to be distorted by the brain since the source of the latter is likely to be trusted more than a commercial message would be, and because the piece of information has often already been modified (by the social source, e.g. a friend) to fit the recipient's frame of reference (Howard & Sheth 1969: 478).

Search for information is the last of the *Perceptual Constructs* and occurs when the buyer is *actively* searching for information about one or more brands. According to Howard & Sheth, this happens when the buyer is experiencing brand ambiguity in his or her *evoked set*. This primarily happens in regard with the *extensive or limited problem solving*. It does so because the buyer is either uncertain of the outcome of his or her purchase decision, or because s/he may be uncertain of his or her *motives*. It can, however, also occur in a *routine buying process* because the buyer has become satiated with his or her preferred brand(s) and therefore discards his or her *evoked set* and actively searches for new alternatives (Howard & Sheth 1969: 478-79).

2.2.4 Response Variables

Just as there are *Inputs* influencing buyer behaviour, s/he also contributes to the model with a number of *Response Variables* or *Outputs* as they are also called. There are a total of five *Response*

Variables: attention, comprehension, attitude toward a brand, intention to buy, and *purchase behaviour.*

Attention is related to *sensitivity to information* and governs the information intake of the buyer. *Comprehension* represents the amount of knowledge the buyer has about a single brand, while *attitude toward a brand*, which relates to *predisposition*, shows how well the buyer thinks the brand can satisfy his or her *motives* (Howard & Sheth 1969: 479).

Intention to buy is what the buyer, well, intends to purchase. It includes both the buyer's *predisposition toward the brand* as well as a projection of the possible *inhibitors*. *Intention to buy* is just one step short of: *purchase behaviour*. This final *Response Variable* represents both the actual purchase of the buyer as well as the subsequent use of the product. Howard and Sheth also find it interesting to observe the quantity bought and the interval between purchases (Howard & Sheth 1969: 480).

2.2.5 Exogenous Variables

The *Exogenous Variables* are a set of seven factors that influence the *Hypothetical Constructs.* The factors are called*: importance of purchase, time pressure, financial status, personality traits, social and organisational setting, social class,* and *culture*. These factors can help explain why the processes within the *Hypothetical Constructs* differ from buyer to buyer. Howard and Sheth distinguish between two types of *Exogenous Variables:* past events not related to a specific observable decision and current directly observable factors (Howard & Sheth 1969: 485).

Importance of purchase refers to the difference in importance a buyer attaches to a purchase. Thereby it closely resembles the high/low involvement from the FCB planning model. This factor specifically influences the buyer's *evoked set* as well as *search for information*. A purchase of high importance will result in a big *evoked set* and an extensive amount of *search for information* while the opposite holds true for a purchase considered to be of low importance (Howard & Sheth 1969: 485-86).

Time pressure is one of the decision specific current variables. When the buyer, for various reasons, is pressed for time, s/he will re-allocate his or her resources to accommodate to the new situation. This will affect *search for information* negatively (Howard & Sheth 1969: 486).

Financial status refers to the financial state of the buyer. It acts as an *inhibitor* since the buyer will sometimes have to opt out of his or her preferred brand for a less preferred brand because of financial constraints (Howard & Sheth 1969: 486), e.g. choose a cheaper restaurant.

Personality traits is a very broad *Exogenous Variable.* It encompasses all the personality traits that can be found in a person such as self-esteem and authoritarianism (Howard & Sheth 1969: 486). Needless to say, these can differ wildly from buyer to buyer.

The last three variables are all related to social settings, but at different levels. *Social and organisational setting* refers to the social groups that the individual has contact with. These can be informal such as friends and family, or formal like the workplace. This variable is very important since it influences most of the learning constructs. The same can be said about *social class*, which is a variable one step up from the social and organisational setting. The social class of the buyer influences his or her specific *motives, decision mediators, evoked set,* and the *inhibitors*. Another step up the ladder we find *culture*. This last variable consists of patterns of behaviour, symbols, and ideas and their attached value. It influences *motives, decision mediators,* and *inhibitors*.

2.2.6 Criticism of the model

Although "*A Theory of Buyer Behavior*" has been lauded as one of the most extensive and complex buyer behaviour models, it has met its share of criticism. It is particularly the lack of empirical testing and validation of the model that has been criticised. As such, the organisation and some of the individual constructs have not been tested satisfactorily. This is in part due to the unobservable nature of some of the internal constructs (Bray 2008: 14). Criticism has also been levelled at three other areas. First, the notion of the rational buyer expressed in the model has since been brought into question, and second, a model as all-encompassing as "*A Theory of Buyer Behavior*" will have aim for a very general approach that does not take the variety of decision making situations and product categories into question (Bray 2008: 19). Last, it has been criticised

that the model does not take joint decision making satisfactorily into account. However, one could argue joint decision making is incorporated in both the *social stimuli* as well as the *social and organisational setting.* These points of criticism should of course be taken into consideration when using the model for analysis.

Of course, there is also a number of competing buyer behaviour models. One of the models most similar to *"A Theory of Buyer Behavior"* is the *"Consumer Decision Model"* originally formulated by Engel, Kollat and Blackwell in 1968. The elements of the model are very similar to *"A Theory of Buyer Behavior",* and while the structure of the model and the relationship between the variables do differ (Bray 2008: 15-16), the two models are in many ways siblings, and have therefore also received largely the same points of criticism.

Other models include the two prescriptive cognitive models; *"Theory of Reasoned Action"* and *"Theory of Planned Behavior".* These two last models, however, are somewhat simpler than *"A Theory of Buyer Behavior"* and their heavy focus on the cognitive aspects of buyer behaviour means that factors such as emotion, habit, and spontaneity are ignored (Bray 2008: 22-24).

2.2.7 Relevancy in today's society

"A Theory of Buyer Behavior" (and the three other models mentioned above) was formulated more than forty years ago which means that some elements may have become dated. This section will attempt to identify these and if possible update the model to make it more up-to-date.

The emergence of two and three way communication

Back when Howard and Sheth formulated their theory, marketing communication was almost always one way. The buyer would receive the commercial stimuli from the marketer/brand via the television, in print form (newspapers, magazines), or through in-store displays. While these types of marketing communications still exist (and new types of one way communication such as banner ads have emerged), the rise of the internet with its blogs, fora, and social media have brought two, and three, way marketing communication to the forefront. This has an influence on the *"commercial input"* part of the model, since the buyer now often does not simply receive

information but is able to communicate back to the marketer. It also increases the number of *social stimuli* sources, since the buyer is possibly influenced not only by his or her immediate environment (i.e. friends, family, co-workers), but also his or her online environment (i.e. blogs, fora, social media friends, and user reviews).

Search for information

The rise of the internet has also made searching for information about a brand or product much easier and less time consuming than it was in 1969. Back then, buyers had to seek new information by visiting or calling the given store or read specialised magazines to gather new information about a product. Now, they can find almost any piece of information at any given time by searching the internet. This affects the *search for information* and *time pressure* variables in a positive way because buyers can now find more information faster than before, and at any time.

2.2.8 Application with regard to this master's thesis product category

As previously mentioned, *"A Theory of Buyer Behavior"* is a very broad model, and does not take different product categories into consideration. The broadness of the model does also mean that it can be fitted to accommodate different product categories. For instance, the levels of problem solving can be used to adjust for different purchase situations and product categories. For this master's thesis the product category is restaurant visits. This is an interesting category partly because joint decision making is often at play. As mentioned in the section, *criticism of the model*, it has been criticised for not considering this aspect of buyer behaviour enough. Regardless, joint decision making occurs because eating out is usually a social experience as shown in the results of a survey conducted by this author. When being asked who they ate out with on a regular basis, only 4 percent of the respondents answered that they did so alone (Skotte 2012: 16), while 75 percent, 64 percent, and 53 percent did so with their partner/spouse, friends, or family, respectively. This means that an extra emphasis should be put on the *social and organisational setting* as well as *the social stimuli* when using the model to analyse buyer behaviour within this product category.

One might argue that restaurant visits would often be the subject of *limited problem solving* because most decision makers will have some past experience and some information to draw from, which prevents restaurant visits from being *extensive problem solving situations.* On the other hand, it seldom becomes *routine response behaviour* because of the limited number of restaurant visits a Dane has in a year, which again means that the buyer will often want to try new places instead of going to the same place over and over again. The in-depth interviews conducted for this master's thesis corroborate this statement.

So, when applying the model for analysis later in this master's thesis, *limited problem solving* with en extra emphasis on *social and organisational setting* and *social stimuli* should be applied.

****

As mentioned in the introduction, this chapter served mainly as an introduction and explanation of the model. *A Theory of Buyer Behavior* is a very complex and broad model that requires a thorough review before it can be applied, and even then, it may be difficult to use the model in too much detail since one of its problems is its lack of empirical validation. Another problem is its age, which I have tried to circumvent by updating it. That being said, the model can still be very useful and it will be interesting to apply it to an actual purchase situation within the product category of this master's thesis in the next chapter.

2.3 Case study: Application of A Theory of Buyer Behaviour

Although this famous model by Howard and Sheth has proved difficult to test empirically, this chapter will attempt to apply the model to two specific buying situations, made by a respondent, Laura, 26, from Copenhagen. The reason for attempting to apply the model to an actual purchase decision can be found in the empirical value it represents. By investigating why consumers make the decision they do with an offset in the model, it is possible make approach their process in a more structured manner – even if not all the models elements are observable.

For this case study, two interviews with the respondent were conducted. The first was conducted some days before the respondent had a restaurant appointment, and therefore had a purchase decision to make. In this situation, it was the respondent who had to make the decision individually. The second was conducted a couple of weeks later, when the respondent had to choose another restaurant to go to. Here, the respondent was with her boyfriend and therefore this situation was a case of joint decision making. Finally, I did a quick phone interview with Laura the day after she had been to the second restaurant. By doing the interviews this way, both pre-purchase elements such as *inputs* and *the first five learning constructs* as well as post-purchase elements such as *satisfaction* were accounted for, and the process and impact of the first purchase on the second one is present[6].

Please note that the following is by no means an attempt to empirically test the model, but rather applying it to an actual purchase situation. The words in italics signify elements of the model present in the purchase situation.

Interview 1: Individual decision making, spontaneous purchase

Laura is meeting up with two friends for dinner on a Friday night. Laura's *motives* are comfort and self-reward. When considering restaurants, only places at Vesterbro are considered because the location is close to all the friends going out and because there is a cocktail bar in the neighbourhood that the friends want to go to after the dinner. Four restaurants are considered (*evoked set).* These are Brass Monkey and Paté Paté*,* places she has heard good things about from friends (*social input/information: word-of-mouth),* and Mother and a Chinese place she cannot remember the name of, places she has been to and like (*past positive experience). After* considering her options (*decision mediators)*, Laura chooses Paté Paté (*predisposition/attitude toward a brand).* However, when the girls meet up on the night of the dinner, they are all late and very hungry. Therefore, they opt out of Paté Paté and choose Mother instead because of its perceived faster service and more filling food (*inhibitor/exogenous variable: time pressure,* then *purchase behaviour*). Unfortunately that night at Mother, the wait to get seated is long and the

---

[6] The notes for the interviews can be found in appendix 3

service is very slow resulting in an experience below the expected level (*satisfaction).* Laura thinks that the long waiting time will probably result in her not choosing Mother again for a spontaneous dinner (*satisfaction's influence on evoked set).*

Interview 2: Joint decision making, planned purchase

Laura and her boyfriend Valdemar is planning to go out for dinner on her birthday. Their *motives* are self-indulgence and romance. Since the couple is living together, most well renowned restaurants in Copenhagen in the price range of 400-700 DKK per person are in play. Although both of them would like to eat at an even fancier place, the couple will not pay more than that because of their limited combined income (*inhibitor/exogenous variable: financial status of the buyer*). Even though many restaurants are potentially in play only three are mentioned aloud (*evoked set*). They are Oysters and Grill where Valdemar has been before with a couple of friends (Valdemar: *past positive experience,* Laura: *social input/information: word of mouth*), Falernum, which has been recommended to Laura by a friend (*social input/information: word of mouth*), and Brødrene Price, which the couple has both read a great review of in Politiken (both: *information: professional reviews*). After considering their options (*decision mediators*), the couple chooses Brødrene Price because Valdemar wants to try something new, thereby excluding Oysters and Grill, and after having looked at Falernum's menu online (*search for* information) they both agree it does not match their motives (*predisposition/attitude toward a brand*). They book a table (*output: intention to buy*). The next week, Laura and Valdemar celebrates Laura's birthday with great success at Brødrene Price (*satisfaction*).

Elements of the model present in the case

As the words in italics signify, a substantial amount of the model's elements were directly observable when interviewing Laura. This is particularly true with regard to the *learning constructs,* and to a lesser extent *input, output and exogenous variables.* The only observable *perceptual construct* is *search for information*, while the two other are practically impossible to observe because they are deeply internal and in some cases not even conscious. As mentioned in the previous chapter, restaurant visits fall into the category of *limited problem solving.* If a purchase situation within the *extensive problem solving* category had been investigated more elements may have surfaced, for instance *commercial stimuli* or more *exogenous variables.*

<p style="text-align:center">****</p>

As the case study shows, *A Theory of Buyer Behavior* can be used to structure interviews by enabling the researcher to know which questions to ask and which elements of the buying process to focus on and pay extra attention to. Restaurant owners could for instance use it to discover why their customers did or did not choose their restaurants by asking inquiring into the consumers' buying processes. This does not mean, however, that the model should be used as a checklist since because of its lack of empirical validation and its many unobservable elements.

2.4 Previous research

Since the industry this paper is based on is very young, even in the United States where Groupon dates back to 2008, the existing research is very limited. This is, however, one of the reasons why this rapidly growing industry is interesting to investigate and study. With this being said, there has been conducted research on both the deal of the day sites as well as one last-minute booking site.

Utpal Dholakia of Rice University, Houston, Texas, has done research on Groupon. Although the research is based in the United States, Groupon U.S, as a concept, is completely identical to Groupon Denmark and Downtown, to name a few, which is why the research can be considered very useful. Christian Hartmann has written his master's thesis on Downtown.dk, and while the master's thesis itself is classified, I have interviewed him about his findings. This author has done research on the Danish last-minute booking site Restaurant 2 Night and its customers. Finally, the Danish industry association Danske Restauranter og Caféer (D-R-C) has conducted a survey among its members about their satisfaction level with regard to the deal sites. In this chapter, the research of these four authors will be reviewed, starting with Utpal Dholakia.

2.4.1 Utpal Dholakia on Groupon

The study conducted by Utpal Dholakia tries to measure the satisfaction level of 150 SMBs, which had used Groupon, by making the business owners answer questions such as: *how effective the Groupon promotion was at bringing in new customers, how many of these that came back,*

whether it was profitable for the business, whether they would recommend it to another business owner and, lastly, whether they would consider running another promotion (Dholakia 2010)*.*

The results showed that almost half of the restaurant owners participating in the survey (20 of 48) felt the promotion was unprofitable for them. In the survey as a whole, the percentage was 32. Those businesses deeming the promotion unprofitable reported that only 25 percent of the guests bought anything beyond their coupon's value and that only 15 percent came back. The percentages were doubled when it came to the businesses that deemed the promotion profitable. 42 percent of the businesses said they would not run another Groupon promotion – mainly because of the guests' high price sensitivity. As an interesting side note, many of the business owners offered comments about Groupon "imitators" expressing more negative feelings towards them than towards Groupon and complaining about the *"barrage of calls"* they received from companies wanting them to do a promotion (Dholakia 2010).

2.4.2 Christian Hartmann on Downtown

As previously mentioned, Christian Hartmann wrote his master's thesis on the Danish "deal-of-the-day site" Downtown.dk. While writing it, he had access to classified information. He also conducted a quantitative survey in the shape of an online questionnaire.

One of the thesis' notable findings was that the "collective buying power", which Downtown uses as a big sales argument, is not really being used in reality. Hartmann found that a particular offer, which had been purchased by 1070 people on Downtown.dk, had only been "shared" or "liked" by 13 people on Facebook (Hartmann appendix 4). This means that even though many people found the offer attractive enough to purchase it, they "kept it to themselves". Whether this flaw in Downtown's business model should be regarded as a concern for the company's business partners depends on whether Downtown manages to sell the maximum number of coupons for their partner business or not. If the maximum is reached, Downtown has performed satisfactorily regardless of the flaw, but if it is not then the lack of utilising the collective buying could be to blame. As to the reason why Downtown has not had more success getting people to share its offers of the social media, Hartmann points to the nature of these. Social media is typically a place

for self-orchestration, and sharing discount offers is simply not seen as particularly cool. Furthermore, many customers of Downtown still feel like they are being treated as unwanted discount guests who are inferior to the "normal" guests. These feelings were also reflected in the comments section of the questionnaire (Hartmann appendix 4).

Demographically, the following can be said about the respondents: the majority were women (75 percent), 70 percent were in their twenties (50 percent were in the age group "25-30 years old"), and half of them were students. Almost half of the respondents had a monthly income of 10.000 DKK or less after taxes, whereas approximately one out of four made more than 18.000 DKK a month after taxes (Hartmann appendix 4).

2.4.3 Ketil Skotte on Restaurant 2 Night

In October 2011, I conducted a quantitative survey in the shape of a questionnaire on the demographics and psychographics of the users of the Danish last-minute booking site Restaurant 2 Night. The study was done as part of an internship and the respondents were collected through subscribers of the company's newsletter and members of its Facebook page. The respondents were asked more than 30 questions ranging from demographic ones such as age, gender and civil status, to more psychographically oriented questions concerning their interests and media habits and, finally, also questions about their restaurant habits. A total of 909 respondents participated in the survey (Skotte 2012: 8).

With regard to this master's thesis subject matter, the survey yielded several interesting results. Interestingly, the demographic attributes of the respondents differ decidedly from those of the Downtown respondents in three connected areas. First of all, they are older. In contrast to the Downtown respondents, 65 percent of the Restaurant 2 Night respondents are above the age of 40 (ibid.: 9), a huge difference from the Downtown respondents where only 4,4 percent were 43 or above (Hartmann appendix 4). This does not mean, however, that Restaurant 2 Night has no appeal for younger audiences since 17 percent of the respondents are in their twenties (ibid.). This difference in age results in two things: a difference in occupation and thereby also income. Only 13 percent of the Restaurant 2 Night respondents are students because their age have enabled them

to finish an education and work full time which in turn means that they are able to make more money than the Downtown customers (Skotte 2012: output[7]). In spite of these differences, the two groups of respondents are similar in one area: their gender. Just as was the case with the Downtown respondents (and coupon users in the U.S), the majority of the Restaurant 2 Night respondents are women (71 percent to be more precise).

Apart from the demographic findings, the restaurant habits part of the survey also yielded a number of other interesting results. One of the questions asked the respondents whether they were inclined to tip more, buy an extra course, a more expensive wine or more drinks since there was a discount on everything. 29 percent answered that they did indeed do one of those things, while 62 percent said they acted as they would have done without the discount (Skotte 2012: 17).

Another question asked the respondents whether they had tried another booking site or a "deal-of-the-day site". As it turns out, less than half of them had tried another site which means that there is a fairly high degree of loyalty present among the Restaurant 2 Night customers (Skotte 2012: 19). Lastly, the respondents were asked which factors were important when choosing a restaurant through Restaurant 2 Night. As it turns out, "price" was important for the majority of people (62 percent), but "reviews" and "high quality food" also managed to appear on 45 percent of the questionnaires (Skotte 2012: 18). This shows that even though the respondents were older and had a higher income than the Downtown respondents (approximately only a third of the respondents had a monthly income of 20.000 DKK or less before taxes (Skotte 2012: output)), they were still price sensitive customers.

2.4.4 Survey conducted by Danske Restauranter og Caféer

Recently, the Danish industry association D-R-C conducted an e-mail survey among its 1200 of its 1500 members about their experiences and satisfaction level with regard to the deal-of-the-day sites. The survey was answered by 330 restaurant owners and paints a grim picture with regard to satisfaction level and future use.

---

[7] The output can be found in appendix 7.

36 percent of the respondents had used a deal site, but 83 percent stated that they would not do business (again) on the current terms. Three out of four of the respondents thought deal sites were hurting the industry because: the price is dropped to an unsustainable level for the restaurant (60 percent), the guests are accustomed to an unrealistic price level (59 percent), and guests move from offer to offer making it difficult for restaurants that do not offer discounts (59 percent). The most common reason for using a deal site was increased turnover on slow days (D-R-C 2012).

While these numbers certainly look grim, it has to be taken into consideration that only 36 percent of the respondents had actually used a deal site. Therefore many of the respondents contributing to these numbers only have second hand experience with the business model. This does not make their opinions and answers invalid, but should be taken into account when reviewing the survey.

****

The previous research covers two out of the three concepts and there are some interesting differences among the people using the different concepts. The Downtown customers are generally younger and have a smaller income than the Restaurant 2 Night customers. The latter makes the Restaurant 2 Night customers attractive and gives an edge to the last-minute booking concept over the deal-of-the-day sites from the perspective of the restaurant owners. Later in this master's thesis, it will be interesting to see what the restaurant owners themselves have to say with regard to the Restaurant 2 Night customers versus the deal customers. The research by Utpal Dholakia paints a picture of the Groupon customers as not being particularly generous at restaurants and of them seldomly returning as regular customers and the survey by D-R-C further suggests that the industry itself have little faith in the deal sites in their current form. These findings correlate well with the demographic data from Hartmann's master's thesis and together they do not paint an attractive overall picture of the deal customers or concepts.

This chapter concludes the second part of the master's thesis. The third part will revolve around the empirical research conducted especially for this master's thesis.

Part 3

PRIMARY EMPIRICAL

DATA

3.1 Methodology

For this master's thesis I chose to conduct two types of interviews (not counting the two interviews with Laura conducted in order to apply "*A Theory of Buyer Behaviour*" to a specific purchase situation) in order to collect primary data. The first type was in-depth interviews with users of online discount concepts. The second was short interviews with restaurant owners. In this chapter, my motivations for choosing these types of interviews and respondents will be explained, and the process of formulating interview guides, conducting the interviews, and finally analysing them will be described.

I had already obtained quantitative data from both customers of Restaurant 2 Night and Downtown from my own previous research and the master's thesis by Christian Hartmann, respectively, and therefore felt that I had sufficient insight into their user segments, quantitatively speaking. Therefore, I chose to focus on conducting qualitative research for this master's thesis in order to gain a better insight into the motivations consumers have when choosing an online discount concept. Since this master's thesis aims to provide recommendations for restaurant owners, I found it important to collect data from both sides of the register by interviewing both those using the discount concepts to promote their business (interviews with restaurant owners) and those receiving the promotion and buying the product (in-depth interviews with customers). The reason for this is that in order to provide useful recommendations, it was important to obtain the opinions and motivations of both those who have tried to run a promotion through a discount concept and therefore have firsthand experience with the process and the results rather than a pre-determined bias, and of those who buy the services since their feedback can help shape and improve how restaurant owners use (or do not use) the concepts in the future.

3.1.1 In-depth interviews

For the customer research I chose to conduct semi structured in-depth interviews, because this type of qualitative research is particularly useful for getting "under the skin" of people and understand their habits and motivations. Also, the chance of getting honest answers is relatively

big with regard to in-depth interviews because of the opportunity of getting answers clarified and making sure that the respondents have understood each question correctly.

The respondents were chosen based on two criteria. First and foremost, they had to be familiar with one or more sites and/or concepts and had to have used it/them at least a couple of times. In addition to this simple criterion, the respondents were chosen with the demographic data of Downtown.dk's customers obtained from Christian Hartmann in mind. Therefore, a preference was given in the selection process to women in their twenties, although men and persons in their 30's and 50's were also interviewed in order to accurately represent the demographic data. The reasons why the Downtown.dk demographic data was used as the main template for the selection of respondents in preference to the demographic data on the Restaurant 2 Night customers was that Downtown has more customers than Restaurant 2 Night and because it is leading the charge in the "deal-of-the-day" flood of companies. As a concept, these companies are far more widespread, used, and criticised than last-minute-booking sites, the category Restaurant 2 Night belongs to.

An interview guide was then written on the basis of the problem formulation and my insights from my own, Christian Hartmann's, and D-R-C's quantitative surveys. A near finished version of it was then tested on a test-respondent and subsequently tweaked before the real interviews could start to take place. The interview guide contained five sections, each with its own theme. The first was designed as a series of warm questions intended to ease the respondent into the interview. The questions revolved around simple things such as age, civil status, and occupation. The second section contained questions about knowledge of, purchase and use of, and experiences with online discounts in general, while the third was about restaurant habits and preferences in general. In the fourth section, the themes of the second and third sections were merged, resulting in a series of questions about the respondents' habits, experiences and preferences when eating out using an online discount concept. The questions in the fifth and last section were of a concluding nature, thus asking the respondents to ponder over the advantages and disadvantages with regard to the online discount concepts. It should be noted though, that since this series of interviews was designed to be, and carried out as, semi structured interviews, the interview guide

was treated as a guide rather than a checklist which meant that the content of the conversations differed from interview to interview.

A total of nine interviews were conducted over a period of approximately two months and were recorded using a dictaphone. They were then transcribed into a Microsoft Word document and can be accessed in their full length in appendix 1 (in Danish). The interviews lasted between 30-60 minutes. Since the interviews were conducted in Danish, the quotes in the next chapter have been translated from Danish to English.

3.1.2 Interviews with restaurant owners

The second type of research I chose to conduct was interviews with restaurant owners who had previously and/or was currently employing one or more discount concepts. Some of the interviews were conducted at the owner's restaurant while some restaurant owners were interviewed over the phone[8]. These interviews were shorter than the in-depth interviews, lasting between 10 and 15 minutes.

A short interview guide was written with guidance from Per Boetius Andersen, co-founder and CEO of Restaurant 2 Night and my former boss. Through his work at Restaurant 2 Night, Per has daily contact with restaurant owners and has pitched, and sold, the concept of Restaurant 2 Night to more than 100 restaurant owners. Therefore, he knows the restaurant owners and how to approach them better than anyone which is why he proved very useful when helping with the wording of the questions. For instance, the restaurant owners prefer the word "guest" in favour of "customer". Small adjustments like this contribute to making the restaurant owners more receptive and thereby provide more honest, and better, answers.

After the interview guide was finished, the interview process started. A total of 10 interviews were then conducted over a period of a couple of months. I had two criteria when selecting which restaurant owners I should interview. First, they had to have firsthand experience with at least one type of online discount concept and preferably more. The reason for this criterion was that I wanted to be able to compare the restaurant owners' attitudes towards the different concepts

---

[8] It is noted in the appendix whether the given interview was conducted in person or over the phone

and their customers. Second, I found it important to get the viewpoint of restaurant owners of many different types of restaurants both in terms of their type of food and their price level. So in order to achieve that, I interviewed the owners of cafés, an Indian restaurant, gourmet restaurants, and a Japanese restaurant - to name some. This ensured that the respondent group was diverse and thereby took the multitude of concepts and price levels, which the restaurant industry in Copenhagen consists of, into consideration.

3.2 Results and analysis

In this chapter, the results of the in-depth interviews with the online discount concept customers as well as the results of the telephone, and face-to-face, interviews with the restaurant owners will be reviewed and analysed.

3.2.1 In-depth interviews

From April to June 2012, a series of nine interviews with customers of online discount concepts was conducted. The purpose of the interviews was to learn more about how consumers use the online discount concepts by asking them a series of questions about their restaurant habits, their opinions about the concepts, and which product categories they preferred. Through pattern recognition (Sandelowski 2001: 231) a total of 9 different themes were discovered throughout the interviews. These themes will be reviewed and analysed later in this chapter, but first a short review and analysis of some of the more quantitatively oriented results (or *general tendencies*) gained from the interviews will be presented. It should be noted that even though the interviews revolved around the deal-of-the-day sites, the card clubs, as well as the last-minute booking sites, the respondents almost exclusively had experiences with the deal-of-the-day sites which is, of course, reflected in the themes.

General tendencies

Before moving on to the nine themes, it is worth going through some of the more quantitatively oriented results. Since in-depth interviews are qualitative by nature – and the sample size is very small – these results do not paint an accurate picture of the situation in the industry, but should instead be seen as general tendencies that can contribute to the discussion.

Usage and awareness

Which companies have the respondents used and which have they heard of? As it turns out, the vast majority of both used and known companies are deal-of-the-day sites. In fact, only two respondents have used a card club concept (Menu Card) while none have tried one of the last-minute booking sites. When it comes to awareness of the companies, a few – but certainly not many - respondents can name one or more card clubs and last-minute booking sites.

As previously mentioned, the deal sites are by far the most used – and known – of the three different concepts and among these the two biggest sites in terms of visitors, Downtown and Sweetdeal, reign supreme. Eight and seven out of the nine respondents have used Downtown and Sweetdeal, respectively, and one additional respondent has also heard of Sweetdeal. The two only other companies that have been used by more than two respondents are Groupon and Tilbud i Byen. They have both been used, and are known, by four respondents. Interestingly, four people have heard of the niche site Take Offer, which is an offspring from Downtown that specialises in travel offers, but only one has used it. This may be because of the high price of the site's offers. In general, the respondents have used a total of 12 different sites (11 deal sites and one card club) and heard of 20 (17 deal sites, two last-minute booking sites and one card club).

Introduction to the sites and favourite product categories

How did the respondents come to know the discount sites? Was it through commercials, word-of-mouth, or maybe somewhere altogether different? All the respondents who could remember it said that it was through word-of-mouth and in the case of most of them it was Downtown they

heard of first. This shows how precise Downtown has been in identifying a need from consumers and realising the potential of the concept.

After the respondents had heard of the sites, what was the first thing they bought? The thing that got them into the online discount market. Out of the nine respondents, eight bought a food offer in the shape of a restaurant visit or take away, and for five of those eight it was a sushi offer that was the first purchase.

Although food, and especially sushi, made most of the respondents get into online discounts it does not necessarily mean that they still prefer it. So, what are the respondents' favourite product categories? All the respondents mention food as their favourite while two of them mention another category in addition to food. This just shows how important food offers are for the deal sites which also mean that if the survey conducted by D-R-C holds somewhat true, the deal sites could have a hard time ahead of them.

Nine themes

As previously mentioned, a total of nine themes were identified through pattern recognition. These are: *the disadvantages of deal-of-the-day sites, bad experiences, the concepts' ability to make consumers try out new places, the concepts' ability to generate repeat business, the concepts' effect on the consumers' habits of going out, purchase of drinks, the importance of the size of the discount, comparisons between the companies and concepts and the coupon as a means of payment.*

The disadvantages of deal-of-the-day sites

This theme deals with the general disadvantages of the deal-of-the-day sites rather than particular instances where the respondents had a bad experience. The latter will be reviewed and analysed later in this chapter.

What are the disadvantages of using the deal-of-the-day sites? Although they have the benefit of receiving big discounts on everything from meals to massages, most of the respondents have one or more negative things to say about these sites. First, several respondents lament the fact that it can sometimes be difficult to make a reservation at for instance a restaurant or a massage clinic, especially during peak hours. It also annoys some respondents that the many of the sushi take-away offers now require the customer to make the order at the restaurant at least 24 hours before the pick-up time. This, they feel, kills the spontaneity associated with take-away in general.

A second point of criticism is levelled at the quality of the food and service level at some of the restaurants. Third, a respondent simply feels that the places utilising the deal-of-the-day sites are just generally of mediocre or poor quality. Last, some respondents feel that they are being treated worse than the regular guests, and have been sold low quality food not on the menu:

> *The disadvantages are that you encounter a "discount attitude" at some places. That*
> *is, bad service and a "special" menu which just means worse food than normally.*
> Trine 26

As the above shows, the respondents' two main gripes about the deal-of-the-day sites in general are the difficulty of ordering and reserving times, and the bad treatment and quality some places unfortunately provide. This indicates that the respondents feel that some restaurants owners openly discriminate between regular customers and deal customers, which annoy the respondents.

Bad experiences

This theme covers the particular, bad episodes remembered by the respondents. Except for one respondent who lamented the fact that the "before" price advertised by the deal site had been incorrect a few times, none of the respondents had anything bad to say about how the deal sites handle things. Instead, almost all of the respondents' bad experiences concern the quality and service level at the deal site's business partner. Most of the respondents had a bad experience to share - some of them several - and they all involved restaurants or wellness places. For instance, this experienced deal site customer had a plethora of bad experiences to share:

Usually it is restaurants that have a lot less to choose from than advertised in the deal, or sometimes the service is so bad - and slow - that you would never have stayed if you had not already paid. I have been to a place where the food we got after waiting a long time was so bad that you could just as well have thrown it out. Also, at beauty treatments I have experienced only receiving a "quick" treatment even though the deal was for a full treatment. The staff just said something like "you have only paid half price, so we will only give you 30 minutes instead of an hour". Several times I have also noticed that the "before" price advertised at the deal site did not match the actual "before" price, and therefore the discount was hardly anything. This has especially happened at Downtown where I have bought sushi menus, haircuts, and hotel stays.

Trine 26

Some respondents also notice that sometimes the service and quality may deteriorate because the places sell too many coupons and are therefore flooded with guests:

I had an experience when going to get a facial. I enter the shop and I can instantly feel that there are a lot of customers in there. So even though it was half price, it was also only half a treatment. The shop lady ran around confused because they had twice the amount of customers than usual. It was just like an assembly line. So all in all, you could not really say that it was half price because the treatment was incomplete. It was so bad!

Maria, 31

While most of the respondents had one or more bad experiences they also had plenty of good ones to share, but often just a single bad experience can have very damaging effects. Studies show that service quality has a direct effect on customer satisfaction and return intention, and while a satisfied customer by no means guarantee repeat business a dissatisfied customer will almost certainly never return (Ramseook-Munhurrun 2012: 633). In fact, studies show that s/he will likely engage in negative word-of-mouth (Ramseook-Munhurrun 2012: 633). Furthermore, other businesses advertising on the deal sites can be hurt too since the customer may start to distrust places using the given site. The question is: does the lack of service stem from the fact that the businesses sell

too many coupons and therefore do not have the adequate resources to handle the influx of guests? Or, do the small business owners choose to provide an inferior (and cheaper) product on purpose because they know that their profits have diminished?

The concepts' ability to make consumers try out new places

One of the main reasons for a restaurant owner to run a deal through a deal site is to utilise the site's extensive customer base in order to reach new guests, but do the respondents actually try out new places, or do they just stick to what they know?

Luckily for the restaurant owners, most of the respondents state that one of the positive things about the sites is their ability to make them discover new places, even if they do not come back – and sometimes even run into a bad place.

> *One of the advantages [of the deal sites] is that we go out more often and try different places. Some of the places we have been to are not places we would have been to otherwise.*
>
> Lone, 57

Many of the other respondents' statements mirror this, but there are also a few who are of a different opinion:

> *I would have liked to say that they [deal sites] make me try out new places, but in reality I only visit those I already know.*
>
> Kristine, 26

Interestingly, the two respondents who state that they only visit places they know are the two heaviest users among the group. They had also been through their share of bad experiences which could indicate that consumers grow more vary and conservative over time – especially after having a few bad experiences. Regardless, most respondents feel the concept of the deal sites make them to try out new places which is encouraging for restaurant owners. The question is just whether these guests return and pay full price, or if they just move on to the next deal.

The deal-of-the day sites' ability to generate repeat business

One of the most debated aspects about the deal-of-the-day sites is whether they, as promotional tools, are able to generate repeat business for their business partners. Both in U.S. and in Denmark there have been complaints from restaurant owners saying that the deal customers are not the kind who returns unless there is a new deal, but what do the respondents themselves say?

As it turns out, less than half of them (four) had returned to a restaurant or take away place as a regular paying guest after having first been there as discount guest, and except for Trine, who had returned to quite a few places, the respondents had only returned to one or two places. Considering that most of the respondents had used a deal site 15 times or more, these numbers are not promising for the restaurant owners. Why do the respondents opt out of returning to the places running the deals? First, the respondents do not visit more than two restaurants per month in average and since there are 30 deal sites offering daily discounts there is an abundance of new deals. Furthermore, since there are web sites compiling all the offers it is very easy to get an overview of the possibilities. This multitude of options means that the customers can afford to be very picky when choosing a restaurant. Second, one of the respondents noted that the problem might be that many of the restaurants on the deal sites are not very good, and therefore make the basic but eternal mistake of either bad service or poor food – or both. Two components that studies have found to be very important with regard return intention (Ramseook-Munhurrun 2012: 631-633)

> *With regard to the restaurants I have visited through Downtown and Groupon it is understandable why they had to promote themselves through this type of media. Most of them have simply been bad!*
>
> Søren, 27

In contrast, what has made the respondents return? It seems that it is as simple as good service and food.

I have returned to several places. Delicious food and good service have been the reason each time.

Trine, 26

It may be difficult to entice deal customers to return because of the many new offers they are constantly being exposed to, but delicious food and good service seem to be the only way forward. Paradoxically, it seems some restaurant owners offer the exact opposite which probably means that they will not see any repeat business from their deal customers.

The concepts' effect on the consumers' habits of going out

Another question is how the deal sites and the other discount concepts affect the consumers' habits with regard to going out. Do they make them do so more often? And, are the discount visits "extra" visits, or do they replace "existing" visits? These are interesting questions since it would be very unfortunate for the restaurant industry in its totality if discount visits were simply replacing full priced visits because it would diminish turnover in the industry. Fortunately, it appears as though the respondents' visits through deal sites are "extra" visits. The situation is different, however, when it comes to the only respondent who uses Menu Card.

The reason why the deal visits function as extra visits can be found in the nature of the concepts. Because the customer has to wait for the deal to be activated and book a table, which can sometimes be a little difficult, the concept does not lend itself well to impulse visits at restaurants. Of course, many people plan a certain amount of their restaurant visits ahead, so in that regard deal visits could easily function as "replacement" visits. However, as previously mentioned, the former seems to be the case:

They [deal sites] make me eat out more – especially when it comes to take away. They definitely do! Because sometimes when you are sitting at home considering whether to cook or buy take away, then you remember that you have the coupon and then you might as well just get take away, because the coupon has to be used at some point anyway.

For some of the respondents the deal sites' substantial discount act as an enabler for them to go out more often because they simply find it very expensive to eat out in Copenhagen at full price:

I like to go out to eat but often I find it a bit too expensive. So they [the deal sites] are a good way to save some money. Two persons for the price of one!

Ana, 26

As mentioned earlier, the situation was different for the respondent who had just received her Menu Card and had used it quite a few times within a short time span:

I think the Menu Card visits will often replace "normal" visits... When I used it to buy sushi the other day, I would have gotten sushi anyway, so it was just nice to get a 30 percent discount. Another time, I used it when some friends and I were at my apartment getting ready to go out. So we just used the card as a starting point and checked out which nearby restaurants we could use the card at.

Lindis, 26

Perhaps the more spontaneous nature of Menu Card could result in the concept being used to "replace" visits to a higher extent than the deal sites, but since only one of the respondents had used it, a pattern cannot be drawn.

Purchase of drinks

Since the offers on the deal sites have such a high discount, restaurant owners rely on the sale of drinks, which are almost never included in the deal, in order to turn a profit from the deal customers. Therefore, it is essential to inquire into the purchase habits of the respondents when it comes to drinks. Do they buy more than they normally would because the food is cheaper? Do they buy the same as they normally would? Or, do they buy less or nothing at all because they consider the visit to be a "discount visit" where they save money?

As it turns out, the respondents are all over the map. Some claim they buy more - or more expensive drinks, some say they buy the same, while one respondent confesses that she probably buys less than she normally would. Interestingly, two respondents use the same argument for buying more and saving, respectively:

> *... now that I have saved money on the food, I can treat myself to a more expensive wine. Because, it does almost feel as if I am eating for free. Often I buy the offer and then a few months pass before I get to use it. At that time, the expense has been forgotten and then you might as well just... I probably have a tendency to think that way.*
>
> Ana, 26

> *Actually, I often catch myself in trying to save money because it is a "saving visit" and also because it is typically an extra visit. You have the coupon, and it is paid for so it is almost free. So therefore I try to save money by cutting back on the drinks.*
>
> Kristine, 26

These statements are especially interesting when *prospect theory* is considered. This theory dictates two things. One, that people are more willing to spend when they perceive that they are using someone else's money, and, two, that people are willing to spend more on a product bought in a fancy place than in a cheap place, even if the product is the same and somebody else buys it for them, which would mean that the quality and the atmosphere is the same (Solomon et al. 2010: 327). In a way, Ana has "forgotten" the expense and therefore feels she is spending the "house's money" for the food and can therefore afford to buy more drinks, while Kristine regards the visit, and therefore also the place, as cheap and is therefore not willing to spend a lot on drinks. Whether customers adopt the former or the latter attitude is obviously crucial for the restaurant owners, since one of the two things they are dependent on in order to make a profit from deal customers (the other is of course repeat business) is them buying drinks.

These tendencies can be compared to the quantitative results from the Restaurant 2 Night survey conducted by this author. In a multiple response question asking the respondents whether they bought extra or more expensive drinks and/or dishes because there was a discount on everything,

12 and 15 percent answered that they bought more expensive drinks and more drinks, respectively, while 62 percent answered that their purchase behaviour was unaffected (Skotte 2012: 17). While it cannot be concluded from these results that Restaurant 2 Night customers adopt the "Kristine" attitude they do - to an extent - support that most do not adopt the "Ana" attitude.

The importance of the size of the discount

How important do the respondents perceive the size of the discount to be? According to the research conducted by Gupta and Cooper, the saturation level (i.e. the point where further discounting has little effect on purchase intention) lies at 30 percent for store brands. This would mean that the 50 percent discount given by deal sites is actually excessive, whereas the concepts of Early Bird and Menu Card have a suitable discount level at 33 and 30 percent, respectively.

Many of the respondents stated that the size of the discount was secondary to the product on offer, and as a result they did not pay much attention to it. Some did say that a product at an 80 or 90 percent discount would always be tempting. However, since almost all respondents use deal sites exclusively, they are never offered products at less than 30 percent so their experiences are not particularly useful with regard to the results from Gupta and Cooper's study. One respondent did offer this piece of insight though:

> *I do not think that I would be tempted by a 15 percent discount but that I would be by 33 percent. I think my limit is at 20 percent, I could be tempted at that discount. Whether it is 30 or 50 percent does not make a big difference to me – at least not in my head.*
>
> Søren, 27

Comparisons between the companies and concepts

As shown in the section about general tendencies earlier in this chapter, the respondents have tried relatively few of the deal sites (mainly Downtown and Sweetdeal) and only two of them have tried a card club concept (Menu Card). None have tried a last-minute booking site such as Restaurant 2 Night. In a way, this mirrors the numbers mentioned in chapter 1.2, "The Current Situation in the Industry", where it was mentioned that the battle between the deal sites is dominated by Downtown, Sweetdeal, and, to an extent, Groupon. Therefore, the comparisons that the respondents were able to make were mainly between the deal sites and not the different concepts, although two respondents offered a comparison between the deal sites and Menu Card.

Many of the respondents said that they do not have any actual favourites among the deal sites because they are so similar. Furthermore, some of the respondents subscribe to e-mails from sites collecting and presenting all the daily offers in one mail which make distinguishing between the sites even harder. Those that did have favourites mentioned Downtown and Sweetdeal mainly because they considered them to have the best deals:

> *Downtown and Sweetdeal are my favourites. Maybe because they are among the biggest sites and are therefore able to negotiate the best deals. In addition to that, they have better customer service when something goes wrong or there are questions.*
>
> Trine, 26

As previously mentioned, there were a few respondents who had tried Menu Card as well as one who had just received the card but not tried it yet. Their opinions about the concept differed wildly. Lindis,, who had recently received her card and already tried it a few times, loved the concept and preferred it to the deal sites:

> *... With a Menu Card you get the freedom and spontaneity. Downtown and the rest of the deal sites cannot provide that to the same extent.*
>
> Lindis, 26

She also went on to mention that because of this extra freedom, she did not expect as high a discount as she did when it came to deal sites. Søren, who had not tried it yet, was of a different opinion, however. He found the concept hard to use and did not plan to do so in the future.

The coupon as a means of payment

Does it make one feel as a second rate customer when paying with an A4-sized coupon? The respondents were not asked this directly but one of them did offer her opinion on the coupon as a means of payment:

> *When you enter the place with a large coupon saying Downtown, it makes you feel a little like a "cheap ass". It is not very discreet and there should be a better solution. Having said that, the restaurants I have been to have still been ok about it. It is just me who feel like the poor one.*
>
> Vibeke, 27

This quote highlights one of the problems with the deal sites: namely that they make people feel – and restaurants seem – a little cheap.

****

While the in-depth interviews do not shed any light on the respondents' attitudes and buying behaviour with regard to last-minute booking sites, and only a little when it comes to the card clubs, they did provide very interesting results concerning the deal-of-the-day sites. This is perhaps not altogether surprising given the current situation in the online discount industry. After all, there are approximately 30 deal sites in Copenhagen, most of which have food offers, whereas there are less than a handful card clubs providing offers for eating out, and only two last-minute booking sites.

The reason for choosing to run a promotion through a deal site should always be to expand one's customer base. Many respondents say that the deal sites make them try out places they normally not would have gone to, but some of the most experienced users say they only look for places they know and trust. The latter is not good news for neither the "new" places nor the "known" since the former are ignored while the latter risk giving customers, who would have come otherwise at normal price, a huge discount. That being said, most respondents did state that they use the deal sites to try out new places which is, of course, a positive thing for the restaurant owners.

In general, there is satisfaction among the respondents with regard to how to deal sites function on a basic level as well as with their customer service. The only actual complaint is that the before price is sometimes incorrect, but whether the fault lies at the deal site or the partner business is impossible to tell. The complaints instead concern the quality and service at the deal sites' partner businesses: that it is difficult to book tables – especially during peak hours, that the service is bad, and the food poor. This is both a problem for the deal sites and the restaurant concerned, but also for other restaurants promoting themselves through the given site. First, it is a problem for the deal sites because their brand image is damaged when their partner businesses do not deliver a good experience. Second, the restaurant concerned is severely damaged since it will not see any repeat business from the new guests. Thereby, the perhaps most important opportunity when partnering up with a deal site, expanding the clientele, is squandered. In fact, it may also lose existing, loyal guests. Some of the respondents said that they primarily looked for places they knew and trusted when browsing through deals. This trust can easily be broken by a bad experience and the place erased from the customer's *evoked set* as seen in the sixth learning construct, *satisfaction,* in *"A Theory of Buyer Behavior"* (Howard & Sheth 1969: 475)*.* There is another dimension to this though. Since there have been complaints by restaurant owners that running a deal through a deal site does not result in repeat business, others may give up on this aspect and instead try to maximise profits short term by offering an inferior, and cheaper, product. I have certainly heard stories of this occurring through my work at Restaurant 2 Night. Last, there are the other restaurants running a promotion through the same (or even other) deal site. They are hurt because the customer may start to associate the places running promotions

through that site with low quality. Because of these three factors, this kind of short term strategy cannot be recommended.

It may sound simple, but the only way to get the deal customers to return is to provide the best service and food possible. All the respondents who had returned to a place listed these qualities as the reason. However, it cannot be denied that more than half of the respondents had not returned as a regular guest to a single place they had been to as a discount guest. This problem is also mirrored in the surveys by D-R-C and Utpal Dholakia. This tendency forces the restaurant owners to figure out a way to make money on the deal guests when they enter the restaurant for the first time. As discussed above, delivering an inferior product is very short term and hurtful for all parts, but profit can also be achieved by selling drinks (which are always at full price contrary to the food). Most of the respondents say that they act as they normally would. This is good news for the high priced places but bad news for the cheap places since it would be considered normal to buy a bottle of wine at a fancy place whereas most would just buy a soft drink or a beer at a cheap place. Then again, the priced places have an another problem with regard to brand image as dictated by *Price Salience Theory,* when offering discounts (Wathieu et al. 2004: 652-656).

It was unfortunate that so few of the respondents had not used other concepts than the deal sites but one interesting comment was made by one of the respondents concerning how she used her Menu Card. She stated that the visits replaced "normal" visits, which is in contrast to how most respondents said they used the deal sites. It is, of course, in the interest of the restaurant business that the discount concepts make consumers eat out more often instead of just using them to "replace" visits since the latter would just mean a smaller turnover for the business.

All in all, the interviews yielded acceptable, if not exactly positive results when seen from the perspective of the restaurant owners. The respondents like to try out new places and they usually do not try to save money on the drinks (the latter being more positive for high end restaurants). However, the prospect of repeat business do not seem overwhelming and some respondents seem to have been scarred by bad experiences to the point where they only try places they know and trust. Of course, all the above is from the perspective of the consumers, but what do the restaurant owners with firsthand experience of discount concepts say?

3.2.2 Interviews with restaurant owners

From April 2012 to July 2012 a total of 10 interviews with restaurant owners were conducted. The purpose of these interviews was to get the opinions of restaurant owners, who had firsthand experience with different types of discount concepts, about these concepts. Why had they started using them? Is there a difference between the customers of different concepts? And, how do the discount customers compare to the normal customers? These were some of the questions they were asked. The results of the interviews are meant to shed light on some tendencies rather than provide a grand picture of the overall satisfaction level the restaurant owners in Copenhagen have with regard to online discount concepts. The latter was attempted the survey conducted by D-R-C. While this survey is certainly interesting, it does not shed light on other types of discount concepts than deal sites.

After analysing the results of the interviews by using pattern recognition, several themes were identified. They are: *reason for using a discount concept, difference in buying behaviour between customers of different concepts, buying behaviour of the different discount customers versus regular guests, satisfaction level, distribution of the deal customers, and future actions regarding discount concepts.*

Reason for using a discount concept

When it comes to stating a reason for wanting to try out a deal-of-the-day concept, almost all of the restaurant owners state that attracting new business was the main reason. Some were lacking guests because they were just starting up and needed a way to promote the restaurant, while another had a café situated in a location requiring sunny weather in order to fill the seats:

> *We started using Tipster because we could see that the summer would not be all that sunny, and since we are situated at Islands Brygge we are pretty dependent on the weather. Therefore we have used it to increase our turnover in this period, and it has produced the desired effect very effectively.*

Niels, Café Aristo

While their exact reasons may have differed, the abovementioned restaurant owners had the goal of attracting new guests as the main reason for utilising a deal site. There was one restaurant owner, who manages two restaurants, who had a different reason for using a deal site:

The reason why we started using the discount concepts was that more and more of my colleagues had done so. So in a way, we were pressured to do it since we did not pack a full house anymore.

Owner, Fru Heiberg/Gefährlich

In a way, it could be argued that this restaurant owner's goal was also to attract new guests, but there seems to be a subtext to this statement: namely that the restaurant owner in question feels that because so many of the other restaurant owners are lowering their prices, the ones who do not want to employ the discount concepts are still forced to do so because the guests no longer want to pay full price. This corresponds to the argument of deal sites cannibalising the industry, which many of the restaurant owners uttered in the D-R-C survey.

For the most part though, the statements mirror the presumption stated by this author earlier in the master's thesis that attracting new guests is the main reason for using a deal site.

Difference in buying behaviour between customers of different concepts

This category is particularly interesting for restaurant owners who have not yet tried using an online discount concept or has only used one, since it might shed some light on which types of customers are attracted to the different concepts. As mentioned in chapter 3.1, *Methodology,* one of the criteria when selecting respondents for these interviews was them having used at least one concept and preferably more. All respondents had used/was using Restaurant 2 Night and eight out of 10 of the respondents had tried more than one concept. In all cases except two, the combination was Restaurant 2 Night and one or more deal site(s). The exceptions were one

restaurant owner who was using Restaurant 2 Night and had used TWOFORONE[9], and one who had tried all three main concepts as well as TWOFORONE. Thereby, only one of the respondents had tried a card club concept (or actually two in her case). Of course, it would have been ideal to better be able to compare the customers of this type of concept with the others, but very few restaurant owners have tried using all three types of concepts and I found it important to able to compare last-minute booking and deal sites customers properly, since their demographics are very different. Therefore a choice was made to focus on these two concepts.

When it comes down to the restaurant owners' opinions of which concepts provide them with the best guests, Restaurant 2 Night is the clear winner. In fact, none of the interviewed Restaurant owners prefer the deal, TWOFORONE, or card concept customers to the Restaurant 2 Night customers. To be fair, the one restaurant owner who had used all the concepts did not think the customers differed, so the main comparison can only be drawn between Restaurant 2 Night and the deal sites. Of the seven restaurant owners who had used these two concepts, five preferred the Restaurant 2 Night customers while two had no preferences. So, why do the restaurant owners prefer the Restaurant 2 Night customers over the deal customers? A returning argument among the restaurant owners is that they seem to be more used to dining in a restaurant and are more interested in the experience as a whole:

> *I think there is a big difference between the Restaurant 2 Night customers and the deal customers. Most of the Restaurant 2 Night customers are connoisseurs who come for the food and not just for the discount, while my impression of the deal customers is that they most of all just come because of the high discount. They rarely buy a bottle of wine to accompany their food which is what I need to make a profit when I am giving a 50 percent discount on the food*

> Claus, Il Gallo Nero

Some restaurant owners also said that the Restaurant 2 Night customers are generally older and therefore maybe more well funded than the deal customers who are described as a very diverse

---

[9] TWOFORONE is a "book" released anually, which contains more than 500 offers and costs 249 DKK. In that way, it resembles the deal sites concept wise. The difference between the two concepts is that one buys all the deals at once when buying the TWOFORONE book.

group by several of the restaurant owners which corresponds very well with the demographic data from the Downtown and Restaurant 2 Night surveys:

> *The Restaurant 2 Night customers are typically grown ups who are used to going out to dinner, while the deal customers can be anything from Mr. and Mrs. Denmark to teenagers, which is mirrored in their buying behaviour.*
>
> Owner, The Cave

Some statements are a lot less diplomatic than the above, for instance one restaurant owner simply says that the deal customers are *"deal hunters",* thereby implying that they just go from deal to deal and never consider returning as regular guests, while another says that she sometimes get the impression that many of the deal customers seem like they could just as well have bought a deal to the cinema.

From the interviews, it is clear that the Restaurant 2 Night customers are preferred to the deal customers by the restaurant owners mainly because they more interested in the experience and spend more money. This is probably connected to the fact that Restaurant 2 Night is a site that focuses solely on eating and therefore only attracts visitors who are interested in that product category. This also bodes well for the other last-minute booking site, Early Bird, and, to some extent, card clubs dedicated to restaurant experiences and even the deal site, Greed, which also focuses solely on restaurant experiences.

So, the restaurant owners preferred the Restaurant 2 Night customers to the deal customers, but how do the former stack up against the regular customers, who pay full price?

Buying behaviour of the different discount customers versus regular customers

Unsurprisingly, the restaurant owners still prefer the regular customers over the Restaurant 2 Night customers. After all, they are the ones who pay full price. Four out of the six restaurant owners who gave a clear answer to this question said that the regular customers bought more than the Restaurant 2 Night customers in general, while the last two said that there was not a noticeable difference. To be fair, four of the restaurant owners did not answer this question, and

among them were two of the biggest supporters of the Restaurant 2 Night customers. Interestingly, there were only two restaurant owners who thought the Restaurant 2 Night customers were a bit on the cheap side and both of them had not yet tried a deal site:

> *Nine out of 10 of the guests we receive through Restaurant 2 Night are a bit cheap. They certainly do not buy an Amarone wine, but more likely a couple of steaks and a pitcher of water or a coke to accompany the steaks. They are what we call "table hookers" – they are good for business because they make the restaurant look full, but really, most of them do not buy a lot.*

> Janni, Hereford House

Do Janni and the other restaurant owner calling the Restaurant 2 Night customers cheap do so because they have yet to try a deal site and have therefore not experienced the even cheaper discount customers? Or, are their requirements when it comes to customer spending just higher than the rest? Regardless, both were satisfied enough with the Restaurant 2 Night customers to keep using Restaurant 2 Night, but what is the general satisfaction level of the online discount concepts among the restaurant owners?

Satisfaction level and future actions regarding discount concepts

Elements of this category have already been covered in *difference in buying behaviour between customers of different concepts* and *buying behaviour of the different discount customers versus regular customers.* However, these categories only covered the buying behaviour of the customers and not the actual satisfaction level of the restaurant owners. To quickly summarise the findings of the two prior categories, the answers of the restaurant owners showed that the buying behaviour of the Restaurant 2 Night customers is clearly preferred over the deal customers by the restaurant owners, because the former buy more and are more experienced and interested in going out for dinner. In general, the restaurant owners did prefer the regular customers over the Restaurant 2 Night customers, but what about other aspects than buying behaviour? How satisfied are the restaurant owners with the different concepts?

There were not many positive remarks about the deal sites, but the previously quoted restaurant owner Niels from the café Aristo did compliment the deal sites on their ability to generate business during slow periods. In fact, several of the respondents said that they would probably keep using a deal site from time to time because of the aforementioned quality. Actually, in spite of many of the restaurant owners being relatively critical towards the deal sites, only one of them bluntly stated that he would not be using a deal site again, mainly because he could not make a profit when running a deal through a deal site. There were other respondents who seemed fed up with the deal sites but none of them said they would never use a deal site again. This is very much in contrast to statements of the restaurant owners in the recent survey by D-R-C. Here, eight out of 10 said they would not use a deal site again.

When it comes to Restaurant 2 Night, the restaurant owners were generally more satisfied and none of them expressed a wish to stop using the site. This is probably because of the flexibility associated with Restaurant 2 Night, which means that the restaurant owners can decide the discount themselves on a continuing basis.

Distribution of the deal customers

One of the points of criticism regarding the deal sites, which came up during the in-depth interviews with the customers, have been their business partners' inability to keep up with the high influx of customers. Therefore, it is interesting to ask the restaurant owners whether the guests arrive at an even flow or if they arrive in the beginning or end of the deal period. Most restaurant owners say that the majority of deal customers arrive either in the beginning or the end. This may make it hard for them to meet the high demand, which in turn make it difficult for guests to book a table, and it may even result in a poorer experience for the guests.

****

The interviewed restaurant owners mainly had experience with Restaurant 2 Night and one or more deal sites and therefore conclusions cannot be made with regard to the card club concepts. The interviews showed that most of the interviewed restaurant owners consider the deal customers to be somewhat cheap and as someone who often do not seem to care about the experience. This viewpoint is interesting because most of the respondents in the in-depth interviews felt that they did not change buying behaviour when eating out through a deal site. This indicates that while the deal customers may not change their behaviour, they may simply be cheap as a customer group when compared to the Restaurant 2 Night customers and especially the regular customers. This makes sense, since the deal sites offer the biggest discount in average of all the discount concepts and therefore attract the most price sensitive customers to a greater extent than the last-minute booking sites. Also, as the demographic data from the Downtown and Restaurant 2 Night surveys show, the deal customers have a smaller average income than the Restaurant 2 Night customers.

Although they thought the deal customers are cheap, most of the interviewed restaurant owners still wanted to keep using deal sites, especially during slow periods. This shows that while many restaurant owners do not support or like the concept in general, they still appreciate the sites' ability to attract large quantities of guests over a short time span, a quality largely missing at the other concepts.

When it comes to Restaurant 2 Night, there is significantly larger satisfaction with the buying behaviour of the guests who are perceived by the restaurant owners to be more experienced at going out for dinner, more interested in the experience, and more well-funded than the deal customers, although not quite reaching the level of the normal customers. This could be because the site is a dedicated restaurant site, which attracts people who are interested in the experience. Perhaps more deal sites should consider a niche approach in the future so they can provide their business partners with better customers in the future. While a couple of restaurant owners did say that they thought the Restaurant 2 Night customers were a bit cheap, none of them wanted to stop using the concept in the future. Apart from being more generous than the deal customers,

this could also be because of the concept's flexibility when it comes to the size of the discount and the amount of tables the restaurant owner wishes to make available.

This concludes the third part of this master's thesis. The fourth, and last, part consists of the concluding chapters, thereby combining the findings and theory from the first three chapters in order to provide recommendations, conclude on the problem formulation, and suggest areas to research further.

Part 4

CONCLUDING

CHAPTERS

4.1 Effects of discounting on expensive versus cheap restaurants

The recommendations in this master's thesis are intended for independent restaurant owners, but even though the business owners falling into this category may appear to be similar, their product certainly is not. Yes, they all sell food and drinks but they range from cafés serving mainly burgers, salads and sandwiches in the price range of 80 – 120 DKK, over cheap Indian places with all you can eat buffets priced at 100 DKK to gourmet restaurants where a visit costs more than 1.000 DKK per person. Needless to say, the difference in the type of food served and the price range among the restaurants and cafés also mean that their brand image differs greatly. The question is therefore, whether the restaurant's brand affects the risk of doing a promotion through an online discount concept seen from a brand image perspective, and whether certain concepts or even particular sites suit some types of restaurants better than other types.

Risk of running a promotion on brand value

Mike Jeffries, the CEO of the clothing company Abercrombie & Fitch, once said that the company would never use discounts to sell its products because it would devaluate the brand (Gregory 2009). Whether Jeffries is right or not, his statement does raise a question. Do expensive restaurants have a greater risk of devaluating their brand when using an online discount concept than cheap restaurants?

In their research paper from 2004, Wathieu et al. investigated the effect of deal subtraction on brand choice and found that the retraction of a deal hurt the expensive – but not the cheap – brands. They argued that this was because of *Price Salience Theory,* which dictates that when a brand not normally perceived to compete on price has a price reduction it will attract attention and accentuate this aspect instead of other aspects such as high quality. When the deal is subtracted, the brand will suffer because it can no longer compete on price, but the damage has been done and the consumers now find this aspect important. A cheap brand will not be hurt because it already competes on price (Wathieu et al. 2004: 652-656). *Self Perception Theory* also suggests that discounts can be risky to use because they accentuate the consumers' external

reason (i.e. low price) for choosing a brand rather than their internal reasons (i.e. their liking of the product).

These theories point in the direction of discounts being bad for quality restaurants competing on the basis of the quality of their food and, perhaps, their service level. The Institute of Sales Promotion, a British organisation, has also conducted research on the subject and found that too many price promotions hurt brand value (Brinklow 2009: 15). This perception is also shared by several critical Danish restaurant owners who agree that the use of online discount concepts can hurt the image of a quality restaurant. The issue, they think, is that by offering a big discount the medium and high priced restaurants place themselves into a lower price category from which they may have a hard time rising from again (Dahlager 2012). This concern seems legitimate. Why would consumers return to pay regular price when there are always new deals to be found? The customers you attract when giving a discount will almost always be price sensitive. One of the questions in the survey conducted by this author asked the customers of Restaurant 2 Night to state which parameters were important to them when selecting a restaurant through the site. "Price" was the clear winner figuring in almost two out of three of the replies (Skotte 2012: 18). Bear in mind, that the Restaurant 2 Night customers on average have a higher income than for instance the Downtown customers and were perceived by the interviewed restaurant owners to be more well funded and generally better customers than the deal customers. This would suggest that the deal customers are even more focused on price. Another issue can be the alienation of the existing, regular paying customers who may start to become dissatisfied with paying full price when the table next to them gets a 30 or 50 percent discount. They may also start to internally lower the status of the restaurant in their *evoked set* and move on to another place in the same price range that does not do deals.

Different concepts for different restaurants

All of the above discusses online discount concepts very broadly, but of course the different concepts and sites differ very much.

The type of concept that poses the biggest threat to a restaurant's brand image is probably the deal sites mainly because of their very high discounts and diversity when it comes to product categories. A high discount has been shown to make the consumers discount the discounts more than the case is with low discounts (Gupta & Cooper 1992: 402). Furthermore, the high discount required and the high commission (25-30 percent) taken by the deal sites force the restaurants to either give up profits short-term (and hope for repeat business) or use cheaper raw materials. The latter may not be severely damaging for a cheap place because it competes on price rather than quality, but for a place competing on quality, lowering it would be devastating for its reputation and thus brand value.

In contrast, the card clubs such as Eat Card, and to a limited extent Menu Card, and last-minute booking sites such as Restaurant 2 Night and Early Bird are more interesting for owners of quality restaurants who feel the need to attract customers using external discounts. There are two reasons for this. First, the discount required to employ one of these is typically lower than it is for a deal site and, second, all of these sites focus on cafés and restaurants. However, the focus of these sites does differ. Menu Card and Restaurant 2 Night aim for a wide range of places while Early Bird and particularly Eat Card focus on high quality restaurants. Therefore these two sites are probably the most interesting for restaurant owners fearing for their restaurant's image. In fact, the latter only requires a 10 percent discount and already features several Michelin starred restaurants such as Kong Hans' Kælder.

****

Price salience theory and *Self perception theory* suggest that medium and especially high priced restaurants have more to lose brand wise than a cheap restaurant when employing an online discount concept. For this reason the former needs to be more careful when choosing a business partner. The safest site to use is Eat Card, since it has a low discount requirement and high quality business partners. The deal sites are situated in the other end of the spectrum. Their high discount and shady reputation can potentially hurt the brand image of a quality restaurant.

4.2 The advantages and disadvantages of the different concepts and sites

The following chapter summarises the findings from both the primary and secondary empirical data i.e. the in-depth and restaurant owner interviews, and the content of chapter 2.4, *Previous Research*, as well the literature used in this master's thesis in order to provide an overview of the advantages and disadvantages of the different concepts and sites.

4.2.1 Deal-of-the-day sites

The deal-of-the-day sites are a very homogenous group of sites. The way they function, their product range, and their discount level are similar for almost all of them. The biggest advantage of the deal-of-the-day sites is their ability to create a substantial amount of business for their partner restaurants over a very short time period. This is one of the areas where the sites do differ a lot though because of the huge difference of the size of their mailing lists and the amount of monthly visitors on their websites. A big mailing list and many monthly visitors mean exposure to more potential customers. The biggest sites are Downtown and Sweetdeal, while Groupon is third, so these would be the most attractive to advertise through. Another advantage of these three sites is greater consumer trust, as seen in the in-depth interviews.

There are quite a few disadvantages with regard to the deal sites. The biggest issue is the size of the required discount (typically 50 percent) and the commission taken by the sites (typically 25-30 percent of the coupon's price). This can, as one restaurant owner stated, make it impossible to turn a profit from the deal customers. Furthermore, these high discounts can be detrimental to the brand image of quality restaurants. Another issue, which was uncovered during the interviews with the restaurant owners, is the customers of the deal sites who were perceived to be somewhat cheap and indifferent to the whole experience.

Earlier in this chapter, it was mentioned that the deal sites are very similar but there are two sites that do stand out. Shopbox lets the restaurant owner decide the discount him/herself, while Greed focuses solely on deals at quality restaurants. Both of these are interesting. Shopbox because it addresses the problem of the high discounts and Greed because its niche appeal will

likely attract customers more interested in, and attuned to, eating out than the customers of regular deal sites.

Overall, whether using a deal site can be recommended or not depends entirely on the type of restaurant/café. Deal sites will likely work best for cheap restaurants/cafés that do not have a strong brand image, since the shady reputation of the deal sites and the high discount will not hurt them as much as medium and high quality restaurants with a good brand image. These places should probably stay away from the deal sites in order to protect their brand image. Also, if a restaurant has a very high profit margin and can therefore give a big discount and still make a profit without having to provide inferior food or service - but at the same time lacks customers – it could benefit from using a deal site. In contrast, deal sites should never be used if it means not making a profit short term, or providing inferior food or service in order to make a profit. The latter because it will almost certainly lead to dissatisfied customers and therefore no repeat business and negative word-of-mouth. The former because even when providing good food and service, not many of the deal customers are likely to return as regular customers, because of the abundance of offers on display every day and the price sensitive nature of the deal customers.

4.2.2 Last-minute booking sites

There are currently two last minute booking sites in Copenhagen focusing on restaurant offers, Restaurant 2 Night and Early Bird. They have many similarities, but also some differences which result in some different advantages and disadvantages. The sites do have one common disadvantage though. Because most of the restaurants on the sites are featured regularly, it may be difficult for restaurant owners to get the last-minute customers to return as regular customers.

Restaurant 2 Night

The biggest advantages of Restaurant 2 Night is its flexibility and low cost. On Restaurant 2 Night, the restaurant owners decide the size of the discount and which days to provide it themselves. The cost of using the site is also very low. Restaurant owners pay a small fee for each guest sent

their way by Restaurant 2 Night[10], a fee that is certainly lower than the deal sites average commission fee. Another advantage is the customers who were perceived by most of the interviewed restaurant owners to be much better than the deal customers since they spend more money during the restaurant visits and care more about the experience. The above means that restaurant owners should be able to make a profit from the Restaurant 2 Night customers even if they never return as regular customers.

The site does have some disadvantages as well. Because there are approximately 100 restaurants providing last-minute deals every day, it can be hard to stand out in the crowd. Some of the interviewed restaurant owners stated that even though they liked Restaurant 2 Night, the site did not bring them an overwhelming amount of business. Another potential disadvantage is the wide variety of restaurants and cafés featured on the site which can result in a gourmet restaurant being shown next to a cheap Indian restaurant. This can potentially create brand image problems for the high quality restaurants.

Early Bird

Early Bird lacks the flexibility of Restaurant 2 Night, but the 30 percent discount on food only is a lot more agreeable than the deal sites' 50 percent. A clear advantage of Early Bird is its focused choice of business partners. The site only features medium to high priced quality restaurants, which means that these types of restaurants should not have to fear their brand image severely damaged when using the site.

4.2.3 Card clubs

Although there are several card clubs, this chapter will confine itself and only describe the two most prolific sites with regard to the restaurant industry in Copenhagen, Menu Card and Eat Card. The card clubs have a common disadvantage, which was mentioned by one consumer respondent. Since the card allows for spontaneity and the sites have a wide variety of partner restaurants, the

---

[10] This author is knows the exact price, but cannot divulge it here due to an agreement with Restaurant 2 Night

restaurant visits through these sites may very well be replacement visits rather than extra visits. Furthermore, it will be very difficult for restaurant owners to get the card owners to return as regular customers.

Menu Card has a restaurant selection similar to Restaurant 2 Night's which entails the same brand image risks. The site does provide restaurant owners with a lot of flexibility, but the minimum discount at 30 percent is somewhat high, especially because there are many restaurants on the site which can force owners to provide a high discount of 40 or 50 percent in order to stand out in the crowd.

Eat Card has the most exclusive range of partner restaurants of all the sites described in this chapter, among these several that hold a Michelin star. This is of course an advantage when it comes to brand value. Furthermore, the site only requires its partner restaurants to provide a very agreeable 10 percent discount on both food and drinks, but cf. the research by Gupta and Cooper, this discount size may actually be too low to change purchase intention (Gupta & Cooper 1992: 408-409).

4.2.4 A fourth alternative

"*We are going to make our own!*" With those words the Creative Director of Cofoco, Torben Klitbo, announced that the company would not be using the deal-of-the-day sites again. That was back in October 2010 (Kjær 2010). Less than a year after that, Cofoco launched its own discount concept in the vein of last-minute booking concepts such as Restaurant 2 Night and Early Bird (and of course the travelling industry) by the name of Spis (Kjær (II) 2011). The offers ran over a period of approximately a month and the campaign was successful enough for Cofoco to launch an identical campaign this year.

While Cofoco is a small chain with a larger marketing budget than the restaurant owners this master's thesis is primarily intended for, the idea of launching discount campaigns or using discounts to fill tables during slow periods yourself should not be discarded by independent business owners. The trend can already be seen at numerous take away places offering a discount on Mondays, and in other cities such as Boulder, Colorado, and Vancouver, B.C, it is quite normal

for restaurants to serve special "happy hour" menus and dishes from 15 to 18 where few people would go out to eat otherwise.

The big advantage of launching the discounts yourself is complete control over the course of action. The disadvantage is that as an independent business it can be difficult to reach as many potential customers as you can with the help of a third party discount concept with a large email database.

However, there are ways to build an online customer base yourself. First, collecting email addresses from guests helps building an email database that the restaurant owners can send special offers and news to. Second, encouraging the guests to engage in positive word-of-mouth can help increase brand awareness and attract new guests, who can then be added to the database. Third, creating a presence on social media is an inexpensive and potentially effective way to build a community around a restaurant. For instance, one could create a Facebook page. Just make sure to update it regularly and nurture the "fans" by providing content that cannot be found elsewhere. Last, Search Engine Optimization (SEO) can be a very effective way to attract potential customers to the restaurant's website. All of the above are inexpensive methods that can help building a customer database and creating a community around the restaurant, which the restaurant can then offer discounts and launch campaigns at, all without having to resort to third party online discount concepts.

4.3 Recommendations

This chapter will provide recommendations for the restaurant owners concerning which course of action they should take with regard to online discount concepts. Bear in mind that the target audience of this master's thesis is very big so the provided recommendations will be broad in scope.

- Deal-of-the-day sites should never be used if it means not making a profit short-term, or having to provide inferior food or service. The former because the data available suggests that restaurants have a very small chance of generating repeat business from the use of the sites. The latter because it will be a safe way to ensure no repeat business is generated,

degrade the restaurant's image, and generate negative word-of-mouth. Treat all customers the same!

- Restaurant owners who fear for a devaluation of their restaurants' brand should stay away from deal sites because of their high discounts and bad reputation. Early Bird and especially Eat Card are on the other end of the spectrum.

- If a restaurant owner has the extra energy for it, launching his/her own discount campaign is also a viable option. The advantage is the flexibility and control it gives but the challenge is reaching a satisfactorily amount of customers. This can be done by collecting email addresses from existing customers and encouraging them to engage in positive word-of-mouth. Social media can also be used to increase brand awareness cheaply. For instance, by creating a Facebook page.

- Stand together! As a group, the restaurant owners in Copenhagen have tremendous power and leverage to negotiate better terms with the deal sites, whose current discount level and commission rate is well above what it should be. By uniting against them, the restaurant owners can stop their cannibalisation of the industry.

4.4 Conclusion

In just two years the amount of websites offering discounts for restaurants and cafés has gone from zero to almost 40. The whole online discount industry was jump started by the Chicago based deal-of-the-day site, Groupon, which launched at almost the same time as the ongoing financial crisis started. This is hardly a coincidence. The instability and fear for the future acted as a catalyst for the emergence of online discount concepts. Consumers were (and are still) cautious about spending which made business owners fear for the future of their businesses and prompted them to think of ways to keep attracting customers. The conditions were perfect for a wave of discount concepts to enter the market. Groupon was the first globally, it is still the biggest, and the type of online discount concept it represents, the deal-of-the-day site, is the dominant type, also in Copenhagen where more than 25 different sites offer deals to their customers every day.

As seen in appendix 5 and the in-depth interviews, food and restaurant deals are an important product category for the deal sites, and the survey by D-R-C showed that more than a third of its

members had done business with a deal site. While the restaurant industry has been linked closely with the deal sites, it also remains highly sceptical of them. In the D-R-C survey, eight out of 10 restaurant owners said that they did not want to collaborate with a deal (again) in the future. The reasons for this are that they feel it is economically unviable because of the high required discount and commission rates, and the sites' inability to create repeat business, and because the deal sites cannibalise the industry by making the customers used to unrealistically low prices. Most of the restaurant owners interviewed for this master's thesis also mentioned that the deal customers are cheap and therefore undesirable customers. Furthermore, theory indicates that the discount level of the deal sites is unnecessarily high and that the use of deal sites can have a damaging effect on quality restaurants.

However, this does not mean that the deal sites have no redeeming qualities. Their ability to create a lot of business in a short amount of time can certainly give struggling restaurants a boost during slow periods. Also, several of the respondents in the in-depth interviews thought that their use of the deal sites made them eat out more often than before.

Although the deal sites are the dominant concept type, restaurant owners will be wise to consider the two other main types: last-minute booking sites and card clubs. These concepts in general, and Restaurant 2 Night and Eat Card in particular, require lower discounts than the deals sites. Thereby they are both more economically viable for the restaurant owners, and especially Restaurant 2 Night and Early Bird are more in line with the optimal discount level identified in the research by Gupta and Cooper with regard to discounting of discounts, promotion threshold, and saturation level. Furthermore, the Restaurant 2 Night customers were perceived by most of the interviewed restaurant owners to be significantly better customers than those sent by the deal sites. Therefore, the last-minute booking sites (and to a lesser extent the card clubs) are the safe bet for most restaurants but they are not able to create as much business in as short a time span as the biggest deal sites are.

The restaurant owners may feel like they are getting pressured to do deals and that the discount concepts are in control but throughout this master's thesis it has been shown that they are not. If the restaurant owners are really as unsatisfied with the deal sites as the D-R-C survey suggests, they need to stand together and make demands. Lower discounts and commission rates would go

a long way. They need to remember that it is them – not the discount sites - who provide the product that the customers seek, and without their product the discount concepts are helpless. This is of course easier said than done but the recent attention the subject has been given by D-R-C suggests that the industry is on its way.

4.5 Future Research

As mentioned throughout this master's thesis, the online discount industry is very new and has not been subject to extensive research. Therefore, many areas are still worth researching further. Those that I find particularly relevant to explore further are:

- **Other product categories:** This master's thesis has focused on restaurants/cafés. It would be interesting to investigate other product categories. Are some more suited than others with regard to online discounts in general and perhaps deal-of-the-day sites in particular? For instance, dental services could very well be a good fit because consumers tend to stick with the same dentist once s/he has chosen one. Therefore, a deal may be an effective method for attracting new customers, who can then be maintained over time at the regular price.

- **Segmentation of other sites and concepts:** For this master's thesis it was only possible to gather quantitative data on the customers of Downtown.dk and Restaurant 2 Night. Data on the customers of the other deal sites and last-minute booking site (Early Bird) as well as on the customers of the card clubs would be very interesting to gather.

- **More Danish research on the effect of discounts:** The majority of academic research about the effect of discounts on consumer behaviour used for this master's thesis originates from outside Denmark (and Scandinavia). Some research such as Kenneth Baltzer's *"Virker detailhandlens tilbuds- og annonceringskampagner? - Analyser af efterspørgslen efter æg, svinekød og fjerkræ"* from 2004 do investigate this subject, but more product specific research, would be very helpful. This could be research on promotion thresholds and saturation in the restaurant industry, or perhaps research investigating the potential danger of discounts with regard to brand image.

It is going to be interesting to follow the development of the online discount concepts and the restaurant owners' use of them in the future. Will the rapid expansion of deal sites on the market continue or will the big fish eat the little ones? What about the two other concept types? Will the consumers grow tired of deals or will they grow more and more accustomed to the price level they bring? The two things this author is looking the most forward to see the development of, however, are whether the restaurant owners start to stand together and make demands to the deal sites (or stop using them) and if more restaurants do like Cofoco and make their own discount campaign. The answers to these questions have not yet been given but by writing this master's thesis, I have contributed with what I consider to be the best course of action for the restaurant owners.

Bibliography

All about coupons, http://www.straussglobalpr.com/Coupon/allabout.htm, Straussglobalpr.com

Anderson, Jessica; *Groupon: Andrew Mason*, Kiplinger's Personal Finance; Jul2011, Vol. 65 Issue 7, p52-53, 2p, 1 Color Photograph

Baltzer, Kenneth; Virker detailhandlens tilbuds- og annonceringskampagner?
- analyser af efterspørgslen efter æg, svinekød og fjerkræ, Fødevareøkonomisk institut 2004

Black Friday; *The history of coupons … and some other cool stats,* http://blog.black-friday.net/shopping-advice-trends/history-coupons-other/

Bray, Jeff; Consumer Behaviour Theory: Approaches and Models, http://eprints.bournemouth.ac.uk/10107/1/Consumer_Behaviour_Theory_-_Approaches_%26_Models.pdf, 2008

Brinklow, Martin: Price cutting can damage brand image, Marketing week 19/11 2009

Brown, Stephen W.; Gummesson, Evert; Edvardsson and Gustavsson, Bengtove, Service Quality: Multidisciplinary and Multinational Perspectives, Lexington Books 1991

Dahlager, Lars; Restauratører: Discountmenuer ødelægger branchen: http://ibyen.dk/restauranter/ECE1546105/restauratoerer-discountmenuer-oedelaegger-branchen/, Politiken 2012

Dholakia, Utpal M; How effective are Groupon promotions for businesses?, Rice University 2010: link: http://www.ruf.rice.edu/~dholakia/

Dodson, Joe A., Tybout, Alice M. and Sternthal, Brian; *Impact of deals and deal retraction on brand switching,* Journal of marketing research vol. 15, No. 1 (Feb., 1978, pp. 72-81)

D-R-C; Dealtjenesternes dage i restaurantionsbranchen er talte, http://www.d-r-c.dk/artikel.php?p_id=27&a_id=767, DRC april 2012

Enright, Allison; *E-commerce sales rise 14,8% in 2010*, http://www.internetretailer.com/2011/02/17/e-commerce-sales-rise-148-2010, Internet Retailer February 2011

Gregory, Sean; Abercrombie & Fitch: Worst recession brand http://www.time.com/time/business/article/0,8599,1918160,00.html, Time.com 2009

Gupta, Sunil & Cooper, Lee G.; *The discounting of discounts and promotion thresholds,* Journal of consumer research vol. 19, December 2004

Haghighi, Mohammad; Dorosti, Ali; Rahnama, Afshin and Hoseinpour, Ali; Evaluation of Factors Affecting Customer Loyalty in the Restaurant Industry, African Journal of Business Managenment Vol. 6, 11 April, 2012

Hartmann, Christian, Interview conducted by Ketil Skotte, Appendix 4

Hindman, Nate C; *Beyond Groupon: Daily deals evolve, new competitors emerge,* http://www.huffingtonpost.com/2011/11/23/groupon-daily-deals_n_1088436.html, Huffington Post November 2011

Horesta; *Nøgletal 2010-2011,* http://horesta.dk/da-DK/Oekonomi-Statistik/Tal-Statistik/Restaurantmarkedet/~/media/Filer/Analyse/Normtal%2010-11/Restaurant/Oms%C3%A6tning.ashx – Omsætning

http://horesta.dk/da-DK/Oekonomi-Statistik/Tal-Statistik/Restaurantmarkedet/~/media/Filer/Analyse/Normtal%2010-11/Restaurant/Besk%C3%A6ftigelse.ashx – Beskæftigelse

http://horesta.dk/da-DK/Oekonomi-Statistik/Tal-Statistik/Restaurantmarkedet/~/media/Filer/Analyse/Normtal%2010-11/Restaurant/Restaurantbranchens%20Struktur.ashx - Struktur

Kjær, Birgitte; *Danskerne er vilde med desserter og forretter*, http://ibyen.dk/restauranter/ECE1272587/danskere-er-vilde-med-forretter-og-desserter/, Politiken Maj 2011

Kjær (II), Birgitte; Restauranter indfører afbudsmad, http://ibyen.dk/restauranter/ECE1318798/restauranter-indfoerer-afbuds-mad/, Politiken juni 2011

Kjær, Jakob Sorgenfri; Restaurant bliver fyldt op med tilbudsjægere, http://politiken.dk/tjek/penge/dinepenge/ECE1086992/restaurant-bliver-fyldt-op-med-tilbudsjaegere/, Politiken oktober 2010

Madsen, Peter H.G; *Danskere vælter sig i rabatter på nettet,* http://politiken.dk/tjek/digitalt/ECE1462633/danskere-vaelter-sig-i-rabatter-paa-nettet/, Politiken November 2011

Moreau, Elise; *Groupon Competitors: Sites like Groupon,* http://webtrends.about.com/od/socialshopping/tp/Groupon-Competitors-Sites-Like-Groupon.htm, About.com

Mullins, John W & Walker Jr, Orville C; Marketing Management: A Strategic Decision-Making Approach, Seventh edition, McGraw-Hill International Edition 2010

Patel, Kunur; Marketers: Beware The Coupon Mom. Advertising Age, 7/11/2011, Vol. 82 Issue 27, p1-13

Pedersen, Marie Carsten; *Bistroer kan blive finanskrisens vindere,* http://ibyen.dk/restauranter/ECE639691/bistroer-kan-blive-finanskrisens-vindere/, Politiken Februar 2009

Price, Jason; Groupon & others offer collective buying power; http://www.onemoneydesign.com/groupon-others-offer-collective-buying-power/, Onemoneydesign.com 2009

Ramseook-Munhurrun, Prabha; Perceived Service Quality in Restaurant Services, Global Conference on Business and Finance Proceedings volume 7 number one, 2012

Sandelowski, Margarete; Real qualitative researchers do not count: the use of numbers in qualitative research, Research in nursing and health 24, 2001

Skotte, Ketil; *Getting to the core of things, available in appendix 6*

Tuttle, Brad; *The history of coupons,* http://moneyland.time.com/2010/04/06/the-history-of-coupons/, Time April 2010

Vaughn, Richard; How advertising works: a planning model revisited, *Journal of Advertising Research*, Feb/Mar86, Vol. 26 Issue 1,

Wathieu, Luc, Muthukrishnan, A. V. And Bronnenberg, Bart J.; *The asymmetric effect of discount retraction on subsequent choice,* Journal of consumer research vol. 31, December 2004