CONSUMER STUDIES ABOUT PURCHASE, REPEAT PURCHASE AND
WORD-OF-MOUTH AFTER DEEP DISCOUNT ONLINE

A THESIS SUBMITTED TO
THE GRADUATE SCHOOL OF BUSINESS
OF
ÖZYEĞİN UNIVERSITY

BY

ELA ARI

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR
THE DEGREE OF DOCTOR OF PHILOSOPHY
IN
THE DEPARTMENT OF BUSINESS

JUNE 2015

Approved by:

Prof. Koen Pauwels
(Thesis Advisor)

_____

Prof. Deniz Börü

_____

Assoc. Prof. Kutsal Doğan

_____

Asst. Prof. Ş.Sinem Atakan

_____

Asst. Prof. N. Öykü İyigün

_____

June 5, 2015

To my husband and love

ABSTRACT

Daily deal sites are e-commerce businesses that offer deep discounts (e.g., 50%, 90%) for products and services to consumers through local service providers. These sites increase consumer's buying power and attract more customers for local service providers. The fact that most deal sites keep half of the revenue from each consumer makes this model unprofitable for service providers. To increase the viability of this business model, after purchasing from deal sites, consumers would need to repurchase at full and/or different discount rates from service providers and generate positive Word of Mouth (WOM). For that aim, three studies were conducted. The first study is a survey conducted in Turkey, which examines the consumer motivations based on McClelland Need Theory. The results revealed that need for achievement affects deal purchases while need for group affiliation drives the intention to repurchase at full price and need for power increases the generation of WOM. The second study addresses consumer motivations through a multi-method approach, combining in-depth interviews with an experimental study. The results revealed that price discount and distance are key action variables that managers can control in order to give fewer discounts and make higher profits. Moreover, consumers with a high need for achievement are more likely to generate WOM, while those with a high need for affiliation create more electronic WOM (eWOM). The third study is an experimental study, which reveals that satisfaction is a primary driver for repurchase and WOM. Furthermore, consumer characteristics as coupon proneness and price quality schema are key characteristics for both deal sites and service providers.

ÖZET

Fırsat siteleri, tüketicilere yerel servis sağlayıcılar aracılığıyla çeşitli ürün ve hizmetleri, derin indirimlerle (örneğin,% 50,% 90) sunan e-ticaret işletmeleridir. Bu siteler hem tüketicinin alım gücünü artırmakta hem de yerel hizmet sağlayıcıları için daha fazla yeni müşteri çekmektedir. Fırsat sitelerinin tüketicinin servis sağlayıcıya verdiği gelirin yarısını almaları, servis sağlayıcılar için bu modeli kârsız hale getirmektedir. Bu iş modelinin devam edebilmesi için tüketicilerin fırsat sitelerinden satın aldıktan sonra, tam fiyatından ve/veya farklı indirim oranları ile servis sağlayıcılardan yeniden servis satın alması ve kulaktan kulağa pozitif pazarlama üretmeleri gerekmektedir. Bu amaçla, üç çalışma yapmıştır. İlk çalışma Türkiye de uygulanan, McClelland'ın İhtiyaçlar Teorisine dayalı olarak tüketici motivasyonlarını inceleyen bir anket çalışmasıdır. Başarı ihtiyacının fırsat sitelerinden indirimli satın almayı, bağlanma ihtiyacının ise indirimsiz yani tam fiyatından servis sağlayıcılardan geri satın almayı etkilediği ve güç ihtiyacının kulaktan kulağa pazarlamayı arttırdığını ortaya koymuştur. İkinci çalışmada derinlemesine görüşme tekniği ve deneysel bir çalışma birleştirilerek, çoklu yöntem yaklaşımı ile tüketici motivasyonları incelenmiştir. İndirim oranı ve servis sağlayıcının tüketiciye olan mesafesi, yöneticilerin daha az indirim vererek daha yüksek kar yapabilecekleri kilit eylem değişkenleri olarak bulunmuştur. Ayrıca başarı ihtiyacı yüksek kişilerin her tür kulaktan kulağa pazarlama ve bağlanma ihtiyacı yüksek kişilerin ise elektronik kulaktan kulağa pazarlama (çevrimiçi) ürettikleri görülmüştür. Üçüncü çalışma, memnuniyet değişkeninin yeniden satın alım ve kulaktan kulağa pazarlama için birincil sürücü olduğunu ortaya koyan deneysel bir çalışmadır. Ayrıca, kupon yatkınlığının ve fiyat kalite şeması adlı tüketici özelliklerinin hem fırsat siteleri ve hem de servis sağlayıcılar için anahtar özellikler olduğu bulunmuştur.

ACKNOWLEDGMENTS

First and foremost, I would like to express my deepest gratitude to my advisor Prof. Koen Pauwels for his guidance throughout my Ph.D. journey. It has been an honor to be his first Ph.D. student. With his enthusiasm and inspiration to write, his supportive attitude and motivating words, and availability for discussions, he provided me encouragement, vigor, and good company during this journey. I appreciate all his valuable contributions of time, ideas, and research funding that made my experience productive and distinctive. Not only do I admire his academic personality, but also his way of approaching problems, managing relationships and maintaining work life balance. He is the best advisor a PhD student can have.

 Also, I would like to show my gratitude to Prof. Sinem Atakan who mentored me during all my research. I learned a lot about how to write and conduct experimental research with her guidance. Thank you very much for sharing patiently your valuable time and energy. I would like to thank the other members of my thesis committee, Prof. Kutsal Doğan, Prof. Deniz Elber Börü, Prof. Öykü İyigün and Prof. Romana Kahn for their valuable support and helpful suggestions.

My gratitude also goes to my dearest friend Ceren Demirci, with whom I started this PhD program and shared this journey. She is one of a kind, with her immense sensitivity for the good of society, animals and all living creatures. And much gratitude goes to Burcu Avcı, who patiently helped us to understand all complex PhD material. She is the one who cooked our Turkish coffees, who made

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

INTRODUCTION

Daily deal sites have become very popular with consumers and businesses alike. This business model took off because it offered a novel way for small businesses to bring in new customers, consumers to buy products and services at deep discounts and deal sites to get half of every sale.

Launched in 2008, Groupon is one of the most popular deal sites. After an enthusiastic two-year period, shares of Groupon fell 82% since its IPO (Swisher, 2010). With consumer enthusiasm holding up (Duryee, 2011), the key success barrier for the deal sites is to keep local businesses happy. There are contradictory reports on how profitable deals are to service providers. Many merchants claim customers who bought deals, spent the bare minimum and never returned, while the daily deal sites themselves claim the opposite. Unfortunately, there is limited research about the short-turn profitability of individual deals, and literature has little to say on the drivers of repurchase behavior of consumers. Long-term profitability largely depends on deal customers either to repeat purchase at regular prices and/or engage in positive word-of-mouth (WOM).

In a series of three essays, this dissertation aims to investigate what marketing professionals should do to get repeat customers and generate WOM after deep discounts online. In my first dissertation essay, I show what drives customers to buy from deal sites with deep discounts, to repeat purchase at full price from local merchants and to generate WOM. In my second essay, I show how utility factors and consumer motivations affect sales performance of the deal sites and service

providers, and how this combination can be turned to an advantage for both parties. In my third essay, I investigated satisfaction to our utility variables, specific service categories and price related consumer characteristics. Both deal sites and service providers benefit from the results. In the next section, I present a synopsis for each of the three essays.

Essay 1: The Dynamics of Groupon: Repeat Purchase and Word-of-Mouth after the Deep Discount

In my first essay, I examine what drives customers to purchase online deep deals, to repurchase at regular price from same service provider and to generate WOM after taking the deal. We took consumer perspective in an emerging market. The behaviors of the consumers change depending on the price discount offered, the distance from the service provider, experienced service quality and consumer profiles. The survey study reveals how price discounts, distance from home, and reputation of the local businesses interact to drive sales on Groupon-like sites and how consumer motivation types such as need for achievement, power and affiliation drive the repurchase and WOM behavior after the sales. However, consumers who have high need for achievement often do purchase at regular prices, while consumers high in need for affiliation are willing to do so in the future. Moreover, consumers who have high need for power are the ones who generate the most WOM (as long as they are satisfied with the service quality).

Essay 2: Catch and Release: Which Groupon Customers Will Chatter or Come Back?

The second essay uses a multi-method approach to shed light into whether deep discounts affect long-term profitability of the service providers. In the first study we took consumer's perspective, which prepared us for the second study where we took consumer and service provider's perspectives to improve the effectiveness of small businesses. In the first study, we conducted in-depth interviews with Turkish deal site consumers. Specifically, we investigated the drivers to purchase at a discount, repurchase at full/discounted prices, and generate WOM. The interviews pointed to utility factors as price, distance and reputation of the service provider and to consumer motivations as need for achievement, need to socialize and need for power that are in line with McClelland Theory of Needs (need for achievement, affiliation and power). In the second study, we tested with an experiment the causal relationships that emerged from the qualitative study. We used participants from the U.S., which we recruited from Amazon's Mechanical Turk (MTurk). The study was a 3 (discount level: 35% vs. 50% vs. 75%) x 2 (distance: low vs. high) x 2 (reputation: widely known vs. unknown service provider) between subjects design, where we have shown Groupon-like deal. The participants filled out the NNAQ (New Needs Assessment Scale) which consists of three subscales: the need for achievement, need for affiliation, and need for power scales. Study 2, revealed a higher likelihood to purchase at discounted rates when the distance between consumers' home and service provider decreases and service provider has a high reputation. Furthermore, purchase likelihood increases when consumers have high need for achievement or high need for affiliation. Moreover, high (vs. low) need for achievement consumers are more likely to talk and write about the deals, while high (vs. low) need for affiliation consumers create more electronic WOM (eWOM) as

they tend to write more frequently on social media (e.g., blogs, Facebook, twitter, Instagram).

Essay 3: How Groupon Deal Content Motivates Customers to Purchase?

The third dissertation essay focuses on a broader set of utility variables and consumer characteristics. In this study, we took the deal sites and service provider perspectives together. We studied different levels of discount, the reputation of the service provider, distance and satisfaction as well as consumer characteristics related to price and coupons. We used participants from the U.S, which we recruited from MTurk. The study was a 3 (discount level: 35% vs. 50% vs. 75%) x 2 (distance: low vs. high) x 2 (reputation: widely known vs. unknown service provider) x satisfaction (high vs. average vs. low) between subjects design, where we have shown Groupon-like restaurant deal. We preferred the most preferred service category that includes hedonic and utilitarian benefits for consumers. Price perception, coupon proneness and price quality schema scales, as well as involvement in the food category scale were used to measure consumer characteristics. We also controlled consumers' reference prices and perceived risk to purchase from deal sites. The results provided evidence of satisfaction role and its interaction with distance, price discount, and reputation, as well as price-related consumer characteristics on purchase, repurchase and WOM. Our findings give service providers and deal sites specific recommendations as to how to price and target the deal to improve purchase, repeat purchase and WOM generation. If the service provider is reputable the consumer is more willing to get offers from high distance service providers' deals. If the service provider can satisfy their customers, going over 50% discount reduces their

likelihood of being repurchased. In addition, if these service providers are located at a low distance from consumer, WOM generation likelihood increases as long as the service provider satisfies. Coupon proneness is a key consumer characteristic that deal sites and service providers should seek for as coupon proneness increases purchase likelihood, while price consciousness does not. Also, coupon proneness increases WOM about the deal, deal site and service provider. In addition, consumers high in price quality schema are more willing to repurchase at full price.

By focusing on the repeat purchase behavior after deep discounts, this dissertation adds to marketing literature in several ways. First, this dissertation extends previous research on discounts by demonstrating that consumer motivations that drive to use daily deals and deep discounts are different than traditional coupon users. McClelland Need Theory and its constructs are used for the first time in discounts literature. Furthermore, this research adds to WOM literature by showing the need for affiliation effect on eWOM and need for achievement effect on WOM. Second, this research contributes to discount literature by combining actionable utility variables with consumers' motivations. Third, this dissertation extends previous research on satisfaction by demonstrating that company reputation, distance, and discount factor interactions increase repurchase and WOM likelihood. Finally, this dissertation adds to the consumer price related characteristics literature by revealing coupon proneness effect on WOM and price quality schema effects on purchase at deep discount, and repurchase after deep discount and WOM.

CHAPTER I

THE DYNAMICS OF GROUPON: REPEAT PURCHASE AND WORD-OF-MOUTH AFTER DEEP DISCOUNTS

Abstract

Daily deal sites have become very popular with consumers and businesses alike in many countries. This business emerged so fast because it offered to consumers' deep discounts (e.g., 50%, 75%) and to service providers a novel way to bring in new customers, while the deal providers got half of every sale. This research investigates what drives consumers to purchase online deep deals from daily deal sites, what are the factors that motivate them to repurchase and what generates WOM after purchase and usage. Our survey, conducted in Turkey, revealed that need for achievement affects deal purchases while need for group affiliation drives repurchase at full price. Finally, consumers who have high need for power are the ones who generate the most WOM (as long as they are satisfied with the service quality).

1.1 Introduction

Daily deal sites are "local e-commerce marketplaces that connect local businesses to consumers by offering goods and services at discounts" (Groupon 2011). Daily deal sites have become very popular with consumers and service providers since they started operations in 2005. Groupon, one of the dominant daily deal sites in terms of number of users, reached 52 million active customers in the first quarter of 2014 and is sharing 59.1 % of the daily deal market share in US (Statista, 2014). A recent study reported that 32.5 % of all Internet users had purchased a Groupon deal (eMarketer, 2011). Its sales are forecasted to reach $3.56 billion in 2015, driven in part by an increase in mobile sales (Tode, 2013).

The number and size of deal site companies grew fast after Groupon's initial success. Many countries and companies followed suit, including emerging markets such as Turkey. Turkey is the fifteenth best performing country in the world with 46% internet penetration rate, and 36 million users as of 2012 (Mestçi, 2013). The total market of these deal sites has reached 100 million TL ($50 million) by 2011 and there are more than 200 deal sites in Turkey (Afra 2013). Of the 36 million Internet users in Turkey, about 7 million are doing online shopping; 3.5 million are using coupons and services from these deal sites every month (McKinsey and Company, 2013). Average daily visitors of these sites are 52,000 for Groupon (Yeniova, 2012).

The economic benefit of the daily deal business is that their growth also contributes to the growth of Small and Medium Size Enterprises (SME). The increase in the number and size of SMEs creates new employment areas, which have

a very important role in the Turkish economy. Deal sites are the new, easy to use, and investment free opportunities for SMEs. They increase short-term sales instantly and attract new consumers (Sai, 2014). Groupon Turkey is claiming that they have alone created a 100 million TL market for SMEs. On the other hand, devoting a large part of their budget to this channel, SMEs are the major part of deal sites` consumer base. SMEs need specific guidelines as to which consumers to target, how to structure online deals, and how to follow-up with first-time consumers to increase repeat purchase and profitability.

The sustainability of deal sites` business model depends on the repeat purchase behavior and level of WOM generated. Many service providers report heavy losses from engaging in deep discount activity as it draws mostly first time customers but not repeat customers (Agrawal, 2011). This creates a challenge for daily deal sites, as reflected in Groupon's 22% loss in its stock value after reporting their earnings as of the first quarter of 2014 (Lappin, 2014). In fact, in 2014, compared to 2011, Groupon`s monthly visitor number has dropped about 4 million (Statista, 2014).

Previous research on daily deals focuses mostly only on the short-term profitability of individual deals rather than repeat purchase behavior (Edelman et al, 2010; Dholakia, 2011; Kumar and Rajan, 2012). Besides promoting trials that are likely to result in repurchase, Groupon sites could also help the profitability of businesses by enhancing WOM generated by satisfied consumers. However, previous research does not address whether Groupon sites in fact help with generating WOM. Groupon itself claims that 22% of consumers repurchase from the same service provider but Sherr (2010) found no validation for this claim. It is still

unclear whether it is profitable in the long-term to participate in Groupon deals for a service provider. Hence, this research addresses focuses on the three drivers of sustainability for this business model: repeat purchase at discounted prices, repeat purchase at full prices, and WOM generated by consumers.

Consumer motivations can provide key insights into the likelihood of repeat purchase at full and discounted prices. Previous research investigated price promotions with price related consumer variables such as price consciousness, deal proneness, consumer expectations or consumer perceptions (Lichteinstein et al., 1993; Kalwani and Yim 1992; Mela et al., 1997; Krishna and Shoemaker, 1991). A recent study revealed that deal site users are less careful with their personal finances, are more interested in trying new things and talking about them to influence others, and are attracted to a deal because it is a deal rather than because of its monetary advantage (Dholakia, 2010). Therefore, besides price related motivators psychological needs may also play a role in shaping deal site purchases and WOM behavior of deal site consumers.

McClelland Need Theory (1987) has a social psychology basis and has been widely used in the organizational behavior literature. The theory seeks how personality traits consisting of three different needs (need for achievement, affiliation, and power) interact with the situation to influence consumer attitudes and actions. We draw on McClelland Need Theory to explain how consumer motivations affect the intention to purchase and repurchase from deal sites as well as to generate WOM. Furthermore, this research also explored the factors related to service provider that managers can intervene at some degree. Delivering better service

quality improves customer satisfaction (Hallowell, 1996, p.29) which in turn leads to repurchase intention and increased WOM (Bagozzi, 1992). We investigate service satisfaction from service providers and its effect on repurchase and WOM behaviors. The second factor that previous studies show strong evidence of purchase is reputation, which is a key determinant of a service provider success (Devlin, 1998) and of customer retention (Janakiraman and Niraj, 2011). The third factor related to service provider is geographic proximity effects on choices of brand, place, and channel (Janakiraman and Niraj, 2011). Hence, we decided to investigate service satisfaction, reputation and distance to consumer, how they shape repeat purchase and WOM.

The rest of this article is structured as follows: we start with the theoretical framework and propose hypotheses regarding consumer motivations. Then, we test our predictions using data from a survey study conducted in Turkey. The survey study involves consumers` purchasing habits, use of service providers, deal site experiences, motivations, factors that drive them to purchase at discounted prices, repurchase at full prices, and WOM. Next, we discuss the findings and conclude with theoretical and managerial implications.

1.2 Purchase, Repurchase and WOM

In order to gain an in-depth understanding of how deal sites affect consumer repurchase and WOM generation, we integrate findings from two literatures: discounts and consumer motivations. While the act of purchasing a product, regardless of whether it is on sale or not, may increase the likelihood of a repeat

purchase, a discounted price may induce a negative 'promotion usage' effect and increase price sensitivity (Blattberg and Neslin, 1990). For instance, consumers may fail to repeat purchase at full price because they attribute their purchase to the discount or the discount may lower their reference price (Winter, 1986). The relative importance of attributing the purchase behavior to the discount depends on several factors, such as consumer's experience with the brand (Ortmeyer and Huber, 1990) and the depth of the discount. For example, compared to a moderate discount, a deep discount results in lower full-price loyalty and perceived quality ratings than those who did not try the brand (Rothschild and Gaidis 1981). A meta-analysis by DelVecchio et al. (2006) reveals that discounts deeper than 20% hurt post-promotion preference, especially for services (versus packaged goods). The depth of the discount (50-99%), the service nature, and the high level of competition are all likely to reduce repeat-purchase, while a great experience with the service is likely to enhance repeat-purchase at full price. Indeed, consumers may like the service experience, but continue to demand a discount for repurchase especially if the initial discount has lowered their reference price for the service.

The McClelland`s motivation theory (1987) proposes three psychological motivations: need for achievement, need for affiliation, and need for power. The need for achievement has been defined as the drive to excel and the efforts to achieve a set of standards and to do as well or better than someone else (Chusmir and Azavedo 1992). High need for achievement individuals are concerned with competition and unique accomplishments (McClelland et.al 1976). They prefer working on moderately difficult tasks and want to take responsibility for their

performance (McClelland and Koestner 1992), surpass others (Murray 1938), and take risks (Gardner 1972). They like feedback about their performance and like to use money as a measure of their performance (Brunstein and Heckhausen 2008). They also are more likely to seek out information about new ways of performing tasks (McClelland 1987) and operate in the most cost-efficient ways (McClelland 1995).

We hypothesize that high need for achievement people derive satisfaction from seeking promotions, which is a moderately difficult task as it requires finding the best price for the best service. The monetary gain by the discount may be a measure of performance for high need for achievement individuals. Drawing on McClelland Need Theory, we argue that people who have high need for achievement would be motivated to purchase from deal sites because buying a service at a discounted price will give them the opportunity to exceed others or even themselves. Thus, we expect:

H1: Higher levels of need for achievement increase purchase at discounted prices.

On the other hand individuals with high need for affiliation establish and maintain warm and friendly relationships with others, and enjoy situations such as team activities that stress interdependence and cooperation with others (McClelland 1987; Mehrabian 1970; Mehrebian and Ksionzky 1974). They like to develop friendships and seek acceptance due to the need to belong (Murray 1938). Groupon advertises itself as "Collective *Buying* Power" where individuals are motivated to enjoy fun services (e.g., restaurants, sport clubs, special events, and classes) in groups. Consumers who are high in need for affiliation may use these services to fulfill their affiliation needs. They prefer premium brands to bargain brands because

they are especially concerned about the impression they make on others through their purchases (Bushman 1993). We anticipate that in order to keep up the belongingness in their reference groups, they would still be willing to pay full price to keep their status. Thus, we propose that individuals who have high need for affiliation would repurchase at full price to be able to keep their group affiliation. In short, we hypothesize that:

H2: Higher levels of need for affiliation increase repurchase likelihood at full price.

Need for power represents the desire to influence and control others` circumstances (McClelland and Burnham 1995; Winter 1973). Previous research characterized power motive with extraversion (Winter et al. 1998). Extraversion motivates consumers to circulate their experiences on the Internet (Hennig-Thurau et al., 2004). Individuals with high need for power take leadership roles (Winter and Stewart 1978), do things in order to draw attention to themselves, and use prestigious products to draw attention to themselves (Winter 1988). High need for power consumers who pursue prestige are eager to seek status through consumption (Winter 1973, 1988, Bell 1998). Hennig-Thurau et al. (2004) indicate that self-enhancement needs also motivate consumers to circulate their experiences on the Internet. Hence, we expect that:

H3: Higher levels of need for power increase the likelihood to engage in WOM.

1.3 Service Provider Related Factors

Reputation, Distance, Service Quality and Discrimination

We also wanted to explore factors that previous literature on discounts that may be relevant in the Groupon context. In order to investigate that we conducted in-

depth interviews with 6 deal site customers who have recently experienced Groupon promotions. In-depth interviews revealed that consumers care about the reputation of the service provider. Service provider's reputation may be viewed as a customer's evaluation that results from customers' direct previous experience with the service firm, and/or reputation-relevant information that the customer has received about the firm (Gotsi and Wilson 2001). This evaluation may serve to the deal site customer as the guarantee of satisfaction through quality promise.

Another factor that emerged from the interviews was the distance travelled to the service provider. In fact, physical presence of the service provider is a desirable component for long-term customer commitment (Ganesh and Reynolds 2000). The third factor that surfaced in the interviews was service quality. Service quality increases customer satisfaction that, in turn, positively influences post-purchase intention (Zeithaml et al.1996, Kuo et al. 2009). The fourth factor that was mentioned during the interviews was non-discrimination from regular customers which we could not find evidence in previous literature. We also explored these four factors in our survey.

1.4 Method

In order to investigate the effect of consumer motivations on purchasing habits, a survey on consumer motivations and perceptions of the deal, the service, and the service provider was designed. The study was conducted in the Turkish market, which currently has more than 200 deal sites and a vibrant user base (Afra, 2013). Also, Turkey is confirmed by Groupon to be their fifth biggest market in the world (Dalan, 2010).

The first section of the survey was composed of an example of a real Groupon offer and asked the participants to indicate whether they have ever purchased a service from a deal site before, and if they had, in what category it was, and whether they had repurchased the service or product. If they repurchased, the participants were also asked the reasons for purchase and repurchase. In addition, they were asked which specific deal sites they use, how often they use these sites, which service categories they purchased, and factors affecting purchase as well as repurchase. This section was designed to explore the landscape for deal site usage in Turkey. The second section included questions about service satisfaction, distance and reputation of the service provider, discrimination from regular consumers and if they would repurchase. The third section included questions regarding discount rates that have been chosen by the participants as well as the most preferred discount rates, their purchase frequency and recency. Finally, participants completed the 15-item New Needs Assessment Questionnaire (NNAQ, Heckert et al. 2000), consisting of three subscales assessing the need for affiliation ($\alpha = .71$), need for power ($\alpha = .89$), and need for achievement ($\alpha = .88$). See Appendix A for the full survey.

Participants. A total of 295 university undergraduate students participated in the survey for course credit. 136 of them had purchased from deal sites previously. Out of 136, 42 purchased only a service, 42 purchased only a product, and 94 purchased both a product and service.

1.5 Results

Exploratory Results for the Turkish Market

The respondents were predominantly female (80% female; mean age = 21).

Out of 295 respondents, 69 % have average income between 0-1000 TL, 26% have

average income between 1001-2000 TL, 10% have average income between 2001-

4000 TL, 6% have average income between 4001 and more than 10000 TL. Out of

295, 67 % do social activities more than three times a week, 27% do social activities

per week, 6% do social activities once a month or every 2-3 months. Most of the

respondents (83%) are not working. 71% live with families, 23% with friends and

6% live alone.

A non-parametric test, Mann Whitney U test, was conducted to compare the

respondents who have and have not purchased from deal sites in terms of income

levels. Interestingly, the respondents who purchased from deal sites had higher

income on average than the ones who did not purchase. ($M_{purchased} = 154$, $M_{not\ purchased}$

$= 137$, $p = .07$, U $= 9267$). However, there is no income difference between the

respondents who repurchased at full price and those who did not ($p = .71$).

Out of all the deal sites, Grupanya (49 times), Şehirfırsatı (37 times), Grupfoni

(23 times), and Fırsatbufırsat (15 times) were chosen respectively as the most

popular sites that the participants have purchased from (see Figure 1.1).

Figure 1.1: Popularity ranking of the deal sites.
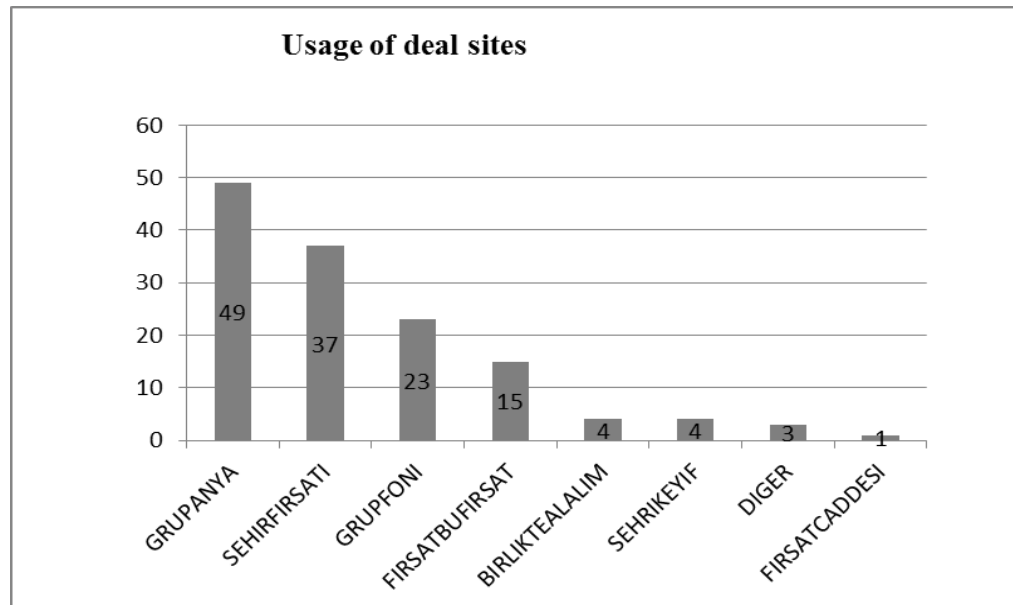
A track of all the available services in the most purchased deal sites indicated that out of 534 purchases, 40% of the purchases were restaurants. While 25% of the purchases constituted hotel and trips, 23% were wellness, 21% were exhibition and events. 15% of all purchases belong to other various service categories, while 9% were classes and 3.5% were sports (see Figure 1.2). When asked about the activities they would like to see most in the deal sites, 23 % indicated exhibition and events (e.g., Body works, concerts, shows), 22 % choose hotels and trip, 18% preferred restaurants, 15% wanted classes and 14% stated wellness services, and 7% decided on sports. Hence, the difference between the rankings of purchased and preferred services is likely to denote the lack of availability of some of the services.

Figure 1.2: Popularity ranking of the purchased services
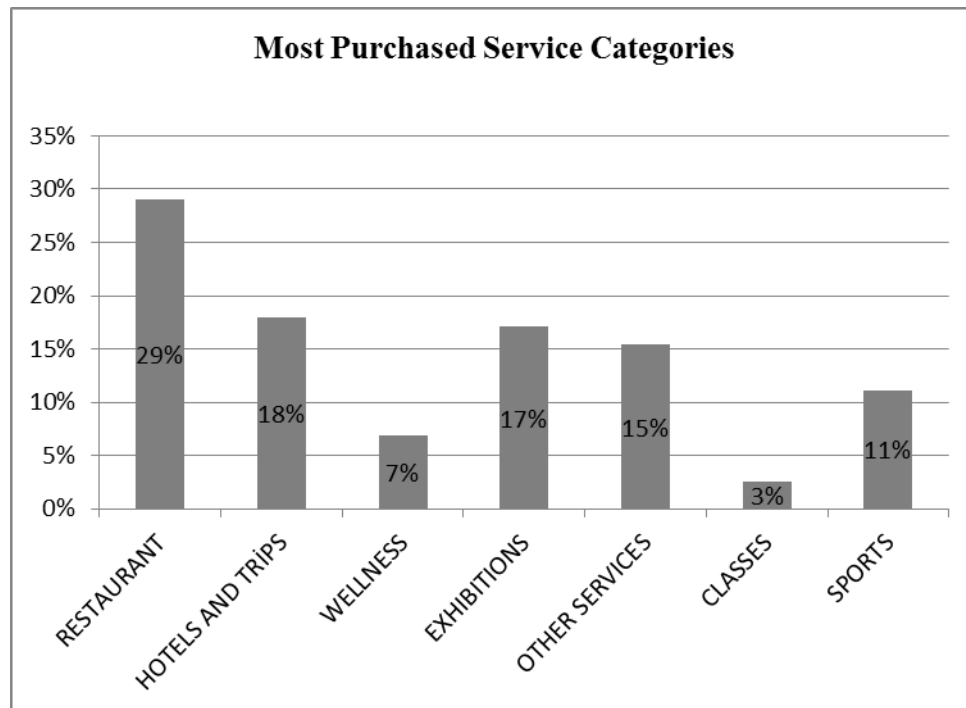
A track of all the available discount rates 25% indicated that they would prefer 90-99% discount category, followed by 21% preferring 70-79% discount category. 20% of the respondents desired 50-59% discount category, 13% of the respondents indicated 40-49% discount category and only 7 % of all discounts were in the 80-89% and 11 % choosing 60-69% discount category (see Figure 1.3). While there seems to be a higher preference for higher discount rates, there seems to be exceptions to this rule at the 60-69% and 80-89% categories. We speculate that the lack of preference for these categories is due to the lack of existence of these discount categories on deal sites. Hence, consumers are not used to seeing discounts at 60-69% or 80-89% levels.

Figure1.3: Popularity ranking of discount rates

Most Preferred Discount Rates
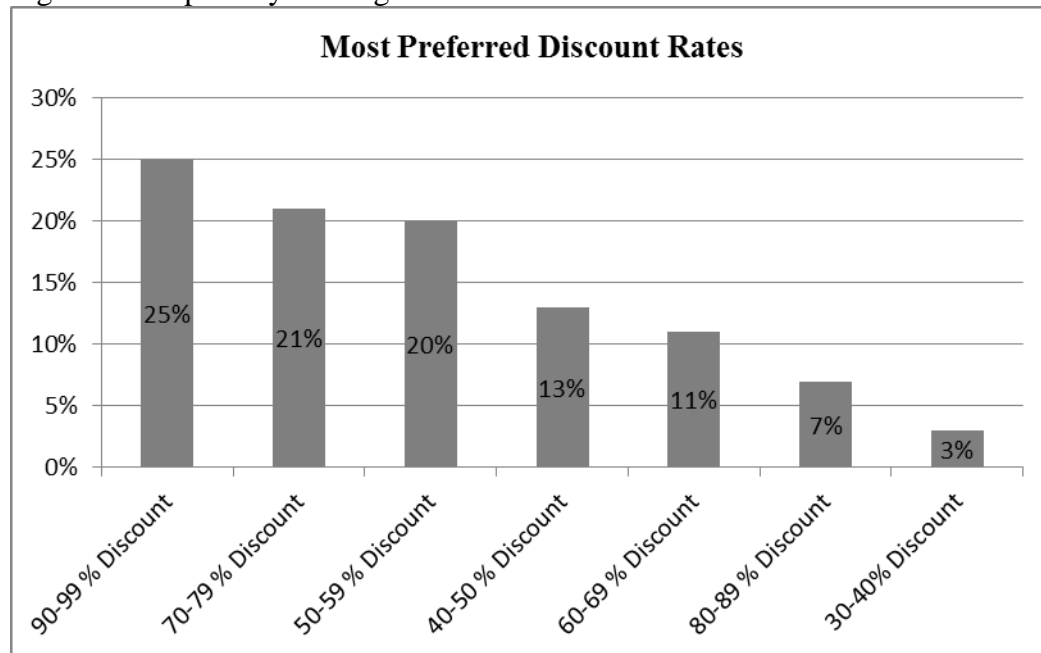
The purchase frequency of the 94 the deal site customers show the following distribution: Every 2-3 months - 20%; once a year - 20%; every 6 months - 19%; once a month - 12 %; twice a month - 9%; once a week - 4%;1 or 2 days ago − 2%. The most recent purchase also shows a similar pattern as 2-3 months ago- 20%; a year ago - 20%; 6 months ago - 19%; a month ago - 12%; two weeks ago - 9%; a week ago - 4%; 1 or 2 days ago -2%. In summary, recency of the purchases was equally distributed over the last 1, 3, 6 and 12 month periods.

In terms of the factors affecting the service purchase at discount from the deal sites, out of 94 respondents indicated that they purchase for the following the original price is acceptable low - 73%; the deal site is a known site - 58 %; service provider is a known company - 50 %, the service is in a category that I am interested -47%, the recommendations about the deal site - 41 %; the recommendations about the service provider - 34 %; locations of the service provider - 30 %; advertisements about the service provider - 14 %; advertisements about the deal site - 8 %; others -2 %. In terms of the factors that drive to repurchase at the original full price from service provider, they indicated that they would repurchase for the following motives: The original price is acceptably low - 53 %; risk free since they have already purchased - 49 %; positive service experience - 42 %; prestigious service - 40%;the service requires repetitions (e.g. laser hair treatments) - 30 %; ease of payment - 29 %; location is close - 24%; service provider is a known company - 23 %; direct purchase from service provider is easier than purchasing through deal site - 10%; propose new services that I need - 8 %; they follow-up regularly - 7%.

Out of 94, 61% of the respondents thought that the original price of the service is inflated and 39 % thought that they had a different negative treatment than regular customers. Most of the respondents (63%) thought they had a similar treatment as regular customers.

The majority of the participants think the service quality they received was good (%73). 71.7% of the participants indicated that they purchased their service from a reputable company. Out of 94 participants, 96 % indicated that they would

recommend and 88% mention the service provider to others as long as they are satisfied.

Hypotheses Testing

A logistic regression analysis was performed to investigate the drivers of purchase behavior. The dependent variable was whether the participant had actually purchased from a deal site. Purchased is equal to 1 if the respondent purchased from deal sites and 0 otherwise. Since the dependent variable is discrete, binary logistic regression is used to estimate the factors which influence purchase behavior. The independent variable was need for achievement. The logistic regression model was statistically significant, (χ^2 (293) = 3.671 $p < .05$). The model explained 1.6 % (Nagelkerke $R2$) of the variance in purchase and correctly classified 53.7 % of cases. Furthermore, when income variable was added as an independent variable to the model, R^2 statistics increased and -2 likelihood statistics has dropped from 409.96 to 390.718. The logistic regression model was statistically significant, $\chi2$ (293) = 10.190, $p < .05$. The model explained 4 % (Nagelkerke R^2) of the variance in purchase and correctly classified 54.5.0% of cases. Individuals who have higher income were 2.5 times more likely to purchase. More importantly, individuals who have higher need for achievement were 1.8 times more likely to purchase. Thus, H1 is supported.

The effect of the need for affiliation on repurchase at full price was examined with linear regression analysis. The need for affiliation significantly predicted repurchase at full price ($\beta = .154$, t (92) = 2,297, $p < .05$). The need for affiliation

also explained part of repurchase intention ($R^2 = .05$, $F(1, 92) = 5.27$, $p < .05$); H2 is supported.

Finally, a linear regression analysis was conducted to explore the effect of power on WOM behavior. The need for power significantly predicted intention to generate WOM ($\beta_{Power} = .154$, $t(92) = 2.75$, $p < .05$). The need for power also explained WOM generation ($R^2 = .07$, $F(1, 92) = 7.54$, $p < .05$). Hence, H3 is supported. In addition, power ($\beta = .248$, $t(85) = 2.54$, $p < .05$), income ($\beta = .203$, $t(85) = 1.23$ $p =. 21$), and the interaction of power and income ($\beta = -.036$, $t(85) = -1.18$, $p = .23$) also had significant effects on WOM generation.

To observe WOM and need for power relationship further, a simple regression was performed on the WOM and need for power variables where reputation of the service provider was controlled. The need for power ($\beta = .149$ $t(85) = 2.62$, $p < .05$) and reputation ($\beta = .152$, $t(85) = 1.46$, $p = .14$) also explained WOM generation ($R^2 = .10$, $F(2, 85) = 4.81$, $p < .05$). Additional inspection of the regression coefficients revealed that a model using need for power and service quality in the control to predict WOM generation showed a main effect of need for power ($\beta_{Power} = .154$, $t(87) = 2.74$, $p < .01$; $\beta_{Servicequality} = -.01$ $t(87) = -.13$, $p = .89$). The regression model accounted for 7% of the variance in the prediction of the WOM after deep discount ($R^2 = .07$, $F(2, 87) = 3.74$, $p < .05$). Moreover, simple linear regression reveals a main effect of need for power on WOM when discrimination was a control variable ($\beta_{Power} = .15$, $t(87) = 2.74$ $p < .01$; $\beta_{Discrimination} = -.01$ $t(87) = -.27$, $p = .78$). In this

case, need for power explains WOM generation partially $(R^2 = .08, F(2, 87) = 3.77,$ $p < .05)$. Table 1.1 provides a summary of results.

Table 1.1: Summary of Results

Independent Variables Va Variables	Dependent Variables		
	Purchase	Repurchase Intention	WOM
Nach[1]	.05	.59	
Income	.06	.37	
Nach*Income	.01*	.56	
Naff[2]	.11	.02*	
Naff*Income	.10	.10	
Npow[3]	.15	.88	.07
Power*Income	.12	.83	.03*
Discrimination		.05	
Npow * Reputation		.97	.02*
Npow, Service Quality Controlled		.82	.02*
Nach, Discrimination Controlled		.13	.87
Naff, Discrimination Controlled		.01*	.19
Npow * Discrimination imination a* p < .05		.15	.02*

[1] Nach: Need for Achievement

[2] Naff: Need for Affiliation

[3] NPow: Need for Power

1.6 General Discussion

This research gives an overall view of how consumers perceive deal sites in Turkey and reveals how consumer motivations play a significant role in purchase and repurchase from deal sites and WOM generation. First of all, we hypothesize and find that need for achievement motivates consumers to purchase from deal sites. In addition, we also find an interaction effect between need for achievement and income indicating that high need for achievement consumers are more likely to make purchases from deal sites when their income increases. Furthermore, our results indicate that need for affiliation is an important driver of intention to repurchase. The effect of need for affiliation increases especially when the service providers do not discriminate deal site consumers and provide full service regardless of the discount the consumers got from the deal site. On the other hand, high need for power people are the ones who are most likely to create the WOM about the service provider.

The exploratory results indicate that restaurants are the most popular deal site category among consumers. Therefore, deal sites and restaurant owners could increase their potential consumer base in this category. The respondents who purchased from deal sites have higher income on average than the ones who did not purchase. As Groupon and previous research emphasizes the deal sites customers are not deal seekers, who do not care about quality. They do have money, and care about the service quality. Once they are satisfied they do like to influence others and spread the word around about service providers and deal sites. Non-discrimination from regular customers would drive them to keep purchasing at discount and might

motivate repurchase at full price. At this point we have to highlight that they intend to repurchase if the original price is acceptably low. Hence, our advice to decision makers for service providers would be to follow up with these customers and keep giving them some discounts to lower the original price.

We also explored variables that are within service providers` control such as service provider's reputation, distance, discrimination and service quality. Need for affiliation has a main effect on repurchase intention when service quality is controlled. Not surprisingly, the more you can satisfy the consumers, the higher is the likelihood of getting them back as loyal consumers. However, this is especially true if consumers have high need for affiliation. The need for power has a significant effect on WOM when the effect of discrimination is controlled. Additionally, our results reveal that consumers who have high need for power are more willing to generate WOM especially if the reputation of the service providing company is high.

Theoretical Implications

The findings presented here provide a novel perspective on prior research that examines price promotions. To the best of our knowledge, this is the first time that McClelland Need Theory has been applied to the deep discount context. Our results indicate that the need for achievement is the major driver of purchasing online. While getting the best deal at best price is important for the high need for achievement individuals, getting together with others through deal site activities or services is more important for the high need for affiliation individuals and they intend to accept paying full price for this purpose. Moreover, the motivation of the

high need for power individuals to create WOM is also crucial in spreading the word about the service provider.

Previous research has not investigated whether consumers perceive any discrimination from service providers when they purchase through deal sites and whether this affects their repurchase. When discrimination is controlled, the intention to repurchase significantly increases especially for consumers who have high need for affiliation.

Managerial Implications

Our results suggest that the service provider should especially appeal to consumers who have high need for achievement, affiliation, or power. The need for achievement motivates to purchase online. Although the effect of need for affiliation on purchase at discount was not significant, consumers with high need for affiliation are the ones who have the intention to repurchase at full price. Hence, the service providers should be able to identify those that have a high need for affiliation and follow them after their first purchase at discount. In order to be able to identify high need for affiliation consumers, the managers could conduct an affiliation assessment questionnaire. Another option would be to prime consumers with the need for affiliation through direct and online advertising.

Consumers who have high need for power are the ones who are most likely to generate WOM. Managers should identify and find high need for power individuals in order to increase referrals. Another action that managers can take in order to increase WOM is not to discriminate consumers coming from deal sites. This small

but important detail has a positive effect on the consumers' attitude for future behavior and intentions. Another variable we investigated was the reputation of the company. Once the reputation of the company is controlled, the high need for power consumers are more likely to generate WOM. Hence, in terms of WOM generation, service providers who have the best reputation may get the most from using deal sites.

Limitations and Future Research

The present work suggests several directions for future research. The survey study is limited by the self-report behavior. Hence, future work may validate the results using experiments. Our results are also limited by the setting (Turkey) and the population we used for the survey study (university students). Future work may replicate the study in other countries and/or using different consumer segments. Finally, the regression analysis does not obtain significant explanatory power probably due to the low number of participants (out of 295, only 94 had purchased service from daily deal sites). Hence, future research should increase the reach to replicate the results.

Another line of research may aim to identify boundary conditions for WOM effect. Previous work has showed the effect of reputation on WOM (Hong and Yang 2009, Walsh et al. 2009, Park and Lee 2009). However, our results show that need for power has an effect on WOM when reputation is controlled but we were not able to show the direct effect of reputation on WOM. This outcome may mean that reputation is not an effective variable in deep discount context. Hence, reputation of the company may be a symbol of power for the consumers to generate WOM and

WOM is affected by the need for power rather than the reputation itself. Enhancing

our understanding of under what conditions repurchase and WOM happens when

multiple aspects of consumer motivations are taken into account is an important area

for further exploration.

CHAPTER II

CATCH and RELEASE: WHICH GROUPON CUSTOMERS WILL CHATTER OR COME BACK?

Abstract

Daily deal site companies, such as Groupon, are web-based businesses that offer deep discounts (e.g., 50%, 75%) for products or, most often, services. A key business question is whether or not and which of, if any, 'Groupon consumers repurchase and/or spread positive word-of-mouth (WOM) about the service provider. This paper addresses this question through a multi-method approach, combining in-depth interviews with an experimental study. First, interviews explore consumer motivations to purchase online deals, to repurchase and generate WOM. Then, an experimental study tests the interview findings. The experiment explores the motivations of consumers using Need Theory, and tests purchase, repurchase and WOM behaviors of consumers. The results reveal a higher likelihood to purchase at discounted rates when the distance between consumers' home and service provider decreases and service provider has a high reputation. Furthermore, purchase likelihood increases when consumers have high need for achievement or high need for affiliation. Moreover, high (vs. low) need for achievement consumers are more likely to talk and write about the deals, while high (vs. low) need for affiliation consumers create more electronic WOM (eWOM) as they tend to write more frequently on social media (e.g., blogs, Facebook, twitter, Instagram).

Keywords: Deep discount, Groupon, promotions, online deal sites, repeat purchase, need for achievement, need for affiliation, price, distance, reputation

2.1 Introduction

Daily deal sites such as Groupon have surged in popularity over the last few years. Groupon is one of the top ranked deal sites in terms of customer feedback, business trustworthiness, website popularity and social media presence (Russell, 2014). Groupon serves in 48 countries, earning $2.5 MM in global revenue. As of October 2013, Groupon's share of the US daily deal market was 59.1%, Living Social's was 16.6% and all others' were 24.3% (Statistica, 2013).

Groupon's name is a combination of the words "group" and "coupons". Deal sites like Groupon enable small businesses to run campaigns for their products and services at deep discounts. Deep discounts are discounts far larger than normally offered, typically more than 50% discount. Potential customers sign up to deal sites and receive offers by email and/or social networks. Once they like the deal, they prepay using a credit card. Groupon earns money by keeping about half of the money the customer pays for the coupon and the other half of the money is deposited to the service provider's account. Through this business model, consumers have enjoyed the pleasure of buying a service or a product at a deep discount, small businesses have discovered the ease of bringing in new customers through relatively easy web systems, and deal sites have found a novel and profitable way to generate income.

At the beginning of 2010, the daily deal business seemed like a very rewarding business model for all stakeholders. The initial enthusiasm in the business world was due to the low upfront costs and vast level of traffic generated for the service

providers. As the first wave of enthusiasm diminished, so did the worth of deal sites.

For example, Groupon lost 22% in its stock value after reporting its earnings in the

first quarter of 2014 (Lappin, 2014). Compared to 2011, 17.03 million visitors from

the US had visited Groupon, up from 13.51 million US visitors in April 2014

(Statista, 2014).

  The key success barrier for the deal sites has been to satisfy the party that is

bringing in the money – the service providers. Although coupons bring in new

customers for local service providers, the repeat purchase behavior and WOM

generated through the deals and, therefore, the long-term profitability of the model is

still questionable. Some service providers say that customers who bought deals spent

the bare minimum and never returned (Clifford and Miller, 2012). The decline in this

business model highlights the need for research that explores the dynamics involved

in the generation of revenue. Managers need to know how to bring back consumers

at full price or enhance WOM behavior. Full price means the original price that the

service provider charges the customer before any discount or deal. While service

providers expect to make profits at full prices, deeply discounted prices are

temporary and tend not to be for profit purposes. Therefore, the goal of this research

is to understand why and when consumers purchase the deals offered at these deal

sites and how to enhance repurchase and generation of WOM.

  Groupon claims that 22% of consumers repeat purchase from the same service

provider. However, Edelman et al. (2010) found that daily deal coupons are

profitable for a local service provider if the service provider is relatively unknown

and has low marginal costs. In a simulation, Kumar and Rajan (2012) found that loss

increased as the level of discount offered increased and discounts were even more detrimental when used by existing customers. Hence, for a service provider, the profitability of participation in deep deals is still under debate.

Previous research on daily deals mainly focused only on the short-term profitability of individual deals. The long-term profitability for the service provider depends on selling services at full price. Thus, it is important to make the distinction between repurchase at full versus discount prices. In addition, besides promoting trial that is likely to result in repurchase, Groupon like sites could help the profitability of businesses by enhancing the word of mouth (WOM) generated by satisfied customers coming through these sites. However, previous research does not address whether daily deal sites in fact help with generating WOM.

In the context of price promotions and individual differences, previous research has mainly investigated price-related variables such as price consciousness (Lichtenstein et al., 1990), coupon proneness (Lichtenstein et al., 1993), consumer expectations regarding future prices (Kalwani and Yim, 1992), and consumer price perceptions as cues (Mela et al., 1999; Krishna and Shoemaker, 1991). Only Dholakia (2010) has looked into non-price related consumer variables and revealed that deal site users are less careful with their personal finances, more interested in trying new things and talking about them to influence others, and attracted to a deal due to it being a deal rather than a monetary advantage.

Previous literature has neglected to study a main factor, consumer motivations, in the context of daily deal sites. Motivation, an inner drive that results in goal-directed behavior such as information search and purchase, can provide key insights

into the likelihood of repeat purchase at full or discounted prices and WOM generation. The goal of this research is to examine how consumers' psychological needs, rather than price related motivators, affect response to deep discounts. By exploring repurchase at full versus discounted prices and consumer motivations that affect WOM generation, this research sheds light into whether deep discounts affect long-term profitability of the service providers. Specifically, we investigate (1) consumer motivations (need for power, need for achievement and need for affiliation) to purchase at a discount, repurchase at full/discounted prices, and generate WOM and (2) service provider related utility variables (discount, reputation, distance) that influence purchase and repurchase behaviors.

The remainder of this article is structured as follows. First, we report the insights from the interviews with deal sites users. The next section explains the theoretical development and the hypotheses regarding consumer motivations to purchase, repurchase, and WOM generation. Then, we report the findings from an experiment that tests the causal relationships that emerged from the qualitative phase. Finally, an overall discussion of the findings, managerial implications and potential directions for future research are presented.

2.2 Interviews

The goal of the in-depth interviews was to understand underlying consumer motivations in the purchase of services and products offered on deep deal sites and the repurchase of these services from the service providers. Furthermore, interviews

explored what drive consumers to generate WOM about products or services that they buy through the deal sites.

In total, 15 interviews were conducted. Nine informants were undergraduate students who received class participation credit and the other six informants (a public relations manager, a biochemist, a director of information systems, a former bank officer and two housewives) were recruited outside the university through personal contacts. The interviews lasted 30 to 60 minutes. Out of 15 informants, 14 were female, ranging in age from 20 to 38 years old.

Semi-structured interviews were used to provide consistency in discussion across service categories. The interview structure included the motives behind online group buying, motivators that encouraged the informants to buy a deal from Groupon, how they were informed about the deal, the categories of services they bought, the categories they are interested in, how satisfied they were by the services they bought, whether they felt discriminated against or not (since they bought the product or service via a daily deal site), the drivers and their intentions about repurchase and WOM generation.

2.2.1 Interview Data Analysis

A constant comparative technique (Corbin and Strauss, 1998) was used to analyze the interview data. First, the transcripts were read and specific themes in the data were noted. Each discussion was analyzed to identify the different themes that appeared. Then, common patterns and connections were identified between the first

set of responses. Data was collected until the point of data saturation was reached.

Data saturation occurs when the researcher no longer hears or sees new information.

2.1.2 Interview Findings

Motivation to Purchase

The first and most frequently mentioned motivation for purchase was price advantage. As the biochemist explained, *"Price is the first item I check. I do check the original price too, but the first item I check is the discounted price."* Following these deal sites on a daily basis enables people to develop economically optimized shopping habits. After discount, the informants indicated that they check the reputation of the service provider especially in certain categories (e.g., food). As the accountant indicated, *"A restaurant's brand name is very important. If I don't know the restaurant, I don't go there! I do not trust the hygiene of unknown places."* A third consideration that emerged from the data is the distance from the service provider. As the public relations manager mentioned, *"The location of the service provider is very important. We like central, popular, and brand name locations that everyone know about and can come easily to."* Most of the respondents mentioned the price, reputation and distance, in that order, as factors that increase the attractiveness of the deal.

Furthermore, purchasing an online deal appears to have a competition element as one of the informants describes, *"In the office where I work, colleagues and I sometimes compete about who gets the best deal and we like to talk about it."* Competition among friends is not the only route through which purchasing a deal

results in a sense of accomplishment. When asked why the informant purchased a particular deal, the director simply responded, "*There is a sense of achievement; we paid half of the 5000$ for a root canal and all treatments were included.*" Hence, competition among friends as well as getting a better deal than others seems to create a sense of achievement for users of deal sites.

The interviews indicate that socializing with colleagues, schoolmates and friends also drives individuals to purchase from deal sites. As the accountant indicated, "*It is a great opportunity for me to socialize with my office companions.*" Affiliation with group members is also mentioned by a former bank officer who said that "*It is an opportunity to go out with the groups you belong to. Singles go together on weekend trips; married couples with kids hang out together for lunchtime activities.*" Table 2.1 provides a complete list of motivations that emerged from the data.

Table 2.1: Basic Motivations to Purchase

Basic Motivation	Quotes from the Informants
Discount	*"Even 50% discount is very attractive, and sometimes discount is even higher."* *"I am a student and I am very concerned with price.*
Reputation	*"I am only going to reputable places."* *"Just knowing the name is a very important criterion to purchase."* *"I prefer to purchase only from places I know. I am not purchasing from places that I don't know. "* *"It is better to purchase from places I know. I am getting nervous if I don't know the place. "* *"Of course, you want to go to more famous places."*
Distance	*"The location of the service provider is very important. We like central locations that everyone knows and can come easily."* *"I choose by looking at its location. I bought the service from a place, where there were some very cheap breakfast deals, that costs 15 TL for two people. However, the place was very far, and I did not choose."*
Need for achievement	*"In the office we do compete sometimes about who gets the best deal "* *"I am glad that I did not spend extra on shopping and it is on extra sale. I repeat to myself I made it!*
Need for affiliation	*"We started to organize our parties in Suada (island) restaurants, or Taksim (city center). It is a great opportunity for me to socialize with my office companions".* *"They purchased collective group breakfast from deal sites. Singles are one group and married ones are another group. Singles are more prompt and they might say "let's have a two-day AĞVA (seaside) trip. Married ones are more careful about their finances."* *"Although I'm not very close with that person I say "You purchased and I purchased too so let's go together."* *"We were more timid in the luxurious places. No one is dealing with Groupon in upscale places. When you go to those places as a group it is more convenient."*
Need for Power	*"I was very keen to have brand products during adolescence. I think I was less confident at those times. I compensated my lack of confidence with brand names. Even tissue should be Kleenex brand name. Now quality is more important."*

Motivation to Repurchase

Next part of the interview focused on the factors that drive informants to repurchase at full price from service providers once they have tried a service. The informants were directly asked if they would repurchase a service that they had previously purchased from a deal site and what would drive them to repurchase at full price. 5 out of the15 informants were very strict on their intention not to repurchase at full price because of financial concerns or preference for variety. However, the rest indicated that they have been or would be likely to purchase at full price as long as full price is not too high. For instance, the public relations manager indicated that "*contrary to what most people think, Groupons are never 50% or more off. I would repurchase and am repurchasing at full price since I know that there is only a $10 difference between the deal and original price and I don't have to struggle with all the limitations.*" If the original price is acceptably low or if the difference between the original and discounted price is not too high, individuals prefer the places convenient to them as indicated by a student informant: *"I prefer to go to places closer to my home."* The proximity affects their decision to repurchase since they would otherwise have to spend extra time and money for transportation. A summary of all factors that motivate consumers to repurchase and example quotes from respondents are given in Table 2.2.

Table 2.2: Motivations to Repurchase at Full-Price

Motivation	Examples
Price	*"A dinner worth 50 TL can be at most 20 TL lower.* *"Well, once I was asked for an extra tip. I had to listen to the masseur complaining about deal site customers and low wages. Then finally she asked me to compensate. Instead of paying extra tips, I might prefer to repurchase at full price and tip less. It is less restrictive and hassle free."*
Location/ Distance	*"The location was awesome."* *"The proximity affects my decision."*
Need for affiliation	*"I like socializing through deal sites. Once we try with groups and we like it, we can keep going to the same place even at full price as long as we have fun."*
Discrimination	*"I could go there if I am not labeled as Groupon customer."* *"I would be very timid if I had been discriminated. It is like I got it for free. It does not fit my personality."* *"If you purchased through deal sites, they make you sit at a different place especially in Suada. After I realized this, I am not purchasing anymore from the deal sites."*
Service Quality	*"If employees are of good quality then I might purchase at the original price. The taste of the food, the attention of employees is important. I don't want extra attention. I just want standard service quality. If there is a parking problem, it negatively affects."* *"When service quality is poor I attribute this to the deal site. Because the deal site is making a deal with the restaurant. The deal site should have authority and control over the restaurant "* *"Quality and the ambiance are very important."* *"Why so cheap? I do ask this question sometimes. There might be something wrong with it and I do care about the quality. "* *"We can pay double if we like it."* *"I liked the breakfast, I had beautiful memories. It attracts me again."* *"The ambiance was nice with a pretty garden."*

The need for socialization can be stronger than monetary concerns and drive individuals to repurchase at full price as explained by the Pilates instructor, "*I like socializing or trying new things at low prices. I might go for full price in many of the restaurants with my buddies but not in other categories."* Notably, the need for

socialization and affiliation with the group seem to be a driver of repurchase after experiencing services at low prices.

Discrimination from other customers is an important concern for the deal sites' consumers. They are so concerned about being treated as a deal site customer that if they do not experience differential treatment, they are ready to repurchase at full price. As a student noted, *"We went to a hotel for a dinner where we were treated as a regular customer and I would go there again. If they had treated me as a deal site customer I would not consider going there again even for free."* For many, they would not like to be called a deal site customer, because they fear being defined as bargain seeker and opportunistic.

Along with discrimination, the informants were sensitive to service quality. As one student responded, *"The behavior of the employees is very important. It is even more important than the price. The food should also be delicious."* The responses of many informants affirmed the claim that deal sites' customers are not just deal seekers with monetary concerns. Some informants, especially students, have monetary concerns. However, even these students do care about the service quality as much as employed informants who have fewer monetary concerns. In the next section of the interviews, the factors that drive WOM generation were examined.

Motivation to Generate WOM

Finally, the informants talked about their motivations to generate WOM. The first and most frequently mentioned motivation was concern for other users of deal site. The informants want to guard their relations by providing warnings and suggestions about the service providers so as to make the service experience pleasant

for their friends and family. As reported by the accountant, "*We also give advice to each other, such as getting an appointment before buying the deal (to guarantee availability)*".

Need for achievement seems to also motivate WOM generation. Purchasing a service at a deep discount and sharing this success story is a great opportunity for those consumers who like to compete with quantifiable items such as the best service for the best price. People who manage to purchase the best service or product like to spread the word about their achievement afterwards. As a student informant stated, "*I tell my friends that I got this for this price. I feel successful and want to tell them about it. Sometimes, I feel my peers also compete with each other.*" Both the competition and achievement motivations help others get informed about the discounted product or service.

Deal site customers generate not only WOM but also electronic WOM (hereafter eWOM). EWOM is defined by Hennig-Thurau and friends as "*Any positive or negative statement made by potential, actual, or former customers about a product or company, which is made available to a multitude of people and institutions via the Internet*" (2004, p. 39). Since purchase of a service through a deal site happens in the online world, deal site customers are more likely to communicate and interact via social media as well. During the interviews, 6 out 15 informants cited examples of eWOM generation through social media (e.g., posting pictures on Facebook or Instagram to get liked). As one of the students described it, "*I posted the pictures of my trip to Instagram and I got 60 likes. The next day a lot of students from other departments came and asked me about the trip, and I liked being*

influential." The need for power seems to be also a motivator for WOM generation. Sharing the experience, being appreciated and influential is a way to express their leadership and power on other consumers. The consumers high in need for power who got a great service or product like to spread the word to influence other consumers. More examples of each of these motivating factors are listed in Table 2.3.

Table 2.3: Motivation to Generate WOM

Basic Motivation	Examples
Need for affiliation	*"We have a small community at the office. We do talk to each other about the places from where we are taking service."* *"I always ask my friends before purchasing if I am not familiar with the service location and service provider. I once called and complained to the deal site about the service provider. Deal sites should ban some of those bad service providers who take advantage of consumers or do not fulfill what they had promised in their ads"* *"We were taking each other's advice and either deciding to go there or giving up."* *"The color and size of the dress I bought was perfect and I did tell everyone. I told that I bought this from Groupon and I am very pleased. "*
Need for achievement	*"We also recommend each other the best places we try."* *"I do recommend to my friends when it is a service. However, I am not recommending if it is a product since there is a competition over there."*
Need for power	*"If it is really good, I definitely recommend to my friends and post pictures."*

2.1.3 Discussion of the Insights from the Interviews

The interviews point out consumers' utility factors as discount, reputation of the service provider, and distance from home or workplace. The findings also point out to a set of diverse consumer motivations (need for achievement, need to socialize

and need for power) to purchase from deal sites, to repurchase at full price, and to generate WOM about the purchases.

The psychological needs that have emerged from the interviews are in line with McClelland's Theory of Needs. McClelland`s Need Theory (1965; 1971; 1987) has a social psychology basis and explains how three different needs (need for power, achievement and affiliation) interact with the situation to influence consumer attitudes and actions. The need for power reflects a consumer`s desire to have impact and to be strong and influential (McClelland and Burnham, 1976; 1995). Individuals with a high need for power take leadership roles (Winter and Stewart, 1978) and do things to draw attention to themselves (Winter, 1988).The need for achievement motivates consumers to try to accomplish difficult tasks, overcome obstacles, and to do as well or better than others (Murray, 1938). High needs for achievement individuals are concerned with competition and unique accomplishments (McClelland et.al, 1976). Finally, the need for affiliation promotes cooperation, reciprocation, and friendships (McClelland, 1985).

Kimes and Dholakia (2011) noted that deal site users would like to talk about their experience and influence others. Drawing on the insights from the interviews and the Need Theory, we propose that high need for power consumers' desire to be influential would drive them to spread WOM about their experiences since knowledge about products and services provide them the power to influence others' decisions (e.g. decision to purchase) through information. Moreover, consumers who have high need for achievement would be motivated to purchase from deal sites because buying a service at a highly discounted price will give them the opportunity

to exceed others and even themselves. In addition, high need for achievement consumers would be motivated to use WOM to communicate their success stories. On the other hand, we propose that consumers who have high need for affiliation would purchase from deal sites to enjoy group activities and would likely repurchase at full price to be able to keep the group affiliation (although not necessarily affiliation with the group that initially made the purchase). Since they are concerned about others' opinions, they also create WOM content to help their friends or deal site group as well as the service provider`s brand.

Utility Variables: Discount, Distance and Reputation

Both the interview respondents and past literature point to three deal purchase drivers related to the deal's utility: the size of the discount, the physical distance between the service provider and the consumer (affecting the anticipated cost of consuming the deal) and the reputation of the service provider (affecting the anticipated benefits of consuming the deal). We therefore expect a higher likelihood to purchase the online deal if a) the discount is larger (Neslin and Shoemaker, 1989; Winer, 1996), b) the physical distance between service provider and consumer is smaller (Gotsi and Wilson, 2001; López and Poole, 1998; Dierickx and Cool, 1989; Rose and Thomsen, 2004), and c) the reputation of the service provider is larger (Bell et al., 1998; Ganesh and Reynolds, 2012).

As to interactions of utility variables, we expect that physical distance negatively affects the likelihood to purchase the product or service at the full price. However, since a lower price may compensate for the time and effort needed to go to

a distant service provider, we expect that the negative effect of high physical

distance decreases as the discount increases.

Consumer Motivations

Monetary savings and utility factors (e.g. distance, reputation) are not the only

factors for consumers to enjoy sales promotions. As the interviews suggest, the

utility factors mostly drive the initial purchase and the relative importance of these

benefits may depend on the psychological needs of consumers.

Extraversion is a personality trait that manifests in outgoing, talkative,

energetic behavior (Thompson, 2008). Extraverts enjoy human interactions more and

participate more in recreational activities such as party games, jokes or going to

cinema (Diener et al., 1984; Argyl and Lu, 1990). Not only do they engage more in

social activities, extraverts like to talk a lot about their activities too. Previous

research indicates that extraversion motivates a generation of WOM and eWOM

(Hennig-Thurau et al., 2004, Yoo and Gretzel, 2011).

Need for power represents the desire to influence and control others and one`s

circumstances. The need to be influential drives the high need for power individuals

to engage more in social activities. Previous research also characterized power

motive with extraversion (Muradian and Swan, 2006). Hence, we expect

H1: Higher levels of need for power increase WOM generation.

Need for achievement

Need for achievement has been defined as the drive to excel, the effort to

achieve a set of standards and to do as well or better than others (Murray, 1938;

McClelland et.al., 1976; Chusmir and Azavedo, 1992). Need for achievement may be satisfied when individuals reach and realize hard to achieve goals. Obtaining a high-priced transaction at a low price may be a considered an achievement and, therefore, the prospect of a deep discount may motivate high need for achievement individuals to use deal sites. As the informant bank officer indicated in the interviews, "*In the office we compete sometimes about who gets the best deal.*" In the context of our research, we expect that need for achievement enhances the motivation to purchase as the discount level increases.

H2a: Need for achievement increases the likelihood to purchase from deal sites at discounted prices.

Previous studies indicate that extraversion is positively related to achievement motivation (Elliot, 1999; Hart et al., 2007; Chen and Zhang, 2011). The interviews also suggest that consumers derive a sense of success from their deal site purchases and tend to share these success stories with their friends and close acquaintances. In fact, a student informant indicated, "I feel successful when I buy a service at a deep discount. I like to share this, especially with my friends". Therefore, we speculate that a need for achievement also contributes to the WOM behavior. Formally, we hypothesize that:

H2b: Need for achievement enhances the likelihood to generate WOM.

Need for Affiliation

Individuals with high need for affiliation enjoy situations such as team activities that stress interdependence and cooperation with others. They like to

develop friendships and seek acceptance as well as a sense of belonging (Murray, 1938). Groupon (2012) advertises itself as "Collective Buying Power" where individuals are motivated to enjoy fun services (e.g., restaurants, sport clubs, special events and classes) in groups. This is especially true for product categories where consumption tend to be in groups as indicated by the finance specialist, *"My office mates purchased a collective group breakfast from a deal site. Singles were in one group and married ones were in another. Singles were more prompt and might say "let's have a two-day seaside trip. The married ones were more careful about their finances".* Given the findings from the interviews, we suggest that need for affiliation enhances purchase at discounted prices.

H3a: Need for affiliation increases the likelihood to purchase from the deal site at discounted prices.

Consumers high in need for affiliation prefer premium brands to bargain brands since they seek acceptance through their purchases (Bushman, 1993). We anticipate that consumers high in need for affiliation would be willing to pay full prices to keep up their sense of belonging to their reference groups. Hence, we expect individuals seeking to satisfy their need for affiliation to repurchase services from service providing companies even at full price to be associated with their reference groups. As explained by the public relations specialist, *"Once we share the experience with groups and like it, we can keep going to the same place even at full price as long as we have fun."* Thus, we assert that:

H3b: Need for affiliation increases the likelihood to repurchase at full prices.

Previous research (Bloemer et al. 2003) revealed that social affiliation is positively related to WOM communication in a service context. This relationship also emerges in the interviews as was indicated by accountant "*Between friends we share info about our experiences, and then I or my group of friends decide to go there or not.*" The concern for others motivates consumers to spread the word about the product or service. Thus, we infer that:

H3c: Need for affiliation increases the likelihood to engage in WOM behavior.

2.3 Experiment

The objective of the experiment was to test the generalizability of the findings that emerged from the qualitative phase.

2.3.1 Method

Participants. 274 participants from the U.S. were recruited from Amazon's Mechanical Turk (MTurk).

Design. The study was a 3 (discount level: 35% vs. 50% vs. 75%) x 2 (distance: low vs. high) x 2 (reputation: widely known vs. unknown service provider) between subjects design. Discount level, distance, and reputation were manipulated using a hypothetical consumption situation. The participants were shown a Groupon like deal with the discount, company reputation, and distance information (see Appendix B for the stimuli). The discount was 35%, 50% or 75%. Distance was manipulated through the time it took the consumers to reach the service provider (10 min vs. 60 min) from their home (Raghubir and Krishna, 1996). As for the reputation

manipulation, the local service provider was presented as an unknown or widely

known service provider (Bearden and Shimp, 1982). In addition, need for power,

need for achievement and need for affiliation motivations were measured using the

15-item New Needs Assessment Questionnaire (NNAQ, Heckert et al. 2000).

Procedure. The study consisted of four sections. First, the participants

answered general questions about their use of deal sites (the categories from which

they had purchased, the frequency of purchasing services, and the date of the most

recent purchase). In the second section, they read a hypothetical scenario describing

a Groupon deal in the category that they had indicated to be their favorite in the first

section. Participants were randomly assigned to one of twelve scenarios that

involved manipulations of discount, distance, and reputation. The third section

consisted of the measurement of dependent variables. To measure the purchase

likelihood, participants were asked to indicate the attractiveness of the deal on a

seven-point scale (1 = strongly disagree- 7 = strongly agree) and, how likely they are

to accept this offer. Next, participants were asked their likelihood to repurchase at

full price, at half the original discount, at the same discount rate, and at a higher

discount if they did buy and redeem the coupon and were satisfied with the

experience. They were also asked to indicate whether they would repurchase from

other service providers at the same discount and whether they would continue

buying through deal sites. Then participants were asked whether they would talk

(WOM-Talk) or write (eWOM-Write) about their experience, and recommend the

local service provider to others on a scale from 0 to 100 (see Appendix C for the full

list of dependent variables). In the last part of the survey, the participants filled out

the NNAQ which consists of three subscales: the need for achievement, need for affiliation, and need for power scales. See Appendix D for service provider company with a good reputation, 10 minutes away, offering 50% discount scenario study.

2.3.2 Results

Deal Site Usage: 74% (203 out of 274) of the participants were users of Groupon (people who purchased an item or service from Groupon at least once). The restaurant (61%) category was the most attractive category followed by product purchases (43%). 51% (103 out of 274) of the Groupon customers bought deals from online sites two to three times a year and their most recent purchase happened within the last two to three months. There were no differences between non-users and users of Groupon in terms of the results; therefore, the subsequent analysis reports the results from the combined group.

Consumer Motivations: An exploratory factor analysis (EFA) was used to test whether three motivation dimensions (need for achievement, affiliation, and power) came out as separate constructs in the data. The maximum likelihood estimation procedure was used to extract the factors from the variable data. Varimax rotational procedure was chosen to differentiate the original variables by extracted factor. Examination of scree plot suggested four dimensions including two dimensions for need for affiliation, one for need for achievement, and another for need for power. These four factors accounted for 72% of the variance. The rotated factor structure matrix is shown in Table 2.4.

Table 2.4: Rotated Factor Structure Matrix for Consumer Motivations

Rotated Factor Matrix[a]				
Factors				
	1.Need for Achievement	2.Need for Power	3.Need for Affiliation Social	4.Need for Affiliation Individual
I try to perform my best at work.	.853			
I am a hard worker.	.846			
It is important to me to do the best job possible.	.696			
I push myself to be "all that I can be."	.658			
I try very hard to improve my past performance.	.718			
I spend a lot of time talking to other people			.744	
I am a "people" person.			.756	
When I have a choice, I try to work in a group instead of by myself.			.489	
I try my best to work alone on a work assignment.				.824
I prefer to do my own work and let others do theirs.				.711
I would enjoy being in charge of a project.		.722		
I would rather receive orders than give them.		.444		
I seek an active role in the leadership of a group.		.822		
I find myself organizing and directing the activities of others.		.748		
I strive to be "in command" when I am working in a group.		.817		
Extraction Method: Maximum Likelihood. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 5 iterations				

The two dimensions of need for affiliation could be labeled as social (motivation to be social) and individual (motivation to work or be in an individual setting) dimensions. Examples of items from the social dimension are, "I am a "people" person" and "I spend a lot of time talking to other people" ($\alpha = .78$). Examples of items from individual dimension consist of, "I try my best to work

alone on a work assignment" and "I prefer to do my own work and let others do theirs" ($\alpha = .73$). We only took into account the social affiliation dimension that theoretically fit better with the description of a need for affiliation. The need for achievement scale consists of five items ($\alpha = .88$). Examples of items from the achievement scale are, "It is important to me to do the best job possible" and "I push myself to be all that I can be". The need for power scale consists of five items ($\alpha = .86$). Examples of items from need for power scale are, "I find myself organizing and directing activities of others" and "I strive to be in command when I am working in a group."

Test of Hypotheses: To test the hypotheses put forth in the study, a set of (discount: 35%, 50% vs. 75%) x 2 (distance: low vs. high) x 2 (reputation: not known vs. widely known) ANCOVAs with the main variables of need for achievement, affiliation and power were conducted on each of the dependent variables. Also need for achievement (continuous), need for affiliation (continuous) and need for power (continuous) served as independent variables for all ANCOVAs below.

Attractiveness of the Deal: An ANCOVA was conducted on attractiveness of the deal. As expected, discount had a main effect ($F(2, 242) = 14.85, p < .001$). Follow up contrasts found that, as predicted, attractiveness of the deal increased from 35% discount condition ($M_{35\%} = 3.76$) to 50 % discount condition ($M_{50\%} = 4.21; p < .001$). The attractiveness increased even more from 50% discount condition to 75 % discount condition ($M_{75\%} = 5.02; p < .05$; see Figure 2.2). Reputation had a main effect on attractiveness of the deal ($F(1, 242) = 32.1, p < .001$). Participants in the

service provider was unknown condition ($M_{Unknown}$ = 3.76) found the deal significantly less attractive than the ones in the widely known condition ($M_{Widely\ known}$ = 4.89, $p < .001$; see Figure 2.3). Distance had a main effect on attractiveness of the deal ($F(1, 242) = 28.79$, $p < .001$). As predicted, follow up contrast found that participants in the less than 10 minutes away situation (M_{Low} = 3.83) found the deal more attractive than the ones who were in the more one hour away condition (M_{High} = 4.84; $p < .001$; see figure 2.4).

The discount and distance interaction was also significant ($F(2,240) = 6.46$, $p < .05$). As expected, simple effects analysis revealed that when the service provider is at a low distance (10 min away from home), increasing the discount level from 35% discount ($M_{35\%}$ = 4.26) to 50% discount ($M_{50\%}$ = 5.06) significantly increased consumers 'attractiveness of the deal' ($p < .05$). However, increasing the discount from 50% to %75 ($M_{75\%}$ = 5.19) does not affect the attractiveness of the deal (p = .96). When the service provider is at a high distance (60 min away from home), there is not a significant increase in attractiveness of the deal from the 35 % discount ($M_{35\%}$ = 3.15) to the 50% discount ($M_{50\%}$ = 3.35) conditions (p = .91). However, the increase from 50% to 75% discount ($M_{75\%}$ = 4.95) is significant ($p < .05$). In the 35% discount and 50% discount conditions, the difference between low and high distance conditions' attractiveness are significant ($p < .05$). However, in the 75% discount condition, the difference between low and high distance condition's attractiveness is not significant ($p > .05$). Need for power (p = .1), need for achievement (p = .44) and need for social affiliation (p = .06) did not significantly affect the attractiveness of the deal (see Figure 2.1).

Figure 2.1: Distance and Discount Interaction Effect on Attractiveness of the Deal

Acceptance of the Deal: An identical ANCOVA was run on acceptance of the deal (see Table 2.5). Discount had a main effect ($F(2, 218) = 21.04$, $p < .001$), see Figure 2.2 the effect of discount level on attractiveness and acceptance of the deal.

Figure 2.2: The Discount Effect on Attractiveness and Acceptance of the Deal
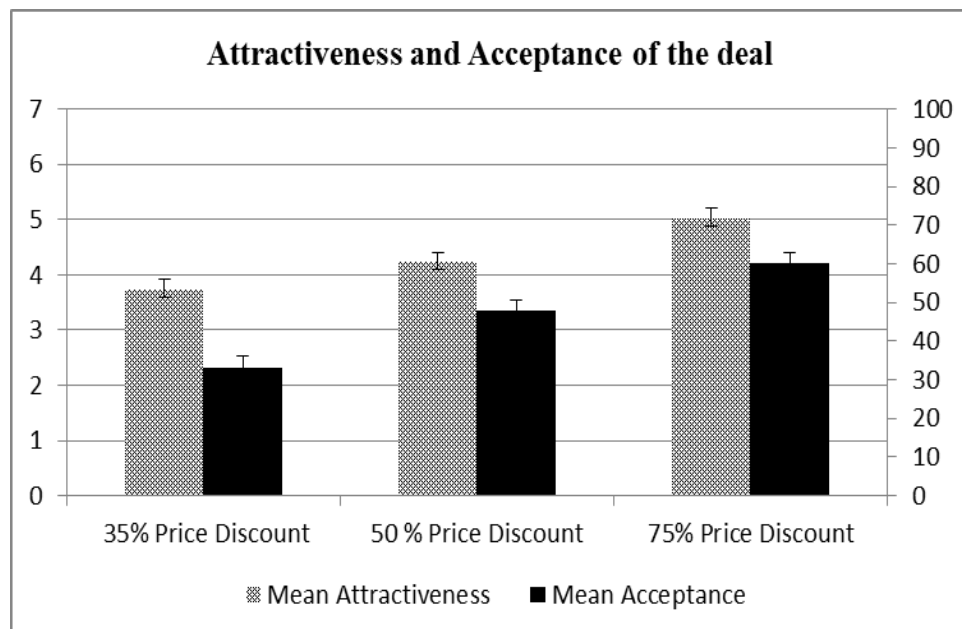
Table 2.5. Analysis of Covariance Results for three discount, two reputation and two distance conditions for acceptance of the deal

Source of Variance	Mean	SD	F	η^2
Covariates				
Need for Power			2.23	.023
Need for Affiliation			5.51*	.010
Need for Achievement			4.74*	.021
Main Effects				
Discount Conditions [a]			21.04	.162
35% Discount	M=33.19	23.91		
50% Discount	M= 47.96	29.31		
75% Discount	M= 60.22	25.44		
Reputation Conditions [b]			14.57**	.063
Unknown	40.79	28.45		
Widely known	53.46	27.20		
Distance Conditions [c]			18.68**	.079
Low	54.33	27.81		
High	39.91	26.92		

Note: N=274,

[a] All discount conditions means for acceptance of the deal are significantly different (p<.001).

[b] All reputation conditions means for acceptance of the deal are significantly different (p<.001).

[c] All distance conditions means for acceptance of the deal are significantly different (p<.001).

Follow up contrasts found that, as predicted, participants in the 35% discount condition ($M_{35\%}$ = 33.19), the 50% discount condition ($M_{50\%}$ = 47.96) and the 75 % discount condition ($M_{75\%}$ = 60.22) reported a higher likelihood of acceptance to purchase the deal as predicted (both p's < .001). Reputation had a main effect on acceptance of the deal ($F(1, 218) = 14.57, p < .001$). Contrasts found a significant difference in the acceptance for a deal when the service provider is unknown ($M_{Unknown}$ = 40.79) and widely known ($M_{Widely\ known}$ = 53.46; $p < .001$; See Figure 2.3)

Figure 2.3: Reputation Effect on Attractiveness and Acceptance of the Deal
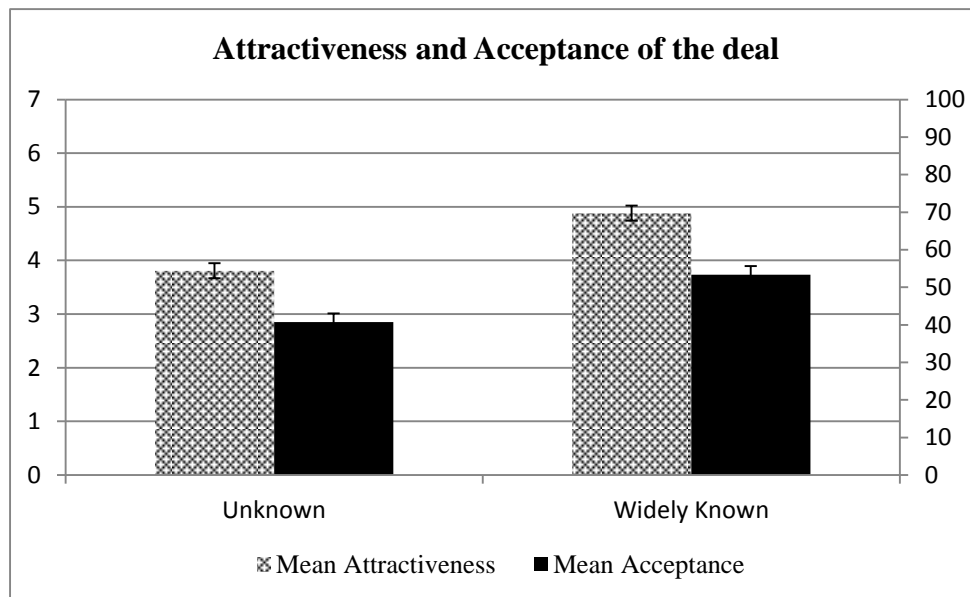
Distance had a main effect on deal acceptance ($F(1, 218) = 18.68$, $p < .001$). Follow up contrast found that, as predicted, participants in the low distance condition ($M_{Low} = 54.33$) found the deal more acceptable than the ones who were in the high distance condition ($M_{High} = 39.91$; $p < .001$; see Figure 2.4).

Figure 2.4: Distance Effect on Attractiveness and Acceptance of the Deal
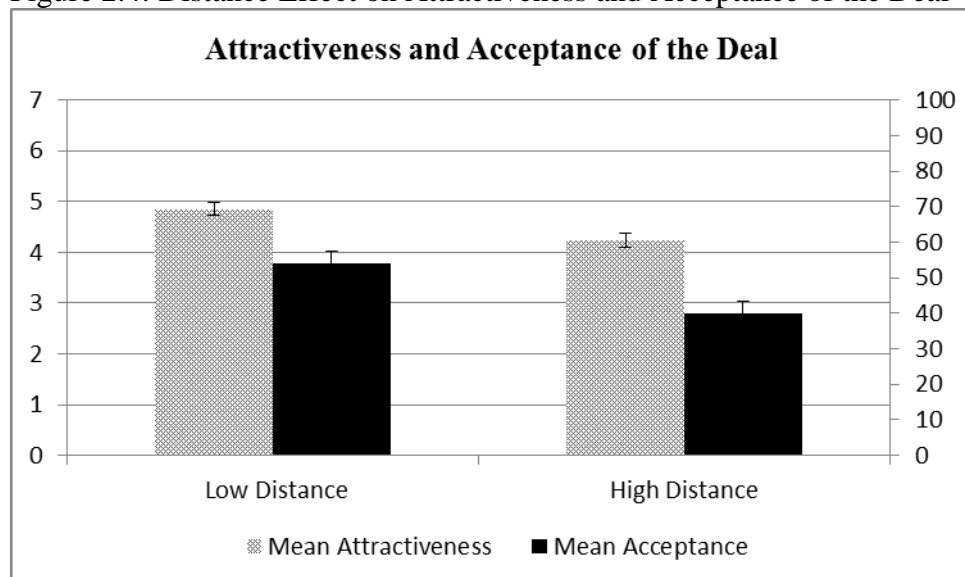
Discount and distance interaction was not significant in their effect deal acceptance ($p = .67$). Need for power was not significant on acceptance of the deal ($p = .14$). Need for achievement had a significant effect ($F(1, 218) = 5.51, p < .05$) on acceptance of the deal, supporting H2a. Need for affiliation also had a significant effect on acceptance of the deal ($F(1, 218) = 4.74, p < .05$). Thus, H3a is supported.

Repurchase at FULL Price: An identical ANCOVA on the repurchase likelihood of the service from service provider at full price was tested. Discount level ($p = .86$), distance ($p = .11$), reputation ($p = .73$), need for power ($p = .46$), need for achievement ($p = .28$) did not have significant effects on repurchase at full price. The need for affiliation ($p = .52$) did not have significant main effect on repurchase at full price, thus H3b is not supported.

Repurchase at HALF the Discount: An identical ANCOVA on the repurchase likelihood of the service from service provider at half the discount was tested. Discount ($p =. 19$), distance ($p =. 17$) and reputation ($p =. 58$) were not significant on repurchase half discount. While the need for power is not significant ($p = .09$), need for achievement was significant on repurchase half discount ($F(1, 242) = 4.91, p < .05$). Need for affiliation was not significant ($p = .5$), thus H3b is not supported.

Repurchase at the SAME Discount: Although we did not have a priori hypotheses about repurchase at same discount rates, we wanted to explore repurchase at the same discount. Discount ($F(2, 242) = 4.37, p < .05$) and distance were significant on repurchase at the same discount from deal site ($F(1, 242) = 8.83, p < .05$). Reputation ($p = .21$) was not significant on repurchase at same discount. But, most importantly, the three-way interaction between discount, distance and reputation had

a significant effect on repurchase at the same discount level ($F(1, 242) = 3.56$, $p <$ .05; see Figure 2.5). When the service provider is unknown and at a low distance location, as the level of discount increases the repurchase likelihood of the service at the same discount increases. The difference between 35% ($M = 60.02$) and 50% discount levels ($M = 71.58$) as well as between 50% and 75% ($M = 78.56$) discount levels were not significant (both p`s $> .05$). The difference between 35% ($M_{35\%} =$ 60.02) and 75% ($M_{50\%} = 78.56$) discount levels was significant ($p < .05$). When the service provider is at high distance, the purchase likelihood of the same discount increases from 35% discount ($M_{35\%}$ 53.88) to 50% discount ($M_{50\%} = 72.99$) significantly ($p < .05$). Unexpectedly, there was a significant decrease of purchase likelihood of same discount from 50% discount ($M_{50\%} = 72.99$) to 75 % discount ($M_{75\%} = 48.87$; $p < .05$). When the service provider is widely known, and at low distance, the purchase likelihood of the same discount did not differ significantly between 35% discount ($M_{35\%} = 68.22$), 50% discount ($M_{50\%} = 79.18$), and 75 % discount ($M_{75\%} = 76.77$; all p's $> .05$). When the service provider is at high distance, the repurchase likelihood did not differ between 35% and 50% discount conditions ($p > .05$). There is a significant increase of purchase likelihood of same discount from 50% discount ($M_{50\%} = 61.62$) to 75 % discount ($M_{75\%} = 76.11$; $p < .05$).

Figure 2.5: Discount, Distance and Reputation on Repurchase Likelihood at the Same Discount Level
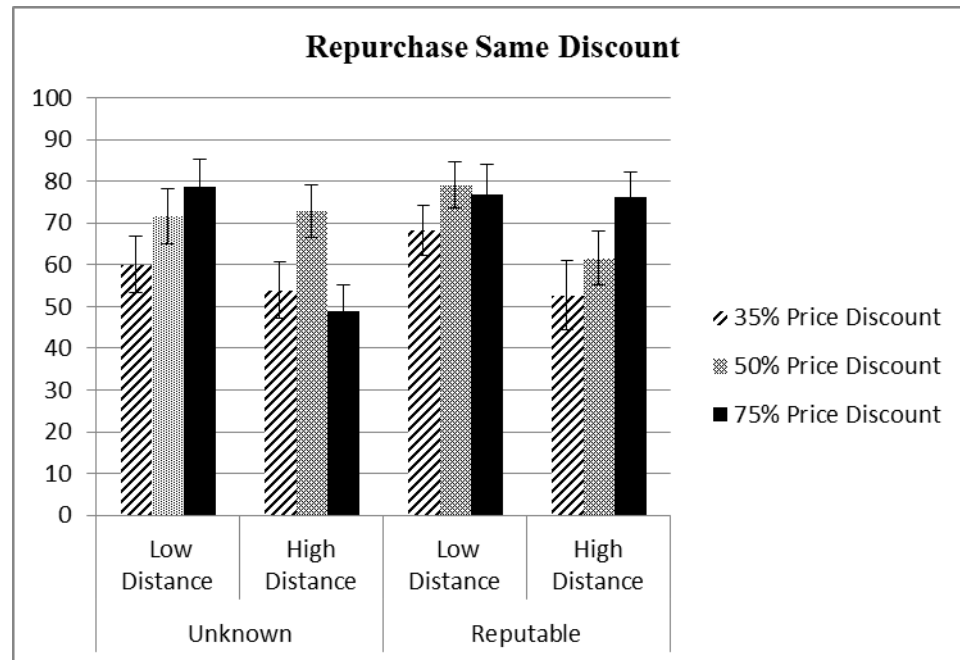
Need for power did not have a significant effect on repurchase same discount ($p = .16$). Need for achievement ($F(1, 242) = 4.29, p < .05$) and need for affiliation were significant on repurchase same discount ($F(2, 242) = 4.23, p < .05$).

WOM Generation: An identical ANCOVA on the generation of WOM likelihood about the service provider was tested. Discount ($p =. 17$), distance ($p =. 48$) and reputation ($p =. 77$) were not significant on WOM generation. Then need for power was not significant ($p = .78$), thus H1 is not supported. Need for achievement was significant on WOM generation ($F(1, 242) = 31.19, p < .001$), thus H2b is supported. Need for affiliation was not significant ($p = .45$).

An identical ANCOVA on the eWOM likelihood about the service provider was also tested. Discount ($p =. 88$) and reputation ($p =. 45$) were not significant on eWOM. However, contrary to our expectations, distance had a main effect on eWOM ($F(1, 242) = 4.56, p < .05$). Unexpectedly, eWOM generation is significantly

higher for a service provider at a high distance (M = 5.03) than a service provider at

a low distance (*M* = 4.47; *p* < .05). Furthermore, we investigated reputation and

distance interaction on eWOM. The reputation and distance interaction has a

significant effect on eWOM (*F*(1, 256) = 4.53, *p* < .05). We did not have an a priori

hypothesis regarding the interaction; however, we explored further into what

happens when consumers engage in eWOM by decomposing the interaction. When

the service provider is unknown eWOM generation is significantly higher for a

service provider at a higher distance (*M*$_{High}$ = 5.19) than at a lower distance *(M*$_{Low}$ =

4.25; *p* < .05). When the service provider is reputable, the $_e$wOM generation is

almost the same for a service provider at a low (*M*$_{High}$ = 4.89) and high distance

(*M*$_{Low}$= 4.89; *p* = .22; see figure 2.6.

Figure 2.6: Distance and Reputation Interaction on eWOM
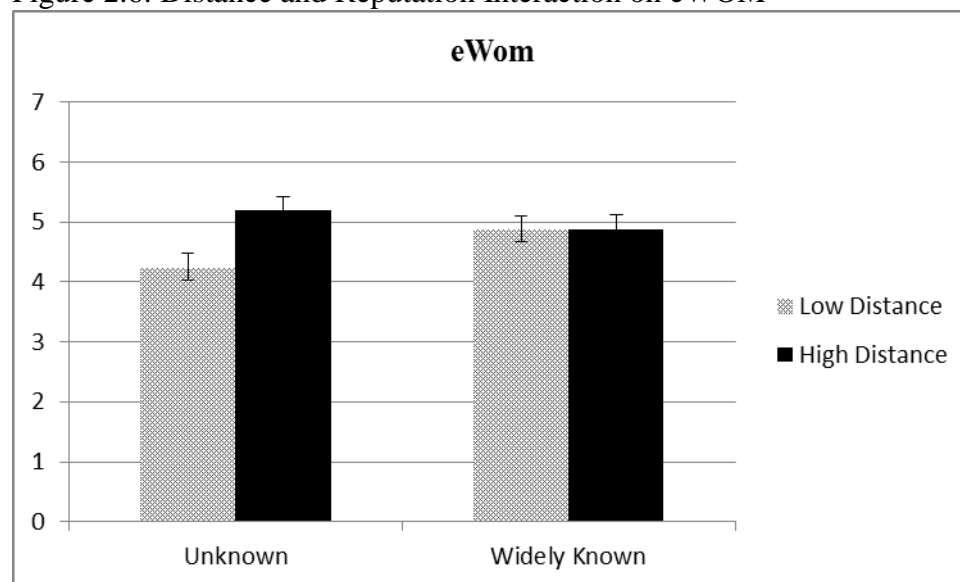
The need for power effect was not significant on eWOM (*p* = .57). Need for

achievement (*F*(1, 242) = 3.80, *p* = .05) , and the need for affiliation (*F*(1, 256) =

9.36, $p < .05$) were significant on eWOM; see Figure 2.7. Thus, H3c is supported

(See Table 2.6 for summary of hypotheses and Table 2.7 for summary of results).

Figure 2.7: Need for Achievement Effect on WOM and eWOM
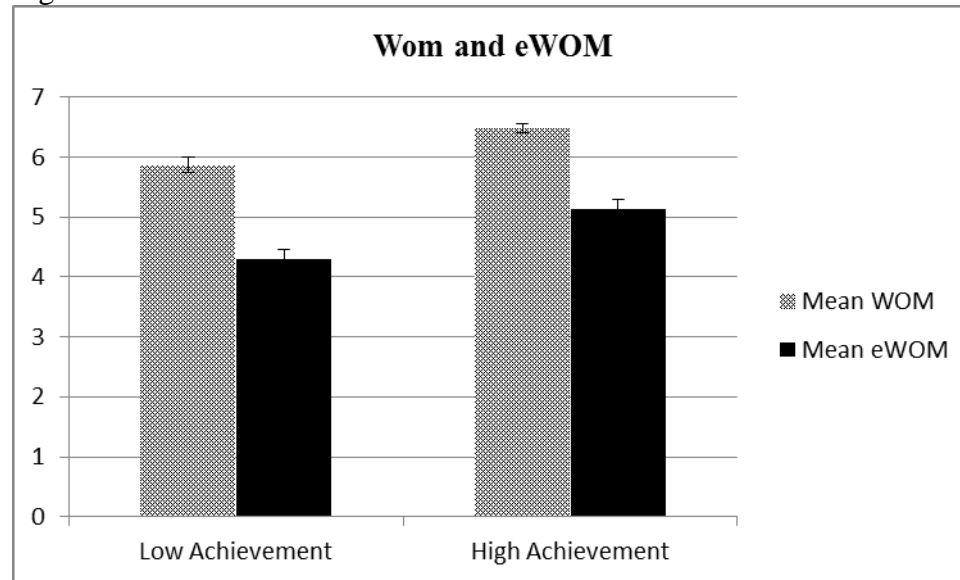
Table 2.6: Summary results of hypotheses

Hypothesis		Result
H1a (Main effect of need for power)	*Higher levels of need for power increase WOM generation.*	Study 2: H1 is not supported
H2a,b (Main effect of need for achievement)	*Need for achievement increases purchase likelihood (a), and WOM generation (b)*	Study 2: H2a & H2b supported
H3a,b,c (Main effect of need for affiliation)	*Need for affiliation increases purchase likelihood (a), repurchase likelihood(b) WOM generation (c)*	Study 2: H3a and H3c are supported, H3b is not supported

Table 2.7: Summary of Results

DV	Price	Distance	Reputation	Achievement	Affiliation	Power	Discount* Distance	Distance* Reputation	Discount*Distance *Reputation
Attractiveness	.01	.01	.01	.44	.07	.10	.03		
Acceptance	.01	.01	.01	.02	.03	.13			.03
Repurchase Same Discount	.01	.01	.21	.04	.04	.14			
Repurchase Half Discount	.24	.21	.66	.02	.50	.09			
WOM	.17	.48	.77	.00	.45	.81			
eWOM	.88	.03	.45	.05	.01	.56		.03	

2.3.3 Discussion of Experiment Results

Discount, reputation of the service provider, and distance from the service provider affect the likelihood to purchase from online deal sites. As the level of discount increases, so does the attractiveness of the deal. Reputation of a service provider also affects the attractiveness of a deal. Deals from known companies were evaluated as more attractive than deals from unknown companies. In addition, as the distance from the service provider decreases, consumers are more likely to find the offer attractive.

More importantly, there is an interaction between discount level and distance that affects deal attractiveness. When the distance is low, discount level does not substantially change the attractiveness of the deal. However, when the distance is high, consumers expect higher levels of discounts. In other words, cost created through distance may be compensated through monetary cost advantages. Nevertheless, there seems to be an optimal level for the discount level. If the service provider is at a low distance from the consumer`s home, increasing the discount rate from 35% to 50% can have a great impact on sales. However, increasing the discount further (e.g., up to 75%) is likely to have only a marginal effect.

The results also highlight that motivational factors, need for achievement and need for affiliation, affect acceptance of the deal, repurchase at half discount and generation of WOM. High need for achievement people are likely to be the ones who talk about the deals, recommend the service provider, and create eWOM. Moreover, consumers with need for affiliation need are the ones who create eWOM as they tend to write more frequently on blogs, Facebook, twitter, etc.

Our results indicate that the utility factors such as price, reputation and distance are mostly driving the initial purchase behavior at discount sites. Utility factors` impact on the initial purchase of the deal is higher than motivational factors. However, the impacts of need for achievement and need for affiliation on the repurchase at half discount likelihood and WOM is relatively higher than utility factors.

2.4 General Discussion

This research reveals how utility factors (discount levels, service provider reputation, and physical distance of the service provider) as well as consumer motivations (need for achievement, need for affiliation, and need for power) play a significant role on the purchase behavior from deal sites, repurchase behavior from the service providers, and WOM generation about the service providers and deal sites. The interviews we conducted provided in-depth insight into the specific behaviors that we investigated and directed our research on discount levels, reputation of the service provider, and distance to the service provider. Next, an experimental study that manipulated discount level, distance from the service

provider, and the reputation of the service provider revealed the positive main effect of discount on purchase likelihood. As for reputation and distance, our results confirm the previous findings regarding positive main effect of reputation and negative main effect of distance on purchase likelihood. More interestingly, discount and distance interaction effect on the attractiveness of the deal reveals that if the target consumers are located at a high distance, the service provider need to give substantial discounts. Purchase likelihood increases only if the discount percentage increases up to 75%. On the other hand, if the service provider is at close proximity, then increasing discount from 35% to 50% would be enough to appeal to target customers without further discount.

From a service provider perspective, it is very hard to motivate deal site consumers to repurchase at full price. The initial low reference price that customers encounter via a deal site such as Groupon is a big burden for the service provider. However, our results indicate that the service provider can motivate high need for achievement as well as high need for affiliation customers to repurchase at half the discount rate. If the service provider can segment consumers according to their motivations, they can earn more from those consumers who would not repurchase from Groupon otherwise. Additionally, high need for achievement people are more likely to talk about the deals and create WOM. Finally, need for affiliation is an important driver of eWOM, as high need for affiliation consumers like to write about their experiences on online communities.

Theoretical Implications

The key to success for the deal site service provider business model is closely tied to repeat purchase and the generation of positive WOM. According to the theoretical basis of Behavioral Learning Theory, providing positive reinforcement for the desired behavior is very crucial (Rothschild and Gaidis, 1981). From the deal site perspective, consumer behavior may be positively reinforced as long as they are given various intermittent schedules of discounts in their involved category. However, from the service provider sustainability perspective, reinforcing purchase behavior with the same or increasing discount levels is likely to harm short- and long-term profitability. Thus, our results indicate that in order to increase the likelihood of repurchase from the service provider at full or gradually decreasing discount rates, the service provider should be very careful when choosing the first discount rate depending on its own reputation and distance from the target consumer segment.

As previous research indicates, utility theory may predict the initial purchase. However, it is hard to convince the customer to purchase a similar or the same service from the same service provider at a lower discount or full price. The customer has to scarify the price utility in order to repurchase at a higher rate. At this point, our results indicate that need theory complements the utility theory and consumers motivations drive repurchase and WOM after the initial purchase. Hence, we combine both utility and need theories to explain different phases of a consumption situation.

McClelland Need Theory is mostly applied to organizational behavior and employee selection purposes. To our knowledge, it is the first time this theory has been applied to the deep discount online purchase and eWOM situation. Our results indicate that need for achievement and need for affiliation are major drivers of purchasing online, where getting the best deal at best price is important for high need for achievers and buying together at a discount is pleasing for high need for affiliation consumers. Additionally, the motive for the high need for affiliation consumers to create eWOM is also differentiated from WOM in our empirical study.

Our results indicate two separate dimensions for need for affiliation. The first dimension, individual affiliation, represents consumers need to be alone. The second dimension, social affiliation, represents more socialization needs and closer to the need for affiliation construct that has been defined in the literature. Materialization of two separate dimensions suggests a need for the revision of affiliation scale. The social affiliation construct also needs to be researched with the online-offline WOM distinction. Potentially eWOM generators may be more extraverted then WOM generators.

Managerial Implications

In terms of managerial implications, both service providers and deal sites can benefit from our findings. Not surprisingly, distance is one of the most important drivers of purchasing a service. The closer the service provider to the consumer, the higher the likelihood is for purchase. Somewhat more surprising is the effect of distance and reputation interaction effect on WOM generation. If the service provider is widely known, WOM generation is almost equal for a service provider at

a high distance or low distance from service provider. On the other hand,

surprisingly, if the service provider is unknown, the distance increases the likelihood

for WOM generation. This could be due to cognitive dissonance. Since the consumer

has invested so much time and effort to travel to a high-distance location, in order to

reach internal consistency, s/he may be inclined to persuade others. The consumer

might be compensating the effort for an unknown service provider by WOM. In

addition, if the service provider is at close proximity to the consumer, giving

discounts more than 50% is not likely to increase the purchase likelihood. If the

target consumers are located at a low distance from the service provider, only a 50%

discount may be enough to attract consumers. However, if service provider is located

at a relatively far location, only then managers should consider increasing the

discount rates to more than 50%. Our findings highlight the significance of

geographical segmentation for service providers (although not for deal sites).

Managers of service providers should segment their customers according to their

physical distance from the company and then estimate the initial discounts to be

offered on deal sites.

Special attention should be given to identifying high need for achievement and

high need for affiliation consumers by the service providers. This can be done

simply through a needs questionnaire. Once high need for achievement and need for

affiliation consumers come to the deal site, service providers may be able to have

them to repurchase at incremental discounts. To attract high need for affiliation

individuals deal sites may try to stimulate interclient relationship online, e.g. a

platform where customers can meet, get social support, and commercial friendship

(Bloemer et al. 2003) and to spread eWOM. In addition to high need for affiliation consumers, managers should pay attention to high need for achievement individuals too in order to enhance likelihood of being recommended. Specific keywords in the deal content such as "ambition" (Lievens et al. 2001) or "challenging" (Trank et al. 2002) can be used to attract for high need for achievement individuals. Priming need for achievement through communication of the deal or offering the deal to high need for achievement consumers may enhance marketing money spent to generate WOM.

If the service provider is unknown and at a high distance or, alternatively, reputable and at low distance, then increasing the discount rate from 50% to 75% would even hurt the probability of repurchase at the same discount level. This point to an attribution problem for very high discounts: consumers may infer the service provider has run into serious quality issues (Dodson et al., 1978; Shoemaker and Shoaf, 1977; Guadagni and Little, 1983; Lattin and Bucklin, 1989; Rothschild and Gaidis, 1981). In such case, increasing the deal size both lowers deal purchase and profit margin. When the service provider is reputable and is located at a high distance from consumers, increasing the discount from 50% to 75% increases the repurchase likelihood from deal sites again. In this case, consumers likely perceive the high discount as a strong incentive to overcome the high cost of getting to the service provider.

Low distance increases eWOM generation likelihood for the unknown service provider. For a service provider that is located at close proximity to its consumers, reputation increases the chances of more eWOM. However, reputation does not increase eWOM generation likelihood for a high distance service provider.

Finally, the service provider should be very careful at what the goal is: initial purchase at discounted price, increase WOM, or enhance repurchase likelihood. Depending on the distance from the target consumers and on its reputation, the service provider should choose the discount level that fits best its distance and reputation conditions and that helps grab the deal site customer as a regular one. Once the service provider attracts the customer, it has the chance to learn about their motivations. They should target and satisfy high need for affiliation as well as high need for achievement customers who will engage in WOM that will get new customers to come in. Afterwards, the service provider should work on strategies to coax the high need for achievement and affiliation deal site customers into regular customers as they are the ones who have the potential to repurchase at smaller discounts.

Limitations and Future Research

In our empirical study, we did not specify an offer category. Participants answered the questions according to their own favorite category (e.g. restaurant or travel). However, a product or service category may affect the responses of consumers. For example, in their favorite or a hedonic product category, consumers may be more motivated to repurchase at higher prices and generate WOM. However, in a low involvement or a utilitarian product category they might be less willing to repurchase or generate WOM. Therefore, future research should investigate if and how product/service categories (e.g., hedonic vs. functional, low vs. high involvement) affect consumer motivations in the context of deal site usage.

Furthermore, satisfaction was not investigated in our studies. It could be used as a control variable in terms of how it affects repurchase decisions. Finally, data was collected through an online participant pool (Mturk). Future research may replicate our findings in an actual consumption situation, using actual deal site consumers.

CHAPTER III

HATE THE DEAL, DROP GROUPON? REPEAT PURCHASE AND RECOMMENDATIONS FOR SERVICE PROVIDERS AND DEAL SITES

Abstract

Daily deal sites companies such as Groupon offer online and mobile coupons for services and products with deep discounts. Because the deal sites get half of the revenue from each consumer, service providers typically lose money on the deal itself and thus require consumers' repurchase and/or positive word-of-mouth (WOM) generation to break even. This research investigates what drives customers to buy into these deep deals for the first time, what motivates them to repurchase at lower discount rates and at full price, and what generates WOM for the service provider and/or the daily deal site. An experiment reveals that consumers are willing to drive further to get a service if the service provider is reputable. In addition, the results suggest that service providers who satisfy their customers at high levels (1) should not give more than 50% discount rates and (2) are likely to receive more WOM when the physical distance between the service provider and the consumer`s home is low. Furthermore, we investigate consumer characteristics that drive deal site usage. Findings indicate that coupon proneness increases purchase likelihood, while price consciousness does not. Interestingly, coupon proneness also increases WOM. In addition, consumers who are more concerned with price quality schema are more willing to repurchase at full price. Our findings give service providers specific recommendations as to how to price and target the deal to improve repeat purchase and WOM generation.

3.1 Introduction

Daily deal sites offer deep discounts for a product or service through a website for a short period of time. Potential customers register to deal sites and receive offers by email and/or social networks. Once they accept the deal, they prepay with their credit cards and receive their services from service providers. The daily deal site makes money by keeping about half the money the customer pays for the coupon. The other half of the money is the service provider's share in this business model.

Daily deal sites initially became very popular with consumers and businesses alike when they started in 2005. Groupon, one of the most popular daily deal sites, took just three years to go public (IPO) from its start in Chicago in November 2008. The initial business enthusiasm is often due to low upfront costs and the huge traffic generation potential. The Groupon model seemed to offer something for everyone: small businesses got a novel way to bring in new customers, shoppers got a discount and the deal providers got half of every sale. However, as the first wave of enthusiasm diminished, so did the worth of Groupon. The monthly visitors' number has dropped about 4 million compared to 2011 (Statista, 2014). The net income has significantly decreased by 846.8% when compared to the same quarter one year ago, falling from -$3.99 million to -$37.80 million (Cohen, 2014). Compared to the earlier quarter, the share price of Groupon is down 33% as of the first quarter of 2015 (Lineaine, 2015).

While consumers appear relatively happy with the business model, the key success barrier for the deal sites has been to satisfy the service providers. Indeed, both surveys and analytic models suggest that the service provider typically loses money on the deal itself (Dholakia, 2011; Kumar and Rajan, 2012). The declining value of Groupon reflects the realization of some service providers who complain that customers who bought deals spent the bare minimum and never returned (Clifford and Miller, 2012). The sales decline in this business model suggests that more research should be conducted to understand which factors may bring back the consumers to service providers at lower discounts or at full price. Another key to long-term profitability for service providers in this business model is word-of-mouth (WOM) generation. Besides promoting trial that is likely to result in repurchase, daily deal sites could help themselves and the profitability of service providers by enhancing the word-of-mouth (WOM) generated by satisfied customers. Current evidence of such repeat purchase at full price and positive WOM is lacking; Byers et al. (2012) even found a negative effect of Groupon deals on Yelp reviews for service providers.

Previous research on daily deals mainly focuses on the short-term profitability of individual deals, sales performance of deal sites as well as service providing companies. Edelman et al. (2011) has shown that offering deals tends to be more profitable for service providers that are relatively unknown and with low marginal costs. Another study, Dholakia (2011), revealed cannibalization of the existing restaurant customers by daily deal sites. Kumar and Rajan (2012) proposed an

analytical model that demonstrates that the service provider's loss increases with the discount, and that deals are even more detrimental when used by existing customers. Byeers et al.'s (2011) empirically predicted deal popularity with deal scheduling, duration, deal featuring, and limited inventory. Stulec et al. (2011) found the factors that increase repurchase from the same deal sites as ease of web site navigation, customer support, and diversity of products.

This paper contributes to the literature on promotions and repeat purchase behavior as well as WOM after the deep discount. While previous literature on price promotion has studied repeat purchase at full price (Beasley and Shank, 1997; Sibly 1995; Anderson, 2004), systematic knowledge on the drivers of repeat purchase after deep discounts and WOM have been neglected. Studies of online discount sites offer a new opportunity to shed light on this important question. Indeed, we studied different levels of discount, the reputation of the service provider, distance and satisfaction as well as consumer characteristics related to price and coupons. Our aim is to offer specific recommendations to the decision makers so that all stakeholders of this new business model as deal sites managers, small business owners and consumers can be more profitable and sustainable in the long term.

The remainder of this article is structured as follows. We start with the theoretical framework and hypotheses. Then, we focus on testing our predictions in an experimental study that investigates the impacts of service satisfaction, physical distance of the service provider from the consumer, discount rate, reputation of the service provider, and price related consumer characteristics on purchase, repurchase,

and WOM generation. Finally, we discuss the theoretical and managerial

implications of our findings.

3.2 Conceptual framework and research hypotheses

Price Discount

A deal's most important attraction factor tends to be the discount rate. The

goal is to attract consumers and increase store traffic (Grewal, Monroe, and

Krishnan, 1998; Lichtenstein and Bearden, 1989). The deeper the discount, the

higher the purchase likelihood of the product or service is (Kahn and Louie, 1990;

Nusair et al., 2010). On the other hand, the discount decreases repeat purchase

probability (Neslin and Shoemaker, 1989; Winer, 1996). One of the reasons is that

the reference price changes as soon as customer encounters promotion (Helson,

1964; Winer 1986). Hence, we expect that as discounts increase, so do the

attractiveness and purchase likelihood of the deal. However, as the reference price

decreases it is less likely that consumer repurchase at full price from service

providers. More formally, we hypothesize that:

H1a: The deeper the initial discount, the higher the purchase likelihood from deal

sites.

H1b: The deeper the initial discount, the lower the repurchase likelihood from the

service provider at the full price.

Discount encourages the consumers to "spread the word" as price is the most-

communicated piece of information (Mangold et al., 1999). Discount frames and

discount levels affect consumers' perceptions on the value of the discount, the quality of the service, their intention to purchase, and their willingness to engage in WOM advertising (Nusair et al., 2010). Since price plays an important role in the generation of WOM, we expect the likelihood of WOM to increase as the discount level increases. In short, we predict that:

H1c: The deeper the initial discount, the higher the likelihood of WOM about the service provider.

Reputation

Gotsi and Wilson (2001) defined corporate reputation as 'a stakeholder's overall evaluation of a company over time based on direct experiences with the company, any form of communication and symbolism that provides information about the firm's actions (p. 29). Reputation is a key determinant of both a deal site's and service provider's success, and of customer retention (Devlin, 1998). Consumers are willing to pay higher prices because of the company reputation and prestige perception (Bell, 1998). Reputation is a guarantee of satisfaction through quality promise (Berry and Parasuraman, 2004). It decreases customers` perceived risk (Rose and Thomsen, 2004) and price sensitivity (Hung and Petrick, 2012). Thus, we expect that favorable service provider reputation motivates consumers to purchase at a discount first and then to repeat purchase at full price.

H2a: Consumers are more likely to purchase deals from reputable (vs. non-reputable) service providers.

H2b: Consumers are more likely to repeat purchase from reputable (vs. non-reputable) service providers at the full price.

Previous research indicates that reputation predicts customers' positive WOM intentions (Hong and Yang, 2009). We expect to replicate this finding for the service provider. Thus, we expect that:

H2c: Consumers are more likely to generate WOM about reputable (vs. non-reputable) service providers.

Physical distance

Consumers prefer stores with closer physical distance (Bell et al., 1998). Recent studies also show strong evidence for geographic proximity effects on choices of brand, place, and channel (Janakiraman and Niraj, 2011). In case of deal sites, we expect that consumers would prefer short physical distances. Additionally, lower distance from the service provider is a desirable component for customer long-term commitment (Ganesh and Reynolds, 2012). We expect that the shorter the physical distance travelled, the more likely is the purchase at discount and repeat purchase at the full price and WOM generation about the local service provider. Hence, we predict that:

H3a: The physical distance between the service provider's and the consumer's location (home or work) negatively influences the likelihood to purchase from the deal site at the discounted price.

H3b: The physical distance between the service provider's and the consumer's locations negatively influence the likelihood to repurchase from the service provider at the full price.

Satisfaction

Customer satisfaction is defined as a post purchase evaluative judgment of a service encounter (Anderson, Fornell, and Lehman, 1994; Hunt, 1977; Oliver, 1980). Previous literature confirms the effect of satisfaction on behavioral intentions (Alegre and Cladera, 2009; Oh, 2000; Suh and Yi, 2006; Um et al., 2006; Yoon and Uysal, 2005). Specifically in the restaurant service category, Qin and Prybutok (2009) found that customer satisfaction directly and positively influences return intentions. Moreover, the improvement of satisfaction has a positive effect on the return intention of group buying customers (Zhang et al., 2013).

Furthermore, discounts increase customers' perceived value (Alford and Biswas, 2002; Fraccastero et al., 1993), which leads to satisfaction (Jamilena et al., 2012; Setijono and Dahlgaard, 2007). Campo and Yagüe (2007) revealed that discounts can increase perceived value and, as a result, satisfaction. In other words, we expect that satisfaction decreases the negative effect of higher prices on repurchase.

H4a: As the satisfaction increases, the negative effect of discount decreases on repurchases at full price if the service provider is reputable (vs. non-reputable).

Oh (2000) revealed the significant effects of satisfaction, past experience with a restaurant, and restaurant reputation predicting future return and referral

intentions. Thus, we investigate the impacts of reputation, discount and satisfaction on repurchase and WOM while controlling past experience with the restaurant.

H4b: As the satisfaction increases, the negative effect of discount decreases on WOM when the service provider is reputable (vs. non-reputable).

Consumer Characteristics

Daily deal sites offer deep discounts directly to its customers and emphasize the benefits of deep discounts in all deals. The relative importance of the price depends on the characteristics of consumers. We propose that price related consumer characteristics may provide key insights into the likelihood purchase, and repurchase at discounted prices. Therefore, we explore how price consciousness, coupon proneness, and price quality schema affect deal purchase, repurchase and WOM generation.

Price Consciousness vs. Coupon Proneness

Previous research makes a distinction between price consciousness and coupon proneness. Coupon prone individuals use coupons as a sign of a good deal and may not even consider the amount of savings (Henderson, 1988; Zeithaml, 1988). On the other hand, *coupon redemption behavior is not equivalent to the psychological construct of coupon proneness* (Lichtenstein et al., 1990, p. 63). The primary benefit of coupon use is receiving services at a reduced price, which is also beneficial as a risk reduction measure for new product/service trial. Kim, Lee and Kim (2008) found that coupon face value is a cue for monetary sacrifice for experience services and a cue for service quality for credence services.

Coupon proneness is the *increased propensity to respond to a purchase because the coupon form of the purchase offer positively affects purchase evaluation* whereas price consciousness is *the degree to which the consumer focuses exclusively on paying a low price* (Lichtenstein et al.1993, 1997). Price consciousness is found to increase coupon use, store price perceptions, search, and purchase (Kukar-Kinney, Walters and MacKenzie, 2007). Although Swaminathan and Bawa (2005) found coupon proneness to be greater for consumers who have high price consciousness, we expect a behavioral distinction between the behavioral reactions such as purchasing online from Groupon at a discounted price in terms of coupon proneness and price consciousness. As Dholakia (2011) and Groupon itself emphasizes, daily deal users are not price sensitive. We suggest that daily deal site users are not necessarily price conscious but coupon prone. Thus, more formally we expect:

H5: Coupon proneness increases purchase likelihood on deal sites.

Price Quality Schema

Price quality schema is the generalized view across product categories that the price level is related positively to the quality level of the product or service (Lichtenstein et al., 1993, 1997).

Consumers who take the price as a cue would be willing to pay full price of the service as long as they associate price premiums (full price) with quality and they are satisfied with the service (Peterson and Wilson, 1985; John et al., 1986). Indeed, previous research has shown that consumers high in price-quality schema

are less susceptible to the negative impact of price on preference consistency (Lee, 2012). Hence we expect that:

H6a: The higher the price-quality schema, the higher the likelihood of the consumer to repeat purchase at full price.

We propose two moderators of the hypothesized positive effect of price-quality schema on repeat purchase at full price. A deep initial discount is likely to focus consumers, especially consumers high in price-quality schema, on price (Lichtenstein et al., 1993). This price attribution decreases their willingness to pay full price later (Neslin and Shoemaker, 1989; Winer, 1996). On the other hand, a high reputation/ brand name of the service provider is likely to focus consumers on quality (versus price) perception (Dodds, Monroe, and Grewal, 1991). Formally, we expect that:

H6b: Reputation increases price quality schema effect on repurchase at full price.

H6c: Discount decreases price quality schema effect on repurchase at full price.

Involvement is defined as "personal relevance of an object, activity or situation has a state of arousal, interest or motivation'' (Zaichkowsky, 1985; Mittal and Lee, 1989). Previous research has shown the role of involvement as a moderator of purchase (Shao et al., 2004), repurchase (Patterson and Spreng, 1997), and WOM (Dichter, 1966, Engel et al., 1969, Hennig-Thurau et al. 2002, 2003, 2004). Thus, we would like to control the effect of involvement and use it as a covariate in the study.

Perceived risk relates to the pre-decision consumer choice and information search (Dowling, 1986). The function of perceived risk in online consumer purchasing behavior has been examined since the beginning of internet adoption (McGaughey and Mason, 1998; Heijden et al. (2000). Perceived risk is higher for highly involved consumers (Stone and Grønhaug1993) specifically for service category. Hence, we also control for the perceived risk factor before the deal purchase in our study.

3.3 Method

Experiment. The study was designed to test Hypotheses 1 through 6 using a Groupon-like deal for a restaurant.

Participants. 960 online users from the U.S. were recruited from MTurk.

Design. The study was a 3 (discount level: 35% vs. 50% vs. 85%) x 2 (physical distance: low vs. high) x 2 (reputation: widely known vs. unknown) x 3 (satisfaction: low vs. average vs. high) between subjects design. Discount, distance, reputation and satisfaction were manipulated using a hypothetical scenario. Price consciousness, coupon proneness, price quality schema, involvement, perceived risk and reference price were measured.

Questions and Scenarios. The survey consisted of five sections. First, the participants answered questions about their price perceptions, coupon proneness, price and quality perceptions, and involvement in food category. Lichtenstein et. al.`s (1993) price perception, coupon proneness and price quality schema scales,

Mittal's (1995) involvement scale were used (see Appendix E for the scales). The scales used were all multiple-item and responses were recorded via a 7-point Likert-type format with endpoints of strongly disagree (1) and strongly agree (7). Also, in order to measure their reference prices, participants read a scenario about a high-end restaurant and their expected price per-person for dinner was asked.

In the second section, they saw one of the 36 (3 x 2 x 2 x 3) Groupon restaurant deals that were created for the study. The deal involved manipulations of discount (35% vs. 50% vs. 85% discount), distance (more than 60 min. away vs. less than 10 min. away) and reputation (widely known vs. unknown). The participants were shown a Groupon like restaurant deal with the discount, service provider reputation, and distance information. The discount rates they have seen were 35%, 50% or 85%. Distance was manipulated through the time it took the consumers to reach the service provider (10 min vs. 60 min) from their home (Raghubir and Krishna, 1996). A picture of Google map was given under the Groupon offer to manipulate distance. As for the reputation manipulation, the restaurant was presented as an unknown or widely known restaurant (Bearden and Shimp, 1982).

The third section consisted of the manipulation check questions and measurement of dependent variables. After being exposed to the Groupon offer, the participants replied to manipulation check questions regarding discount (How much was the discount for the restaurant?), distance (How many miles do you think is the

restaurant from your home?), reputation (How well is this restaurant known?). See Appendix F for independent variables and manipulation scenarios.

The key outcome variables-attractiveness and purchase were measured using single items to measure these constructs. To measure the purchase likelihood, participants were asked to indicate the attractiveness of the deal on a seven-point scale and, how likely they are to purchase this restaurant offer. In order to control the perceived risk, participants were also asked about how much risk they would be involved with the purchase of this offer.

Then, in the fourth section, a second scenario is offered where satisfaction is manipulated. A dinner at a restaurant at low, average or high service quality experience was presented. Then, to check manipulation participants were asked to rate their satisfaction from a particular restaurant offered in the scenario. All the scenario manipulations were pretested prior to their use in this study.

Section five involved repurchase questions presented on a scale from 0 to 100. The participants were asked to indicate whether they would repurchase at full price, at half price, and from same service providers at the same discount rates and whether they would stop buying through deal sites. The different repurchase rates were asked to explore in detail the different repurchase rate scenarios and to be able to give more targeted managerial advises. In addition, the word-of mouth questions were discretely asked about recommending the restaurant, the discount deal or deal site (See Appendix G for the list of dependent variables). This fine distinction was very important for the local service provider who needs more credit in this high-cost

advertisement cycle. We also distinguished between online and offline recommendation with our specific dependent measures. However, since the results did not show any distinction and alpha levels of these constructs were high (WOM about restaurant α=.89, WOM about deals α =.89, and WOM about Groupon α =.76); we aggregated the items for recommending online and offline questions for restaurants (See Appendix H for a widely known, 10 minutes away, 35% discount, over satisfied restaurant scenario study).

3.4 Results

Demographics

54% of the participants were female and 72 % of the participants have purchased from deal sites before. Most of the participants were highly educated: 13% had a master degree, 62% were college graduates, and only 22% of the online users were high school graduates. The mean age was 33.17. When we looked at the monthly income distribution of the participants, 28% earned up to $1000, 41% made $1000 to $3000, 20 % got $3000-5000 and 11% made more than $5000.

The sample consisted of 72 % (687 out of 960) users of deal sites (people who purchased an item or service from deal sites at least once) and 28 % (272) non-users (people who have never used deal sites before). There was no difference between non-users and users of deal sites in terms of the results. Hence, the analysis combined the two groups.

Factor Analysis

An exploratory factor analysis (EFA) was used to test whether scale items for each scale came out as separate constructs in the data. The maximum likelihood estimation procedure was used to extract the factors from the variable data. Varimax orthogonal rotational procedure was chosen to be able to differentiate original variables by extracted factors. Examination of scree plot suggested four dimensions including price consciousness, coupon proneness, price-quality schema, and involvement. These four factors accounted for 68% of the variance.

These results showed that the price consciousness, coupon proneness, price-quality schema and involvement scales were unidimensional. EFA indicates that price consciousness ($\alpha = .84$), coupon proneness ($\alpha = .68$), price-quality schema ($\alpha = .78$), and involvement ($\alpha = .92$) were separate constructs with reliable alpha levels. See the rotated factor structure matrix in Table 3.1.

Table 3.1: Rotated Factor Matrix for Price Consciousness, Coupon Proneness, Price Quality Schema and Involvement Scales

Rotated Factor Matrix

	Factor			
	Involvement	Price Consciousness	Price Quality Schema	Coupon Proneness
I enjoy using coupons regardless of the amount I save by doing so.				.695
I am more likely to buy brands for which I have a coupon.				.815
Coupons have caused me to buy products that I normally would not buy.				.628
When I use coupons. I feel that I am getting a good deal.				.680
The price of a service is a good indicator of its quality.			.824	
You always have to pay a bit more for the best.			.840	
The old saying "you get what you pay for" is generally true.			.819	
I am not willing to go to extra effort to find lower prices.		.782		
The money saved by lower prices is usually not worth the time and effort.		.877		
The time it takes to find low prices is usually not worth the effort.		.885		
Unimportant------Important	.815			
Boring-----Interesting to me	.696			
Means nothing to me---Means a lot to me	.900			
Does not matter ----Matter to me	.919			
Insignificant------Significant	.890			
Of no concern to me----Of concern to me	.839			
a. Extraction Method: Maximum Likelihood. Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 5 iterations.				

Manipulation Checks

We assessed the success of our manipulations by asking participants to rate the attractiveness of the Groupon offer. The participants were asked to indicate the discount rate they have read in the Groupon offer on a set of discount choices. Participants in the lower discount condition rated the lower discount less attractive than those in the higher discounts conditions. As expected, the 35% discount offer ($M_{35\%} = 2.99$) received a significantly lower attractiveness measure than 50% discount offer ($M_{50\%} = 3.96$) and 50 % received a significantly lower attractiveness measure than 85% discount offer ($M_{85\%} = 6.82$, $F(2, 927) = 15.03$, $p < .001$).

Then, participants in different distance conditions were asked about mileage information of the restaurant from their home/office. Participants in the low distance condition rated the offer more attractive than those in high distance condition. As intended the low distance offer ($M_{low} = 4.81$) received a significantly higher attractiveness measure than the high distance offer ($M_{far} = 3.73$, $F(1, 927) = 26.69$, $p < .001$).

Next, participants in different reputation conditions were asked to indicate about how well the restaurant is known. Participants in the unknown restaurant condition rated the offer less attractive than those in widely known restaurant condition. As expected unknown restaurant offer ($M_{unknown} = 3.48$) received a significantly lower attractiveness measure than the widely known restaurant offer ($M_{widely\ known} = 4.83$, $F(1, 927) = 18.72$, $p < .001$).

Finally, we verified that participants in different satisfaction conditions described the service satisfaction on a 1-7 *very dissatisfied-very satisfied* scale.

Participants in the low satisfaction restaurant condition rated the service satisfaction lower than those in the average and high satisfaction restaurant conditions. As expected, low satisfaction restaurant experience (M_{low} = 2.43) received significantly lower repurchase likelihood measure than average satisfaction restaurant experience ($M_{average}$= 17.89) and high satisfaction restaurant experience received significantly higher repurchase likelihood measure than average satisfaction restaurant experience (M_{high} = 73.93, $F(1, 927)$ = 1447.72, $p < .001$).

Hypotheses Results

Purchase Likelihood

An ANCOVA was performed on purchase likelihood of the deal. The model included discount, distance and reputation as between-subject factors, price consciousness, coupon proneness and price-quality schema as continuous measured factors, including covariates as perceived risk, reference price, and involvement. As expected, discount had a significant main effect on purchase likelihood ($F(2, 933)$ = 41.10, $p < .001$). Follow up contrasts found that, as predicted, participants' purchase likelihood of the deal increased significantly from 35% discount condition (M = 3.74) to 50 % discount condition (M = 4.06, $p < .001$). In addition, the attractiveness of the deal increased significantly from 50% discount condition to 85 % discount condition (M = 4.74, $p < .05$). *Thus, we found support for H1a.*

Reputation had a significant main effect on purchase likelihood ($F(1, 933)$ = 61.67, $p < .001$). Follow up contrasts revealed that, as predicted, participants in the widely known service provider condition ($M_{widely\ known}$ = 4.56) reported higher

likelihood of purchase than the unknown service provider ($M_{unknown} = 3.80$, $p <$ .001). *Thus, we found support for H2a.*

Distance had a significant main effect on purchase likelihood ($F(1, 933) =$ 420.91, $p < .001$), Follow up contrasts found that, as predicted, participants in low distance condition ($M_{low} = 5.59$) reported higher likelihood of purchase than the high distance condition ($M_{high} = 3.86$; $p < .001$). *Thus, we found support for H3a.*

In addition, involvement ($F(1, 933) = 23.82$, $p < .001$) and perceived risk ($F(1, 933) = 57.2$, $p < .001$) were significant covariates. However, reference price was not a significant covariate ($p = .24$). Table 3.2 outlines these results.

Table 3.2: Analysis of Covariance Results for three discount, two reputation and two distance conditions for purchase likelihood of the deal

Source of Variance	Mean (SE)	SD	F	η^2
Covariates				
Coupon Proneness			19.72**	.021
Price Consciousness			2.85	.003
Price Quality Schema			6.98*	.008
Involvement			23.82**	.025
Reference Price			1.37	.001
Perceived Risk			57.2**	.058
Main Effects				
Discount Conditions [a]			41.10**	. .081
35% Discount	3.74 (.077)	1.92		
50% Discount	4.06 (.081)	2.01		
85% Discount	4.74 (.081)	2.00		
Reputation Conditions [b]			61.67**	.062
Unknown	3.80 (.068)	1.97		
Widely known	4.56 (.065)	1.88		
Distance Conditions [c]			420.91**	.311
Low	5.18 (.065)	1.45		
High	3.17 (.069)	1.80		
Distance x Reputation			2.53	.003

Note: N = 960, R = .524
[a] All discount conditions means for attractiveness of the deal are significantly different ($p <.001$).
[b] Reputation conditions means for attractiveness of the deal are significantly different ($p < .001$).
[c] Distance conditions means for attractiveness of the deal are significantly different ($p < .001$).

Repurchase from the Same Service Provider at Full Price

An ANCOVA was conducted on repurchase the service at full price. The model included discount, distance, reputation and satisfaction as between-subject factors, price-quality schema as continuous measured factors, including involvement as covariate.

Discount did not have a significant effect on repurchase at full price ($p = .61$). *Thus, H1b is not supported.* Reputation had a marginally significant effect on repurchase at full price ($p = .06$). *Thus, H2b is marginally supported.* Planned contrasts revealed that, as predicted, participants in the widely known service provider condition ($M_{widely\ known\ =}$ 34.91) reported higher likelihood of repurchase than the unknown service provider ($M_{unknown} = 27.16$, $p < .05$).

Distance did not have a significant effect on repurchase at full price ($p = .15$), *thus H3b is not supported*. In addition, satisfaction had a significant effect on repurchase at full price ($F(1, 912) = 82.85$, $p < .001$). Neither coupon proneness ($p = .10$), nor price consciousness ($p = .40$) were significant on repurchase at full price. Involvement ($p = .18$) and reference price ($p = .74$) were not significant covariates either. Table 3.3 outlines these results.

Table 3.3: Analysis of Covariance Results for three discount, two reputation, two distance and three satisfaction conditions for repurchase at full price.

Source of Variance	Mean (SE)	SD	F	η^2
Covariates				
Price Quality Schema			4.39*	.005
Main Effects				
Discount Conditions [a]			.46	.001
35% Discount	30.62 (.94)	36.93		
50% Discount	32.51 (.98)	37.97		
85% Discount	29.93 (.99)	33.86		
Reputation Conditions [b]			3.38	.004
Unknown	27.16 (.81)	30.50		
Widely known	34.91(.78)	32.16		
Distance Conditions [c]			2.65	.003
Low	34.84 (.76)	37.00		
High	27.21 (.83)	35.66		
Satisfaction Conditions [d]			81.59**	.152
Low	1.71 (1.01)	4.10		
Average	16.34 (.98)	17.45		
High	74.99 (.94)	24.72		
Discount x Price Quality Schema			.73	.001
Reputation x Price Quality Schema			3.87*	.004
Discount*Reputation*Satisfaction			2.95*	.013

Note: N= 960, R^2 = .80
[a] Discount conditions means for repurchase same discount are not significantly different (p = .58).
[b] Reputation conditions means for repurchase same discount are marginally different (p = .06).
[c] Distance conditions means for repurchase same discount are not significantly different (p = .09).
[d] All satisfaction conditions means for repurchase same discount are significantly different ($p < .001$).

We found a three way interaction of discount, reputation and satisfaction on repurchase at full price (F(l, 912) = 3.02, $p < .05$), *providing support for H4a*. In the unknown and widely known service provider conditions and across three discount conditions, there was a significant increase in terms of repurchase at full price between low vs. average and average vs. high satisfaction conditions (all $p's < .1$). In the unknown service provider, low and average satisfaction conditions, repurchase at full price did not differ between 35% discount and 50% discount conditions (all $p's > .05$). However, unknown service provider and high satisfaction condition repurchase likelihood at full price increased significantly between 35%

discount ($M_{35\%} = 74.92$) and 50% discount condition ($M_{50\%} = 81.92$) and a decrease between 50% and 85% discount conditions ($M_{85\%} = 66.57$, both $p's <$ .05). On the other hand, in the widely known and high satisfaction condition, the discount level does not change the likelihood of repurchase ($p > .1$).

In the widely known service provider condition and low and high satisfaction conditions, there was not a significant decrease between 35%, 50% and 85 % discount conditions (all $p's > .1$). In the average satisfaction condition, repurchase at full price did increase from 35% discount ($M_{35\%} = 11.63$) and 50% discount conditions ($M_{50\%} = 19.38$, $p < .01$; see figure 3.1).

Figure 3.1: Satisfaction, Discount and Reputation Interaction on repurchase at full price
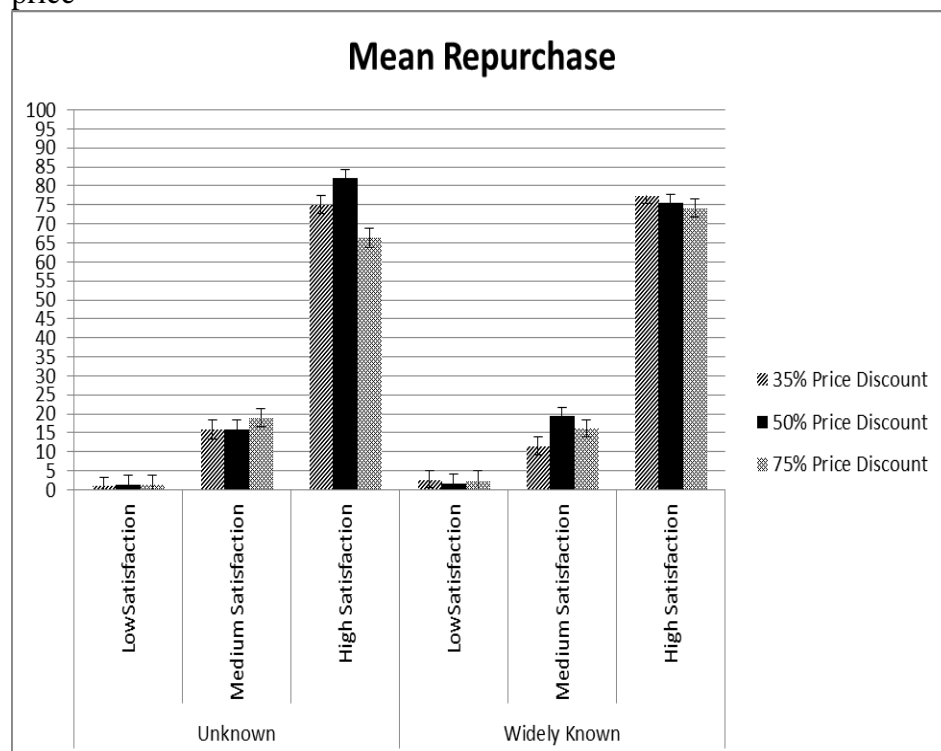
WOM about Service Provider

Our next dependent variable was WOM about service provider. The model included discount, distance, reputation and satisfaction as between-subject factors, price consciousness, coupon proneness and price-quality schema as continuous measured factors, including covariates as involvement and reference price.

An ANCOVA revealed that discount was significant on WOM about service provider ($F(2, 912) = 6.54$, $p < .05$), *providing support for H1c*. Reputation was not significant on WOM about service provider ($p = .55$). *Thus, H2c is not supported*. Distance was significant on WOM ($F(1, 912) = 22.28$, $p < .001$). Satisfaction was significant on WOM about the service provider ($F(1, 912) = 1780.83$, $p < .001$). Price quality schema ($F(1, 912) = 9.96$, $p < .01$), coupon proneness ($F(1, 912) = 11.94$, $p < .05$), price consciousness ($F(1, 912) = 4.57$, $p < .05$) were significant on WOM about the service provider. However, involvement was a not significant covariate on WOM about service provider ($p = .19$).

Contrary to our predictions, satisfaction, discount and reputation interaction was not significant on WOM ($p = 1.44$). *Thus, H4b is not supported.* Table 3.4 outlines these results.

Table 3.4: Analysis of Covariance Results for three discount, two reputation, two distance and three satisfaction conditions for WOM about service provider.

Source of Variance	Mean (SE)	SD	F	η^2
Covariates				
Coupon Proneness			11.94**	.013
Price Quality Schema			9.92*	.011
Involvement			1.69	.002
Price Consciousness			4.57*	.005
Main Effects				
Discount Conditions [a]			.6.54*	.014
35% Discount	2.86 (.05)	2.05		
50% Discount	3.05(.06)	2.20		
85% Discount	3.13 (.06)	2.07		
Reputation Conditions [b]			.46	.001
Unknown	2.99 (.05)	30.50		
Widely known	3.03 (.04)	32.16		
Distance Conditions [c]			6.71	.007
Low	3.10 (.04)	37.00		
High	2.93(.05)	35.66		
Satisfaction Conditions [d]			1780.83**	.796
Low	1.17 (.06)	.48		
Average	2.29(.06)	1.14		
High	5.58 (.05)	1.16		
Distance x Satisfaction			5.34*	.012

Note: N=274, R^2=.81

[a] Discount conditions means for repurchase same discount are significantly different ($p < .05$).
[b] Reputation conditions means for repurchase same discount are not significantly different ($p = .49$).
[c] Distance conditions means for repurchase same discount are significantly different ($p <.05$).
[d] All satisfaction conditions means for repurchase same discount are significantly different ($p < .001$).

We found significant two-way interaction effect of distance and satisfaction on WOM about service provider ($F(1, 912) = 5.60$, $p < .05$). In the low distance condition, the WOM generation about service provider increased significantly as satisfaction increased ($M_{low} = 1.1$, $M_{average} = 2.49$, $M_{high} = 5.68$; both p's $< .001$). In the high distance condition, the WOM generation about service provider increased significantly as satisfaction increased ($M_{low} = 1.23$, $M_{average} = 2.09$, $M_{high} = 5.47$; both p's $< .001$). In the low satisfaction condition, WOM generation about service provider did not differ between low and high distance conditions ($p >.05$). In the average satisfaction condition, WOM generation about service provider increased significantly as the distance decreased from the service provider ($M_{close} = 2.49$, M_{far}

= 2.09; $p < .001$). In the high satisfaction condition, WOM about service provider increased significantly as the distance decreased from service provider ($M_{close} =$ 5.68, $M_{far} = 5.47$; $p = .05$), please see figure 3.2.

Figure 3.2: Distance effect on WOM for Restaurant
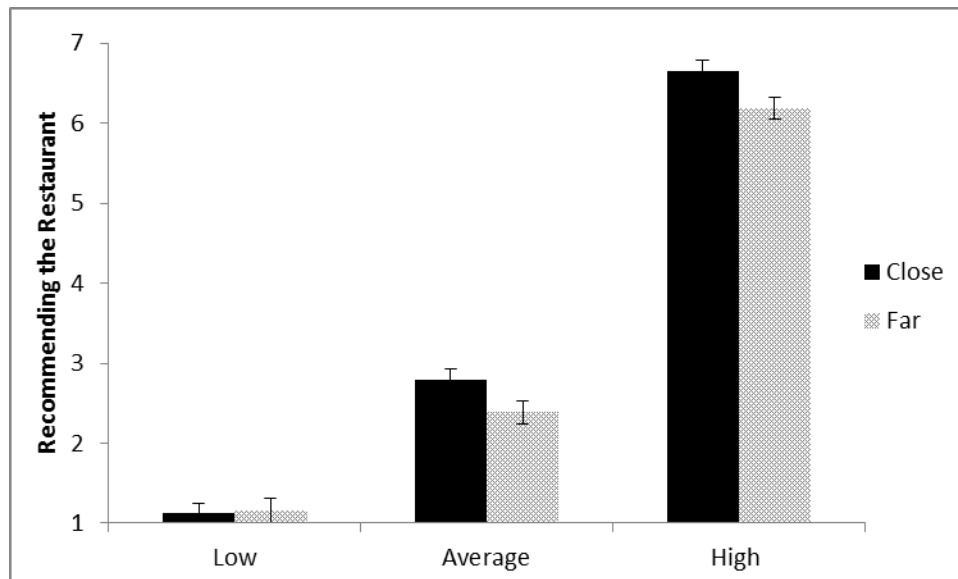
Consumer Characteristics Effects on Purchase and Repurchase

As predicted, an ANCOVA previously conducted on purchase likelihood including discount, distance, reputation, coupon proneness, price consciousness, price quality schema as main variables, and involvement, reference price and perceived risk as covariates indicated that coupon proneness was significant ($F(1, 933) = 19.72$, $p < .001$). However, price consciousness was not significant on purchase likelihood ($p = .08$). *Thus, we found support for H5.*

Price-quality schema ($F(1, 933) = 6.98$, $p < .05$) was also significant on purchase likelihood. Furthermore, we have previously conducted an ANCOVA on repurchase likelihood at full price including discount, distance, reputation, price

quality schema as main variables, and involvement as a covariate indicated price quality schema had a significant effect on repurchase ($F(l, 912) = 3.78$, $p = .05$). *Thus, H6a is supported.*

We also found reputation and price quality schema interaction significant on repurchase at full price ($F(l, 912) = 4.03$, $p < .05$). *Thus, H6b is supported.* However, we did not find discount and price quality schema interaction significant on repurchase at full price ($p = .29$). *Thus, we did not find support for H6c.* Table 3.5 includes a summary of all hypothesized results.

Table 3.5: Summary results of hypotheses

Hypothesis		Result
H1a,b,c (Main effect of discount)	*Higher levels of discount increase purchase (a) and WOM (c)/decrease repurchase (b) generation.*	H1a & H1c are supported, H1b is not supported.
H2a,b,c (Main effect of reputation)	*Reputation increases purchase likelihood (a), repurchase likelihood (b) and WOM generation (c)*	H2a and H2b are supported H2c is not supported.
H3a,b,c (Main effect of distance)	*Distance negatively influences purchase likelihood (a), repurchase likelihood(b) WOM generation (c)*	H3a is supported. H3b is not supported.
H4a,b (Interaction effect of Satisfaction, Discount and Reputation)	*As the satisfaction increases, the negative effect of price decreases on repurchases (a), WOM (b), (at full price) when the service provider is reputable (vs. non-reputable).*	H4a is supported. H4b is not supported.
H5 (Main effect of coupon proneness)	*Coupon proneness increases purchase likelihood*	H5 is supported
H6a,b,c (Price Quality Schema, Interaction effect of Price Quality Schema and Reputation, and Interaction effect of Price Quality Schema and Discount Interaction)	*Price Quality Schema increases repurchase likelihood (a).* *Reputation increases (b) Discount decreases (c) price quality schema effect on repurchase at full price.*	H6a and H6b are supported. H6c is not supported.

The following section includes attractiveness, repurchase at half and same discount, and WOM about deal and deal sites variables that were not in the hypotheses. We conducted more ANCOVAs with the above variables in order to give more managerially relevant suggestions to deal sites and service providers.

Attractiveness of the deal

First, we conducted an ANCOVA on attractiveness of the deal since it plays a significant part into the decision to purchase the deal. The model included discount, distance and reputation as between-subject factors, price consciousness, coupon proneness and price-quality schema as continuous measured factors, including covariates as perceived risk, reference price, and involvement. Results revealed main effects of discount ($F(2, 933) = 40.29$, $p < .001$), reputation ($F(1, 933) = 82.26$, $p < .001$) and distance ($F(1, 933) = 365.72$, $p < .001$) on attractiveness of the deal. More importantly, we found distance and reputation two-way interaction significant on attractiveness of the deal ($F(1, 933) = 11.90$, $p < .001$). In order to explore in detail what happens when the restaurant is unknown vs. widely known, we ran a simple effect analysis. Results indicated that low distance service provider was rated more attractive when the service provider is unknown ($M_{low} = 5.33$, $M_{high} = 3.06$; $p < .001$). Also, there was a significant increase in attractiveness across levels of distance in the widely known service provider condition ($M_{low} = 6.01$, $M_{high} = 4.36$; $p < .001$; see Figure 3.3)

Figure 3.3: Distance and Reputation Interaction on Attractiveness of the Deal
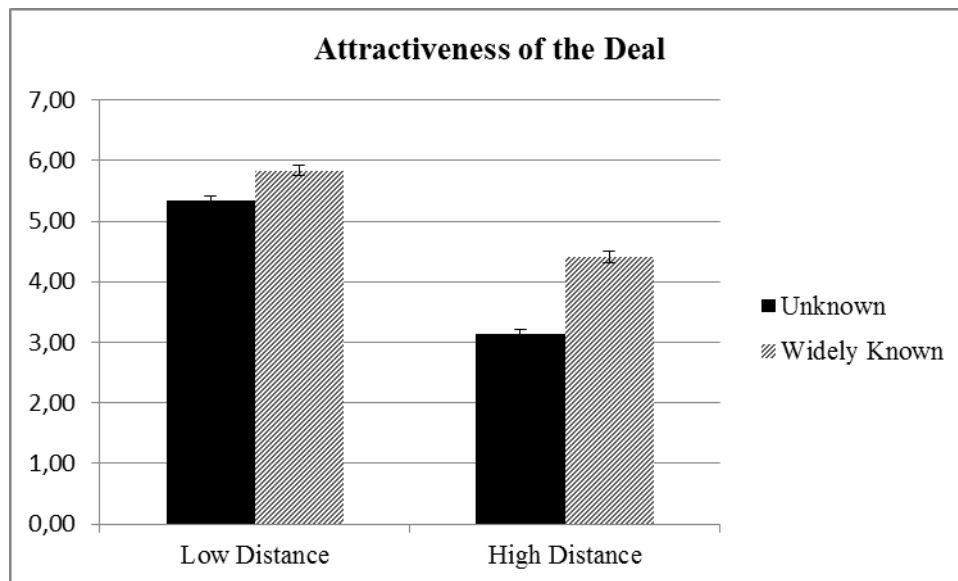
Coupon proneness ($F(1, 933) = 11.28$, $p < .001$) and price-quality schema were significant ($F(1, 936) = 6.58$, $p < .05$) while price consciousness was not significant on attractiveness of the deal ($p = .24$). Involvement ($F(1, 933) = 14.54$, $p < .001$) and perceived risk ($F(1, 933) = 52.94$, $p < .001$) were significant covariates, but reference price was not a significant covariate ($p = .07$). Table 3.6 outlines these results.

Table 3.6: Analysis of Covariance Results for three discount, two reputation and two distance conditions for attractiveness of the deal

Source of Variance	Mean (SE)	SD	F	η^2
Covariates				
Coupon Proneness			11.28**	.012
Price Consciousness			1.36	.001
Price Quality Schema			6.58*	.007
Involvement			14.54**	.015
Reference Price			3.22	.003
Perceived Risk			52.94**	.054
Main Effects				
Discount Conditions [a]			40.29**	.079
35% Discount	4.32 (.071)	1.75		
50% Discount	4.64 (.074)	1.87		
85% Discount	5.23 (.074)	1.73		
Reputation Conditions [b]			82.26**	.081
Unknown	4.32 (.063)	1.86		
Widely known	5.13 (.060)	1.59		
Distance Conditions [c]			365.72**	.282
Low	5.59 (.064)	1.20		
High	3.86 (.060)	1.79		
Distance x Reputation			11.90**	.013

Note: N = 960, R^2 = .51
[a] All discount conditions means for attractiveness of the deal are significantly different ($p < .001$).
[b] Reputation conditions means for attractiveness of the deal are significantly different ($p < .001$).
[c] Distance conditions means for attractiveness of the deal are significantly different ($p < .001$).

Repurchase from the Same Service Provider at Half Price and Same Discount

Secondly, we conducted an ANCOVA on repurchase at half price. Discount ($p = .13$) and distance ($p = .18$) were not significant on repurchase at half price. Reputation ($F(1, 912) = 4.19, p < .05$) and satisfaction ($F(1, 912) = 37.90, p < .001$) were significant on repurchase at half price. Coupon proneness ($p = .22$) and price consciousness ($p = .24$) were not significant on repurchase at half price. Price quality schema was marginally significant ($F(1, 912) = 3.26, p = .07$). Price quality schema and reputation interaction was significant on repurchase at half price ($F(1, 912) = 4.13, p < .05$). We did not find discount and price quality schema two-way interaction significant on repurchase at full price ($p = .67$). Unexpectedly, reference price was a significant covariate on repurchase at half price ($F(1, 912) = 6.45, p <$

.05). However, involvement was not a significant covariate on repurchase at half

price ($p = .49$). Table 3.7 outlines these results.

Table 3.7: Analysis of Covariance Results for three discount, two reputation, two
distance and three satisfaction conditions for repurchase at half price.

Source of Variance	Mean (SE)	SD	F	η^2
Covariates				
Coupon Proneness			1.51	.002
Price Consciousness			1.40	.002
Price Quality Schema			3.27	.004
Involvement			.47	.002
Reference Price			6.45*	.007
Main Effects				
Discount Conditions [a]			2.06	.004
35% Discount	27.89 (1.21)	30.97		
50% Discount	33.26 (1.27)	39.33		
85% Discount	36.24 (1.28)	39.63		
Reputation Conditions [b]			4.35*	.005
Unknown	32.82 (1.04)	32.21		
Widely known	32.11 (1.01)	31.28		
Distance Conditions [c]			1.81	.002
Low	36.70 (.99)	30.66		
High	28.23 (1.06)	32.83		
Satisfaction Conditions [d]			37.74**	.076
Low	3.27 (1.27)	7.28		
Average	19.61 (1.26)	24.23		
High	74.51 (1.23)	30.69		
Discount x Price Quality Schema			.67	.001
Reputation x Price Quality Schema			4.13*	.004
Distance*Satisfaction			9.42**	.020

Note: N = 960, R^2 = .68
[a] Discount conditions means for repurchase same discount are not significantly different ($p = .13$).
[b] Reputation conditions means for repurchase same discount are significantly different ($p = <.05$).
[c] Distance conditions means for repurchase same discount are not significantly different ($p = .18$).
[d] All satisfaction conditions means for repurchase same discount are significantly different ($p < .001$).

We found distance and satisfaction two-way interaction significant on

repurchase at half discount $(F(1, 912) = 8.85, p < .001)$. Results indicated that

repurchase likelihood of low distance service provider increased significantly as the

satisfaction increased ($Mlow = 2.94, M_{Average} = 26.38, M_{High} = 80.74$; all p's $< .001$)

and repurchase likelihood of a high distance service provider increased significantly

as satisfaction increased ($Mlow = 3.57, M_{Average} = 12.84, M_{High} = 82.33$; all p's $<$

.001). In the low satisfaction condition, the participants' repurchase likelihood for low and high distance service providers were not significantly different ($p = .74$). However, in the average and high satisfaction conditions, the participants' repurchase likelihood for low and high distance service provider were significantly different ($p < .001$, see Figure 3.4).

Figure 3.4: Satisfaction and Distance interaction on repurchase at half price.
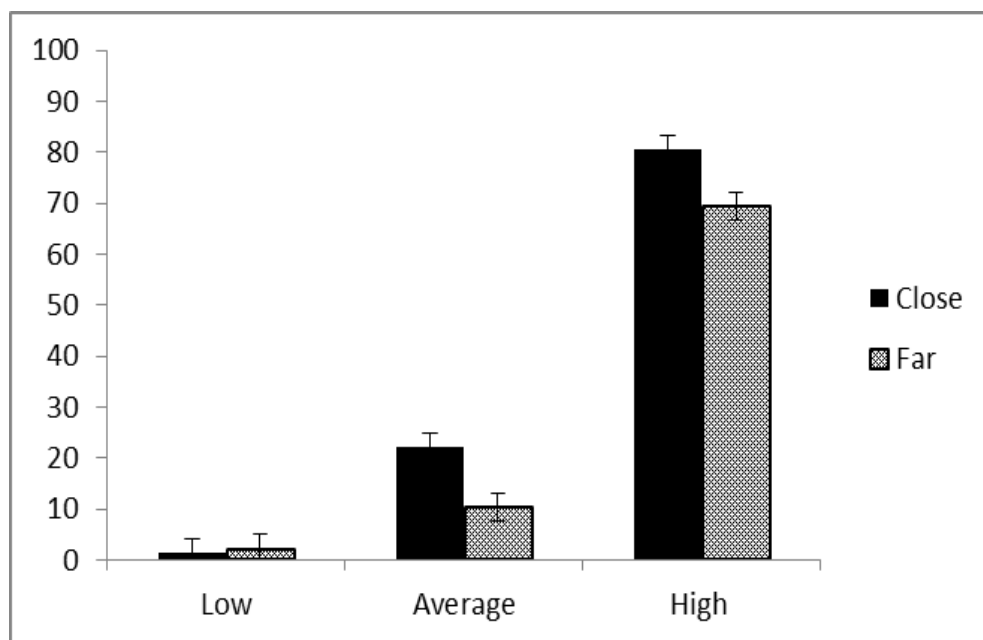
Next, we performed an ANCOVA *on repurchase same discount* from the same restaurant. The model included discount, distance, reputation and satisfaction as between-subject factors, price consciousness, coupon proneness and price-quality schema as continuous measured factors, including covariate as involvement. Since we are investigating repurchase behavior at same discount, perceived risk and reference price were not controlled. Results revealed significant main effects of satisfaction ($F(1, 912) = 901.10$, $p < .001$), discount ($F(1, 912) = 48.33$, $p < .001$) and

distance (F(l, 912) = 44.91, $p < .05$), price-quality schema (F(1, 933) = 10.50, $p < .05$), coupon proneness (F(l, 912) = 4.34, $p < .05$), price consciousness (F(l, 912) = 3.80, $p = .05$), significant on repurchase at same discount. Involvement was not a significant covariate ($p = .88$). Table 3.8 outlines these results.

Table 3.8: Analysis of Covariance Results for three discount, two reputation, two distance and three satisfaction conditions for repurchase same discount.

Source of Variance	Mean (SE)	SD	F	η^2
Covariates				
Coupon Proneness			4.34*	.003
Price Consciousness			3.80*	.004
Price Quality Schema			10.50**	.011
Involvement			0.23	
Main Effects				
Discount Conditions [a]			48.33**	.096
35% Discount	35.68 (1.28)	40.36		
50% Discount	44.08 (1.36)	42.23		
85% Discount	54.11 (1.36)	39.91		
Reputation Conditions [b]			2.56	.011
Unknown	43.38 (1.11)	41.61		
Widely known	45.86 (1.07)	41.36		
Distance Conditions [c]			44.91**	.047
Low	49.80 (1.05)	42.53		
High	39.45(1.13)	40.20		
Satisfaction Conditions [d]			901.10**	.664
Low	8.31 (.94)	16.89		
Average	38.23 (1.87)	33.40		
High	87.57 1.31)	23.52		
Satisfaction x Discount			6.99*	.030
Satisfaction x Distance			10.99**	.024

Note: N=274, R=.70
[a] All discount conditions means for repurchase same discount are significantly different ($p < .001$).
[b] Reputation conditions means for repurchase same discount are not significantly different ($p = .11$).
[c] Distance conditions means for repurchase same discount are significantly different ($p < .001$).
[d] All satisfaction conditions means for repurchase same discount are significantly different ($p < .001$).

Furthermore, the distance and satisfaction (F(l, 912) = 10.991, $p < .001$) interaction was significant on the repurchase at the same discount. Results indicated that repurchase likelihood of low distance service provider increased significantly as the satisfaction increased ($M_{low} = 9.81$, $M_{Average} = 47.91$, $M_{High} = 93.66$; all p's < .001) and repurchase likelihood of a high distance service provider increased

significantly as satisfaction increased (M_{low} = 10.51, $M_{Average}$ = 28.46, M_{High} = 82.33; all p's < .001). In the low satisfaction condition, the participants' repurchase likelihood did not differ between low and high distance conditions (p = .79). However, in the average and high satisfaction conditions, the participants' repurchase likelihood differs significantly between low and high distance conditions (p < .001).

The results also revealed a significant discount and satisfaction interaction on repurchase likelihood ($F_{(1, 912)}$ = 6.99, p < .001). In 35% discount condition, repurchase likelihood of service provider increased significantly as satisfaction increased (M_{low} = 5.46, $M_{Average}$ = 23.32, M_{High} = 80.54; both p's < .001), and in 50% discount condition repurchase likelihood increased significantly as satisfaction increased (M_{low} = 6.61, $M_{Average}$ = 37.09, M_{High} = 82.96; both p's < .001) and in 85% discount condition repurchase likelihood increased significantly as satisfaction increased (M_{low} = 18.43, $M_{Average}$ M = 54.14, M_{High} = 93.48; p's < .001). In the low satisfaction condition, the participants' repurchase likelihood did not differ between 35% discount condition and 50 % discount condition (p = .70). However there was a significant increase from 50% discount condition to 85 % discount condition (p < .05). In the average satisfaction condition, the participants' repurchase likelihood increased significantly (all p's < .001). In the high satisfaction condition, the participants' repurchase likelihood increased significantly from 35% discount to 50% discount (p < .001) but did not significantly increase from 50% discount to 85% discount conditions.

WOM about deal and deal sites

An ANCOVA was conducted on WOM generation about the deal. The model included discount, distance, reputation and satisfaction as between-subject factors, price consciousness, coupon proneness and price-quality schema as continuous measured factors, including covariates as involvement and reference price. Discount had a significant effect on WOM about the deal ($F(2, 912) = 11.41$, $p < .05$). Planned contrasts found that, as predicted, participants' WOM generation about of the deal increased significantly from 35% discount condition ($M = 2.93$) to 50 % discount condition ($M = 3.15$, $p < .001$). In addition, WOM generation about the deal increased significantly from 50% discount condition to 85 % discount condition ($M = 3.41$, $p < .001$).

Reputation of the service provider was not significant on WOM about the deal ($p = .25$). Additionally, distance had a significant effect on WOM about the deal ($F(1, 912) = 11.85$, $p < .001$). Follow up contrast found that, participants in the low distance condition ($M_{low} = 3.30$) reported higher likelihood of WOM generation about the deal than in the high distance condition ($M_{high} = 3.02$; $p < .001$).

Satisfaction ($F(1, 912) = 852.22$, $p < .001$), price quality schema ($F(1, 912) = 8.06$, $p < .01$) and coupon proneness ($F(1, 912) = 11.36$, $p < .001$) were significant on WOM about the deal. Price consciousness was not significant on WOM about the deal ($p = .41$). Involvement ($F(1, 912) = 7.62$, $p < .05$) and reference price ($F(1, 912) = 14.31$, $p < .01$) were significant covariates. Table 3.9 outlines these results.

Table 3.9: Analysis of Covariance Results for three discount, two reputation, two distance and three satisfaction conditions for WOM generation about the deal.

Source of Variance	Mean (SE)	SD	F	η^2
Covariates				
Coupon Proneness			11.36**	.012
Price Consciousness			.63	.001
Price Quality Schema			8.06*	.009
Involvement			7.62*	.008
Reference Price			14.31**	.015
Main Effects				
Discount Conditions[a]			11.41**	.024
35% Discount	2.93 (.07)	2.04		
50% Discount	3.15 (.07)	2.19		
85% Discount	3.41 (.07)	2.08		
Reputation Conditions [b]			1.36	.001
Unknown	3.12 (.06)	41.61		
Widely known	3.21 (.06)	41.36		
Distance Conditions[c]			11.85**	.013
Low	3.30 (.06)	42.53		
High	3.02 (.06)	40.20		
Satisfaction Conditions [d]			852.22**	.652
Low	1.33 (.07)	.74		
Average	2.76 (.07)	1.55		
High	5.40 (.07)	1.42		
Satisfaction x Distance x Reputation			3.34*	.007
Satisfaction x Distance			5.16*	.011
Reputation x Distance			4.06*	.004

Note: N= 960, R = .524

[a] All discount conditions means for repurchase same discount are significantly different ($p < .001$).

[b] Reputation conditions means for repurchase same discount are not significantly different ($p = .24$).

[c] Distance conditions means for repurchase same discount are significantly different ($p < .001$).

[d] All satisfaction conditions means for repurchase same discount are significantly different ($p < .001$).

We found distance, satisfaction and reputation three way interaction significant on WOM about the deal ($F(1, 912) = 3.34$, $p < .05$). In the unknown and low distance service provider condition, WOM likelihood about the deal increased significantly as satisfaction increased ($M_{low} = 1.29$, $M_{average} = 3.14$, $M_{high} = 5.78$; all

p's < .001). In the unknown and high distance service provider condition, WOM likelihood about the deal increased significantly as satisfaction increased (M_{low} = 1.41, $M_{average}$= 2.36, M_{high} = 5.06; all p's < .001). In the widely known and low distance service provider condition, WOM likelihood about the deal increased significantly as satisfaction increased (M_{low} = 1.48, $M_{average}$= 3.06, M_{high} = 5.38; p's < .001). In the widely known and high distance service provider condition, WOM likelihood about the deal increased significantly as satisfaction increased (M_{low} = 1.56 < $M_{average}$= 2.82 < M_{high} = 5.43; all (p's < .001). In the unknown and low distance condition, WOM about the deal increased as long as service providers provide average and high satisfaction (both p's <.05). In the widely known and across all satisfaction conditions, WOM about the deal did not differ between high and low distance (all p's >.1). Additionally, we found distance and reputation (F(l, 912) = 4.06, p < .05) and distance and satisfaction two-way interactions significant on recommending the deal (F(l, 912) = 5.16, p < .05).

We also differentiated between WOM about the deal and WOM about deal site. An identical ANCOVA was conducted for WOM about the deal. Satisfaction (F(l, 912) = 50.43, p < .001), coupon proneness (F(l, 912) = 56.26, p < .001), price consciousness (F(l, 912) = 27.89, p < .001), price quality schema (F(l, 912) = 6.97, p < .05) were significant on WOM about the deal site. Discount (p = .06), reputation (p = .67) and distance (p = .32) were not significant on WOM about deal site. Involvement was a significant covariate (F(l, 912) = 12.57, p < .001). However, reference price was not a significant covariate (p = .89). Finally, distance and

reputation two-way interaction was significant on WOM generation about the deal site (F(l, 912) = 3.79, p = .05). In both distance conditions, the WOM generation about deal site did not differ between the unknown and widely known service providers (p = .67). In the unknown service provider condition, the WOM generation about deal site decreased significantly as the distance increased (M_{low} = 4.80 < M_{high}= 4.49, (p < .05).

Stop Purchasing from Deal Sites

We also wanted to investigate the drivers of the discontinuation of purchase behavior. An ANCOVA was conducted on stop purchasing behavior. The model included discount, distance, reputation and satisfaction as between-subject factors, price consciousness, coupon proneness and price-quality schema as continuous measured factors, including covariates as involvement and reference price. Satisfaction (F(2, 912) = 65.73, p < .001), distance (F(1, 912) = 4.39, p < .05), reputation (F(1, 912) = 3.96, p < .05), discount (F(2, 912) = 2.35, p < .1), price consciousness (F(1, 912 =21.75, p < .001), coupon proneness (F(2, 912) = 11.59, p < .001) were significant on stop purchasing behavior. Price quality schema was not significant (p = .79). Involvement was a significant covariate (F(2, 912) = 8.66, p < .05). Only reference price was not a significant covariate (p = .06).

We found a significant two-way interaction of distance and discount (F(l, 912) = 3.09, p < .05) on stop purchasing the service. Results indicated that in the 35% discount condition, stop purchasing behavior increased significantly as the distance increased (Ml_{ow} = 22.13, M_{high} = 27.59; p < .05). In 50% discount condition, stop

purchasing increased significantly as distance increased (Ml_{ow} = 22.19, M_{high} = 27.49; $p < .05$) but in 85% discount condition, stop purchasing did not differ between low and high distance service providers ($p = .99$). Also, stop purchasing behavior for a low distance service provider did not differ between the different discount rates (all p's > .1). However at high distance condition, stop purchasing behavior differ significantly between 35% and 85% and 50% and 85% discount conditions (both p's <.05).

Furthermore, results revealed satisfaction and reputation two-way interaction significant on stop purchasing (F(l, 912) = 4.18, $p < .05$). In the low satisfaction condition, "stop purchasing" behavior increased significantly between unknown and widely known service provider ($M_{unknown}$ = 32.28, $M_{widely\ known}$ = 39.14; $p < .001$). In the average satisfaction condition, stop purchasing behavior increased significantly between unknown and widely known service provider ($M_{unknown}$ = 20, $M_{widely\ known}$ = 24.71; $p < .001$) and in the high satisfaction condition, stop purchasing behavior increased significantly between unknown and widely known service provider ($M_{unknown}$ = 14.93, $M_{widely\ known}$ = 11.16, $p < .001$). In the unknown and widely known service providers' conditions, stop purchasing behavior differed significantly as satisfaction increased (p's < .001).

We also explored what the minimum discount would be so that customers keep purchasing these services. The average discounts for the participants who were previously offered a 35% discount rate, continued purchasing even when they were offered at least 49% discount the next time. The participants who previously were

offered a 50% discount rate continued as if they were offered at least a 54.4% discount and for the ones who were offered 85% previously, would only continue if they were offered at least 61.08%.

We also added demographics as covariates to all ANCOVAs above. Since the demographics did have neither significant effect nor improvement of the model, we excluded them from our analyses.

3.5 Discussion

Consistent with the behavioral learning theory, we found positive main effect of discount on purchase likelihood. As for the reputation and distance, our results confirm the theory with positive main effect of reputation and negative main effect of distance on the purchase. This study also showed that higher levels of service provider reputation reduce the negative impact of service provider distance on attractiveness of the deal. Participants are willing to drive higher distances as long as the service provider is widely known. As reference price increased, we found a decrease in the attractiveness of the deal as expected. Price consciousness is not found to be effective on the attractiveness of the deal, while coupon proneness is a significant predictor of attractiveness and purchase likelihood.

Lee et al. (2012) proved individuals with high price quality schema show consistent attitudes toward preferences. We found evidence of price quality schema effect on attractiveness of the deal, purchase, repurchase, and WOM generation consistently. If the consumer is using the price as a cue for quality, this

characteristic is the only consumer characteristic that would drive them to repurchase at full price. Also, reputation of the service provider increases the effect of price quality schema on repurchase decisions consistent with literature. Contrary to previous findings, we did not find price discount and price quality schema interaction significant.

Satisfaction is found to be the main driver of repurchase and WOM consistent with consumer service quality theory (Taylor and Baker, 1994; Cronin et al. 2000). The higher you can satisfy a deal site user, the higher the likelihood is of getting them back as loyal customers. The three-way interaction of satisfaction, discount and reputation effect on repurchase at full price is providing actionable managerial advice. Decision makers can decide on which discount rate is best according to the satisfaction level that the service provider provides and to the reputation that the service provider has. Widely known companies that satisfy their customers at high levels, should not give more than 50% discount rates. Then, service providers might decrease likelihood of repurchase at full price for the deal sites' customers. Unknown companies can give any discount rate as long as they satisfy their customers. Additionally, the distance and satisfaction interaction effect reveals that customers are more willing to drive further distances as long as they are satisfied. The likelihood of repurchase at close distance increased with satisfaction at average and high levels.

Coupon proneness characteristic is significant on the WOM generation about deal, deal site and service providers. Therefore, even if the participants are coupon

prone and do not pay full price, they might increase extra revenue by the WOM they generate. As a result, targeting coupon prone people is a key for decision makers.

Finally, satisfaction, distance and reputation had a positive effect on the WOM generation about the deal. If the service provider is unknown and low distance, satisfaction increases the WOM generation about the deals. Satisfaction also reduces the negative effect of distance on WOM generation about the service provider.

Theoretical Implications

The key to success for the deal site-service provider business model is closely tied to repeat purchase and generation of positive WOM. According to the theoretical basis of Behavioral Learning Theory, providing positive reinforcement for the desired behavior as repeat purchase is very crucial (Rothschild and Gaidis, 1981). From the deal site perspective, consumers will be positively reinforced as long as they are given various intermittent schedules of discounts in their involved category. However from the service provider, sustainability purposes reinforcing with the same or increasing discount levels will harm their short and long term profitability. Our results also indicate that in order to increase the likelihood of the repurchase from the service provider at full or gradually decreasing discount rates, the service provider should be very careful when offering the first discount rate depending on its own reputation, distance, and satisfaction. Behavioral learning theory would suggest that deals act as reinforcements. Our results indicate that action variable defined as satisfaction could be another reinforcement to motivate

customers for repeat purchase. As a matter of fact, satisfaction is a stronger reinforcement than the discount.

Managerial Implications for Deal Sites

In terms of managerial implications, both service providers and deal sites can benefit from our findings and recommendations. For deal sites' decision makers; our results imply that the primary driver of the purchase from a deal site is the distance of the service provider to the customer. The closer the service provider, the higher the likelihood of purchase is and generation of WOM. In addition, consumers are mainly attracted by widely known low distance service providers. Reputation decreases the negative effect of distance on attractiveness of the deal especially if the service provider is located at a high distance.

Previous literatures describe consumers high on price quality schema as 'price seekers' (Lichtenstein et al. 1993) since they are willing to pay higher prices for quality. Unexpectedly, we found that consumers high in price quality schema are willing to purchase from deal sites at discount. We speculate that they are considering original price on the offer rather than discounted price to decide. Thus, deal sites can highlight the original price of the deal to attract high price quality schema consumers.

As for the WOM creation, the consumers high on coupon proneness generate WOM about the deal and deal site. So, the coupon prone customers are more likely to get the deal, even if they don't repurchase at full, but are likely to recommend it.

While promoting the social part of the deals, the deal sites can also emphasize that couponing is fun and profitable.

Involvement in the category had a positive effect on the WOM about the deal and deal site, while reference price had a negative effect. The deal sites managers can segment their consumers according to their previous purchases, demographic characteristics and define their involved category. Offering deals in their involved category would help increasing purchase likelihood and WOM.

Discount is found to increase the negative effect of distance on stop purchasing from deal sites. Deal sites' managers can suggest the service provider to decrease discount rates of high distance service providers, if both stakeholders do not want consumers to stop purchase.

Managerial Implications for Service Providers

As for the service providers' decision makers; we found high satisfaction as the primary driver of the repurchase at full price. The higher service providers can satisfy deal sites customers and the higher the likelihood is of getting them back as loyal customers. The result of the three way significant interaction of satisfaction, discount, and reputation drives managers of service providers to decide on the discount rate according to the satisfaction level that the service provider can provide and to the reputation that the service provider has. If you are a widely known service provider and you can satisfy customers well, then offering discounts higher than 50% would decrease your consumers' likelihood of repurchase at full price.

However if you are an unknown service provider, you can decide to give any discount rate as long as you satisfy your customers.

As for the WOM creation, the consumers high on coupon proneness generate WOM about the service provider too. So, the coupon prone customers are more likely to get the deal from deal site but are likely to recommend it to other consumers to compensate the fact that they are not repurchasing. Service providers can train their personnel to encourage consumers to seek and use online coupons. Also, service providers' own websites can teach consumers that coming through deal sites and couponing is profitable. In addition, service providers can highlight that deal sites' consumer is treated as a regular consumers to encourage coupon prone consumers to try their services.

We found that consumers' high in price quality schema are willing to repurchase at full price. Identifying these people through a questionnaire (Lichtenstein et al., 1993) and following up with those consumers would increase their return. In addition, reputation of the service provider increases the effect of price quality schema on repurchase likelihood at different discount conditions. Managers of deal sites and/or service providers should both emphasize the reputation of the service provider (if widely known) to be repurchased. However, discount does not moderate the effect of price quality schema on repurchase. This may be due to the fact that discount does not change the consumers' high in price quality schema attributions for quality, which is an advantage for service providers.

Finally, our results showed satisfaction and reputation interaction on stop purchasing from deal sites. This result has an implication for both deal sites and service providers. This would predict that low satisfaction rates will do more harm to a widely known service than to an unknown service provider which also negatively affects deal sites.

Limitations and Future Work

We collected our data through an online participant pool and manipulated the variables through scenarios. However, the mundane validity of the scenario experiment is not very high. Hence, field studies that use actual deals and consumers through cooperation with deal sites and service providers would be beneficial to further investigate the topic.

In terms of future work, we would like to manipulate price quality schema and purchase behavior as well as repurchase behavior. Also, future research should investigate how deal content (keywords for service quality, popularity and images) impact WOM and eWOM.

SUMMARY AND CONCLUSIONS

This dissertation contains three chapters aimed at answering these three questions. W*hat drives customers to buy into these deep deals for the first time? What motivates them to repurchase at lower discount rates and at full price? What generates WOM for the service provider and/or the daily deal site?* In the following subsections, we provide a separate conclusion per chapter.

Chapter 1: The Dynamics of Groupon: Repeat Purchase and Word-Of-Mouth After Deep Discounts

Small and Medium Size Enterprises (SMEs) have a very important role in emerging markets such as Turkey. Deal sites provide an easy to use advertising opportunity for the SMEs, compared to other tools such as Google Adwords or marketing campaigns which require more expertise or higher budgets. Starting their operations in Turkey by 2010, daily deal businesses grew very fast, since the country had about 36 million Internet users and a high Internet/mobile penetration rate. Thus, the growth of daily deal business can contribute to the growth of SMEs. Groupon Turkey is claiming that they have alone created a 100 million TL market for SMEs. On the other hand, the academic research conducted, the blogs, or social media channels reported heavy losses for SMEs after offering a deal that draws mostly first time customers but not repeat customers (Agrawal, 2011). This creates a challenge for service providers and daily deal sites as reflected in Groupon's

dropping earnings, visitors' numbers, and increasing number of complaints. This research gives an overall view of how consumers perceive deal sites in Turkey and reveals how consumer motivations play a significant role in purchase from deal sites, repurchase from service providers and WOM generation. The findings presented here provide a novel perspective on prior research that examines price promotions. Also to our knowledge, this is the first time that McClelland Need Theory has been applied to the deep discount context.

First of all, high need for achievement consumers are the ones who purchase from deal sites. In addition, we also found an interaction effect between need for achievement and income indicating that high need for achievement consumers are more likely to make purchases from deal sites when their income increases. Furthermore, need for affiliation is an important driver of intention to repurchase. The effect of need for affiliation increases especially when the service providers do not discriminate deal site consumers from regular ones and provide full service regardless of the discount the consumers got from the deal site. Finally, high need for power people are the ones who are most likely to create the WOM about the service provider. WOM increases when discrimination is controlled and when service providing company is reputable.

Chapter 2: Catch and Release: Which Groupon Customers Will Chatter or Come Back?

The previous study was limited by the self-report behavior. We wanted to validate the results of the first chapter with an experimental study. Also, since the

results were limited by the setting (Turkey) and the population we used for the survey study (university students), we wanted to investigate these variables in US and used different consumer segments. Finally, we enlarged the sample size in the second chapter.

In the first chapter, we explored about reputation of company and service quality. However, we needed to investigate the direct effect of all utility variables in an experimental setting. The first study of the second chapter is an interview study. In this study we explored the motivations of consumers to design our experiment. The interviews pointed out consumers' utility factors as discount, reputation of the service provider, and distance from home or workplace and a set of diverse consumer's motivations which were in line with McClelland Theory of Needs that we used in our previous study. These needs (need for achievement, affiliation and power) interact with the situation to influence consumer attitudes and actions. The experiment is a 3 (discount level: 35% vs. 50% vs. 75%) x 2 (distance: low vs. high) x 2 (reputation: widely known vs. unknown service provider) between subjects design. Discount level, distance, and reputation were manipulated using a hypothetical consumption situation. The results revealed that discount, reputation of the service provider, and distance from the service provider affect the likelihood to purchase from online deal sites. The interaction between discount level and distance showed that if the distance is high, consumers expect higher levels of discounts.

This study combined both utility and need theories to explain different phases of a consumption situation. Since the customer has to scarify the price utility in

order to repurchase at a higher rate, it is very unlikely that they repurchase at full price. However, our results revealed that the service provider can motivate high need for achievement as well as high need for affiliation customers to repurchase at half the discount rate. Need for achievement has been a driver for WOM and eWOM. Additionally, the motive for the high need for affiliation consumers to create eWOM is also differentiated from WOM in our empirical study.

Service providers need some guidance to identify high need for achievement and high need for affiliation consumers. This can be done simply through a needs questionnaire that we used in this study. Once high need for achievement and need for affiliation consumers come to the deal site, service providers may be able to have them to repurchase at incremental discounts.

Chapter 3: Hate the Deal, Drop Groupon? Repeat Purchase and Recommendations for Service Providers and Deal Sites

The third chapter consists of a broader experiment where we added satisfaction to the utility factors we have used in the previous chapter. We also investigated consumer characteristics that might affect purchase, repurchase and WOM intentions. In the second chapter's experimental study we did not specify an offer category. Since the category may affect the responses of consumers, in this study we have chosen the most popular category-restaurant that has hedonic and utilitarian benefits for consumers. Results revealed that service provider reputation reduced the negative impact of distance on attractiveness of the deal. Coupon proneness is a key consumer characteristic that predicts purchase likelihood.

Consumers high in price quality schema gets more attracted to deal, show higher levels of purchase and repurchase likelihood, and WOM generation consistently.

Most importantly, satisfaction is found to be the main driver of repurchase and WOM consistent with consumer service quality theory (Taylor and Baker, 1994; Cronin et al. 2000). The three-way interaction of satisfaction, discount and reputation effect on repurchase at full price suggests widely known companies which satisfy their customers at high levels not give more than 50% discount rates if they want to be repurchased later. Unknown companies can give any discount rate as long as they satisfy their customers. Additionally, the distance and satisfaction interaction effect reveals that customers are more willing to drive further distances as long as they are satisfied. The likelihood of repurchase at close distance increased if satisfaction is at average and high levels. Finally, satisfaction, distance and reputation had a positive effect on the WOM generation about the deal. If the service provider is unknown and located at low distance, satisfaction increases the WOM generation about the deals. Satisfaction also reduces the negative effect of distance on WOM generation about the service provider.

Future Research Directions

All chapters in this dissertation tie to each other in terms of methodology, the constructs used, and perspectives taken. In this section, we identify a number of possible directions for future research.

Enhancing our understanding of under what conditions repurchase and WOM happens when multiple aspects of consumer motivations are taken into account is an

important area for further exploration. Future work may manipulate the consumer needs (need for achievement, affiliation and power) and characteristics (price-quality schema) in a new experimental design with a larger sample size. Another line of research may aim to identify boundary conditions for WOM effect. In our empirical study, we used restaurants as an offer category. Future research should investigate if and how product/service categories (e.g., hedonic vs. functional, low vs. high involvement) affect consumer motivations in the context of deal site usage. In terms of future work, we would like to manipulate price quality schema as a consumer characteristic. Also, future research should investigate how deal content (keywords for service quality, popularity and images) impact WOM and eWOM. Finally, data was collected through an online participant pool (Mturk). Future research may replicate our findings in an actual consumption situation, using actual deal site consumers.

To Close

This dissertation shows that the importance of utility variables for companies and also how they should combine their utilities with consumer motivations and characteristics to improve their performance in the long term. If implemented carefully our managerial implications can be a powerful strategy to provide valuable insights to deal sites and service providers, and will improve firm performance.

APPENDIX A

Study 1- Survey

Sayın Katılımcı,
Bu çalışma indirim kuponu sağlayan fırsat siteleri ve birkaç kısa çalışmanın
birleştirildiği bir araştırmadır. Online alışveriş yapanların motivasyonunu, hizmet
memnuniyetini ve tekrar satın alma kararlarını etkileyen faktörleri araştırmaktayız.
Cevaplarınız araştırmamız için büyük önem taşımaktadır, ayrıca sizden alınan
bilgiler bu hizmetleri geliştirmek için de önem arz etmektedir.   Bu anketi
tamamlamak yaklaşık 10 dakikanızı alacaktır. Soruları cevaplarken lütfen mümkün
olduğu kadar dürüst ve açık olun.   Ankete yanıtların kalitesini sağlamak için
kontrol amaçlı birkaç soru dâhil ettik. Bu sorular oldukça belirgin olacaktır. Bu
birkaç soruyu yanıtlamak için lütfen talimatları takip edin. Yardımlarınızdan dolayı
çok teşekkür ederiz,
Saygılarımızla.

Aşağıda örnek bir indirim fırsatı yer almaktadır.

Daha önce bu veya benzeri fırsat sitelerinden alışveriş yaptınız mı?
- ○ EVET (1)
- ○ HAYIR (2)

Daha önce bu veya benzeri fırsat sitelerinden alışveriş yaptıysanız Servis/Hizmet mi (Örnek: Restoran, masaj, gezi, hotel, kurs....vb) Ürün mü (Örnek: kıyafet, ayakkabı, makyaj malzemeleri, ev veya mutfak eşyaları, bilgisayar oyunları......vb) satın aldınız?

○ Sadece Servis/Hizmet (1)
○ Sadece Ürün (2)
○ Servis/Hizmet ve Ürün (3)

Hangi şartlar sizin fırsat sitelerinden servis/hizmet satın almanızda etkili olur? Birden fazla seçebilirsiniz.

❑ Fiyatın uygunluğu (1)
❑ Servis/Hizmetin ilgili olduğum alanda olması (2)
❑ Servis/Hizmet sağlayan şirketin lokasyon olarak yakın olması (3)
❑ Servis/Hizmet sağlayan şirketin bilinen bir şirket olması (4)
❑ Fırsat sitesinin bilinen bir site olması (5)
❑ Servis/Hizmet sağlayan şirket hakkında duyduklarım (tavsiyeler) (6)
❑ Fırsat sitesi hakkında duyduklarım (tavsiyeler) (7)
❑ Servis/Hizmet sağlayan şirketin hakkında reklamlar (8)
❑ Fırsat sitesi hakkındaki reklamlar (9)
❑ Diğer (Lütfen belirtiniz) (10) _____

Daha önce fırsat sitesinden aldığınız servisi/hizmeti daha sonra tekrar indirimsiz/orijinal fiyatından aldınız mı?

○ Almadım (1)
○ Aldım (2)
○ Hatırlamıyorum (3)

Fırsat sitesinden indirimli aldığınız bir servisi/hizmeti daha sonra indirimsiz/orijinal fiyatından almanızda aşağıdaki faktörlerden hangileri etkili olur? Birden fazla seçenek işaretleyebilirsiniz.

❑ İndirimsiz/Orijinal fiyatın uygunluğu (1)
❑ Servis/hizmet konusundaki olumlu tecrübem (2)
❑ Bir daha fırsat sitesiyle uğraşmak zorunda kalmamam (3)
❑ Denediğim için risksiz olması (4)
❑ Lokasyon olarak yakın olması (5)
❑ Servis/Hizmet sağlayan şirketin bilinen bir şirket olması (6)
❑ Servisi/Hizmeti satın aldıktan sonra düzenli olarak arayıp memnuniyetimi takip etmeleri. (7)
❑ İhtiyacıma uygun yeni servisler/hizmetler teklif etmeleri-reklam vermeleri (8)
❑ Gelirlerinin bir kısmını sosyal yardımlarda kullanmaları (9)
❑ Ödeme kolaylığı yapmaları (10)
❑ Çok prestijli bir servis/hizmet sunmaları (11)
❑ Mecburiyet- tekrar gerektiren bir servis/hizmet olması (Örnek: Yeni bir seans, ya da eğitime devam etme gibi) (13)

❑ Diğer (Lütfen belirtiniz) (14) _____

Fırsat sitesinden satın aldığınız servisi/hizmeti kullanırken diğer müşterilere göre size nasıl davranıldı?
- ⭕ Çok daha kötü (-3)
- ⭕ Kötü (-2)
- ⭕ Biraz daha kötü (-1)
- ⭕ Aynı (0)
- ⭕ Biraz daha iyi (1)
- ⭕ İyi (2)
- ⭕ Çok daha iyi (3)

Fırsat sitesinden satın aldığınız servisin/hizmetin kalitesi nasıldı?
- ⭕ Çok kötü (-3)
- ⭕ Kötü (-2)
- ⭕ Biraz Kötü (-1)
- ⭕ Kararsızım (0)
- ⭕ Biraz İyi (1)
- ⭕ İyi (2)
- ⭕ Çok iyi (3)

Fırsat sitesinden servis/hizmet satın aldığınız şirketin bilinen bir şirket olması satın alma kararınızda ne kadar etkilidir?
- ⭕ Hiç etkili değil (-3)
- ⭕ Etkili değildir (-2)
- ⭕ Pek Etkili değildir (-1)
- ⭕ Kararsızım (0)
- ⭕ Kısmen Etkilidir (1)
- ⭕ Etkilidir (2)
- ⭕ Çok etkilidir (3)

Fırsat sitesinden servis/hizmet satın aldığınız şirketin size olan uzaklığı satın alma kararınızda ne kadar etkilidir?
Hiç etkili değil (-3)
Etkili değildir (-2)
Pek Etkili değildir (-1)
Kararsızım (0)
Kısmen Etkilidir (1)
Etkilidir (2)
Çok etkilidir (3)

Eğer servisten/hizmetten memnun kaldıysanız, fırsat sitesinden servis/hizmet satın aldığınız şirketten çevrenizdekilere bahseder misiniz?
- ❍ Kesinlikle bahsetmem (-3)
- ❍ Bahsetmem (-2)
- ❍ Pek bahsetmem (-1)
- ❍ Kararsızım (0)
- ❍ Bir ihtimal bahsederim (1)
- ❍ Bahsederim (2)
- ❍ Kesinlikle bahsederim (3)

Eğer servisten/hizmetten memnun kaldıysanız, servis/hizmet aldığınız şirketi çevrenizdeki insanlara tavsiye eder misiniz?
- ❍ Kesinlikle etmem (-3)
- ❍ Etmem (-2)
- ❍ Pek etmem (-1)
- ❍ Kararsızım (0)
- ❍ Bir ihtimal ederim (1)
- ❍ Ederim (2)
- ❍ Kesinlikle ederim (3)

Eğer servisten memnun kaldıysanız, satın aldığınız bu servisi/hizmeti tekrar servis sağlayıcı şirketten almanız gerekirse (örn: restauranttan) asıl(indirimsiz) fiyatından satın alır mısınız?
- ❍ Kesinlikle almam (-3)
- ❍ Almam (-2)
- ❍ Pek sanmıyorum (-1)
- ❍ Kararsızım (0)
- ❍ Bir ihtimal (1)
- ❍ Alırım (2)
- ❍ Kesinlikle alırım (3)

Hangi fırsat sitesi veya sitelerinden alışveriş yaptınız? Aldığınız servisi/ hizmeti veya servisleri/hizmetleri lütfen belirtiniz.

	Bu siteden satın almadım	Restoran	Güzellik ve Bakım	Gezi, Otel, Ulaşım	Sergi,Etkinlik, Tiyatro, Sinema	Kurs ve Ders	Spor Aktiviteleri	Diğer
www.sehirfisati.com	❑	❑	❑	❑	❑	❑	❑	❑
www.grupanya.com	❑	❑	❑	❑	❑	❑	❑	❑
www.grupfoni.com	❑	❑	❑	❑	❑	❑	❑	❑
www.firsatbufirsat.com	❑	❑	❑	❑	❑	❑	❑	❑
www.birliktealalim.com	❑	❑	❑	❑	❑	❑	❑	❑
www.sehrikeyif.com	❑	❑	❑	❑	❑	❑	❑	❑
www.firsatcaddesi.com	❑	❑	❑	❑	❑	❑	❑	❑
Diğer …………...	❑	❑	❑	❑	❑	❑	❑	❑

Fırsat sitelerinde en fazla görmek istediğiniz aktiviteler nelerdir? (Birden fazla seçebilirsiniz.)
- ❑ Restaurant (1)
- ❑ Güzellik Merkezleri (2)
- ❑ Konser, Sergi, Etkinlik, Tiyatro, Sinema (3)
- ❑ Kurs ve Ders (4)
- ❑ Gezi, Hotel, Ulaşım (5)
- ❑ Spor Aktiviteleri (6)
- ❑ Diğer(Lütfen Belirtiniz) (7) _____

Fırsat sitelerinden almayı düşündüğünüz servislerde/hizmetlerde aşağıdaki indirimlerden hangisi sizi en fazla cezbeder?
- ❍ 0 - 29 %
- ❍ 30 - 40 %
- ❍ 40 - 50 %
- ❍ 50 - 59 %
- ❍ 60 - 69 %
- ❍ 70 - 79 %
- ❍ 80 - 89 %
- ❍ 90 - 99%

Fırsat sitesinden satın aldığım servisin/hizmetin asıl fiyatının belirtilenden…………………………………… olduğunu düşünüyorum.
- ❍ 1- Çok düşük (1)
- ❍ 2- Düşük (2)
- ❍ 3-Biraz düşük (3)
- ❍ 4-Aynı (4)
- ❍ 5- Biraz yüksek (5)
- ❍ 6-Yüksek (6)
- ❍ 7-Çok yüksek (7)

II. BÖLÜM PSİKOLOJİK İHTİYAÇLARI DEĞERLENDİRME ÖLÇEĞİ. Lütfen aşağıdaki cümlelerin her birinin kendi yaşamınızla ne kadar ilgili olduğunu düşünerek dikkatlice okuyunuz ve bu ifadelere ne kadar katıldığınızı belirtiniz.

	1. Kesinlikle Katılmıyorum	2. Katılmıyorum	3.Pek Katılmıyorum	4. Kararsızım	5.Biraz Katılıyorum	6. Katılıyorum	7. Kesinlikle Katılıyorum
Verilen işte, elimden gelenin en iyisini yapmaya çalışırım.	○	○	○	○	○	○	○
Ben çalışkan bir kişiyim.	○	○	○	○	○	○	○
Benim için yapabildiğimin en iyisini yapmak önemlidir.	○	○	○	○	○	○	○
Kendimi olabileceğimin en iyisi olmaya zorlarım.	○	○	○	○	○	○	○
İşte performansımı arttırmak için çok sıkı çalışırım.	○	○	○	○	○	○	○
Lütfen yandaki seçeneklerden "5.Biraz Katılıyorum" u işaretleyiniz.	○	○	○	○	○	○	○
İnsanlarla konuşmak için çok zaman harcarım.	○	○	○	○	○	○	○
Ben hümanist (insanları düşünen)bir kişiyim.	○	○	○	○	○	○	○
Seçme imkânım varsa, yalnız olmaktansa grup halinde çalışmayı tercih ederim.	○	○	○	○	○	○	○
Bir işte (projede)çalışırken kendi işimi yapar, başkalarının işlerine karışmam.	○	○	○	○	○	○	○
Verilen bir işte (projede) bireysel olarak çalışmayı tercih ederim.	○	○	○	○	○	○	○
Lütfen yandaki seçeneklerden "Pek Katılmıyorum" seçeneğini işaretleyiniz.	○	○	○	○	○	○	○
Bir projede yetkili kişi olmaktan zevk alırım.	○	○	○	○	○	○	○
Emir vermektense emir almayı tercih ederim.	○	○	○	○	○	○	○
Grup liderliğinde aktif rol almak için çabalarım.	○	○	○	○	○	○	○
Kendimi diğerlerinin işlerini organize edip yöneten kişi olarak bulurum.	○	○	○	○	○	○	○
Bir grup içerisinde çalıştığım zaman "grubu kontrol altında tutmaya" çabalarım.	○	○	○	○	○	○	○

Lütfen cinsiyetinizi belirtiniz.
- ○ Kadın (1)
- ○ Erkek (2)

Lütfen yaşınızı (RAKAMLA) belirtiniz _____

Eğitim Durumunuz: Şu an devam ettiğiniz veya son bitirdiğiniz dereceyi belirtiniz.
- ○ İlk - Orta (1)
- ○ Lise (2)
- ○ Üniversite (3)
- ○ Yüksek Lisans (4)
- ○ Doktora (5)

Herhangi bir kaynaktan (aile, iş, burs) aldığınız aylık gelirinizi veya harçlığınızı belirtiniz.
- ○ 0 - 499 TL (1)
- ○ 500 - 999 TL (2)
- ○ 1000 - 1499 TL (3)
- ○ 1500 - 1999 TL (4)
- ○ 2000 - 2499 TL (5)
- ○ 2500 - 2999 TL (6)
- ○ 3000 - 4999 TL (7)
- ○ 5000 - 6999 TL (8)
- ○ 7000 - 9999 TL (9)
- ○ 10000 ve üstü (10)

Ne sıklıkla restoran, sinema, kafe ya da sosyal aktivitelere zaman ayırırsınız?
- ○ Hemen hemen her gün
- ○ Haftada 3 ten fazla
- ○ Haftada bir kere
- ○ Ayda bir kere
- ○ 2-3 ayda bir kere
- ○ Haftada 2-3
- ○ Yılda bir kere
- ○ Diğer (Lütfen Belirtiniz) _____

Çalışıyor musunuz?
- ○ Yarı zamanlı (1)
- ○ Tam zamanlı (2)
- ○ Çalışmıyorum (3)

Kiminle yaşıyorsunuz?
- ○ Ailemle (1)
- ○ Arkadaşlarımla (2)
- ○ Yalnız (3)

APPENDIX B

Study 2 - Stimuli

Please imagine yourself in the following situation.

You found the following offer in your favorite category.

- This offer comes from a company with **a good reputation**. (an unknown company)
- The company is more than **60 minutes away (less than 10 min.)** from your home/work.
- It offers a price discount of **35%. (50%, 75%)**

APPENDIX C

Study 2 Dependent Variables

- ATTRACTIVENESS: How attractive is this offer for you?
- ACCEPTANCE*:* How likely are you to accept this offer on a 0-100% scale?

Now assume that you did buy and redeem the coupon and were satisfied with the experience. On a 0-100% scale, how likely would you be to?

- Buy the service again from the same provider AT THE REGULAR PRICE
- Buy the service again from the same provider at HALF THE DISCOUNT
- Buy the service again from the same provider at the SAME DISCOUNT
- Buy the service again from the same provider, but only at a HIGHER DISCOUNT
- Only buy online deals from OTHER service providers; not from the same provider
- STOP buying this service through the online deal sites

WOM-Talk

Now assume that you did buy and redeem the coupon and were satisfied with the experience. How likely are you to:

- TALK about your service experience to friends or family?
- RECOMMEND the service provider company to friends or family?
- RECOMMEND the deal site to friends or family?

eWOM-Write:

Now assume that you did buy and redeem the coupon and were satisfied with the experience. How likely you to WRITE about your service are experience (for instance blog, Facebook, local newspaper…)

APPENDIX D

Study 2 - A service provider company with a good reputation and .less than 10 minutes away, offering 50% discount scenario

Dear Participant,

A research study about **Deal Sites Providing Online Coupons** has been initiated. This study is investigating online coupons buyers' motivation, satisfaction and the factors affecting these customers' repeat purchase decisions.

Experiences of buyers who purchase these services are very important for our research and the information collected from you will play an important role in improving services.

The survey will take maximum 10 minutes of your time. None of the questions in this survey will reveal your identity. Please be honest and open as much as you can.

Throughout this survey, we have included easy to answer validation questions to ensure the quality of responses. These questions will be readily apparent to you. Please follow the instructions to answer these few questions.

We would like to thank you in advance for helping us with our research.
Kind Regards,

An Example of a Coupon Offer in a Deal Site:

Have you ever purchased from deal sites?

- ❍ Yes
- ❍ No

Please indicate how many times you have purchased from deal sites?

- ❍ 1
- ❍ 2-4
- ❍ 5-10
- ❍ 11-20
- ❍ So many times that I cannot count

Please indicate how often you purchase from deal sites?

- ❍ 2-3 times a week
- ❍ Once a week
- ❍ 2-3 times a month
- ❍ Once a month
- ❍ 2-3 times a year
- ❍ Once a year
- ❍ Other (Please indicate) _____

Please indicate when you did the most recent purchase from the deal sites?

- ❍ 1-3 days ago
- ❍ 4-6 days ago
- ❍ 1 One week ago
- ❍ 2-4 weeks ago
- ❍ 1 month ago
- ❍ 2-3 month ago
- ❍ 3-6 month ago
- ❍ 6-12 month ago
- ❍ Other (Please indicate) _____

Have you ever purchased services from service providing companies directly?

- ❍ Yes
- ❍ No

Please indicate how many times you have purchased services from service providing companies directly?

- ❍ 1
- ❍ 2-4
- ❍ 5-10
- ❍ 11-20
- ❍ So many times that I cannot count

Please indicate how often you purchase services from service providing companies directly?

- ○ 2-3 times a week
- ○ Once a week
- ○ 2-3 times a month
- ○ Once a month
- ○ 2-3 times a year
- ○ Once a year
- ○ Other (Please indicate) _____

Please indicate when you did the most recent purchase from the service providing companies directly?

- ○ 1-3 days ago
- ○ 4-6 days ago
- ○ 1 week ago
- ○ 2-4 weeks ago
- ○ 1 month ago
- ○ 2-3 months ago
- ○ 3-6 months ago
- ○ 6-12 months ago
- ○ Other (Please indicate) _____

Please indicate the most recent service and deal website you used.

	Restaurants	Hotels and Tours	Wellness	Sports Activities	Education and Classes	Product Shopping	Other
Groupon	❑	❑	❑	❑	❑	❑	❑
Living Social	❑	❑	❑	❑	❑	❑	❑
Deal Find	❑	❑	❑	❑	❑	❑	❑
Deal On	❑	❑	❑	❑	❑	❑	❑
Dealster	❑	❑	❑	❑	❑	❑	❑
Social Buy	❑	❑	❑	❑	❑	❑	❑
Guilt Cİty	❑	❑	❑	❑	❑	❑	❑
Yipit	❑	❑	❑	❑	❑	❑	❑
Ever Save	❑	❑	❑	❑	❑	❑	❑
Crowd Savings	❑	❑	❑	❑	❑	❑	❑
Other (Please indicate)	❑	❑	❑	❑	❑	❑	❑

Please specify how frequently you shop from the following deal websites?

	Once a year	Two-Three times a year	Once a month	Once a week	Twice a week	Three times a week	Four or more times a week
Groupon	❏	❏	❏	❏	❏	❏	❏
Living Social	❏	❏	❏	❏	❏	❏	❏
Deal Find	❏	❏	❏	❏	❏	❏	❏
Deal On	❏	❏	❏	❏	❏	❏	❏
Dealster	❏	❏	❏	❏	❏	❏	❏
Social Buy	❏	❏	❏	❏	❏	❏	❏
GiltCity	❏	❏	❏	❏	❏	❏	❏
Yipit	❏	❏	❏	❏	❏	❏	❏
Ever Save	❏	❏	❏	❏	❏	❏	❏
Crowd Savings	❏	❏	❏	❏	❏	❏	❏
Other (Please indicate)	❏	❏	❏	❏	❏	❏	❏

Which service category would you like to see the most on deal sites?
- ❏ Restaurants
- ❏ Hotels and Tours
- ❏ Wellness
- ❏ Sports Activities
- ❏ Education and Classes
- ❏ Product Shopping
- ❏ Other (Please indicate _____

Which of the following discount percentage coupons have you purchased? Please indicate if there is more than one?
- ❏ 0-19%
- ❏ 20-29%
- ❏ 30-39%
- ❏ 40-49%
- ❏ 50-59%
- ❏ 60-69%
- ❏ 70-79%
- ❏ 80-89%
- ❏ 90-99%

Please imagine yourself in the following situation.
You found the following offer in your favorite category.

- This offer comes from a company with **a good reputation**.
- The company is less than **10 minutes away** from your home/work
- It offers a price discount of **50%.**

How attractive is this offer for you?
- ○ Very unattractive
- ○ Unattractive
- ○ Somewhat unattractive
- ○ Undecided
- ○ Somewhat attractive
- ○ Attractive
- ○ Very attractive

How likely are you to accept this offer on a 0-100% scale? _____

Would you elaborate why you would accept or not accept this offer?

Now assume that you did buy and redeem the coupon and were satisfied with the experience. On a 0-100% scale, how likely would you be to;
_____ A. Buy the service again from the same provider AT THE REGULAR PRICE?
_____ B. Buy the service again from the same provider at HALF THE DISCOUNT
_____ C. Buy the service again from the same provider at the SAME DISCOUNT
_____ D. Buy the service again from the same provider, but only at a HIGHER DISCOUNT
_____ E. Only buy online deals from OTHER service providers; not from the same provider
_____ F. STOP buying this service through the online deal sites

Now assume that you did buy and redeem the coupon and were satisfied with the experience. How likely are you to TALK about your service experience to friends or family?
- ○ Highly unlikely
- ○ Unlikely
- ○ Somewhat unlikely
- ○ Undecided
- ○ Somewhat likely
- ○ Likely
- ○ Highly likely

Now assume that you did buy and redeem the coupon and were satisfied with the experience. How likely are you to RECOMMEND the service provider company to friends or family?
- ○ Highly unlikely
- ○ Unlikely
- ○ Somewhat unlikely
- ○ Undecided
- ○ Somewhat likely
- ○ Likely
- ○ Highly likely

Now assume that you did buy and redeem the coupon and were satisfied with the experience. How likely are you to WRITE about your service experience (for instance blog, Facebook, local newspaper….)?
- ○ Highly unlikely
- ○ Unlikely
- ○ Somewhat unlikely
- ○ Undecided
- ○ Somewhat likely
- ○ Likely
- ○ Highly likely

Now assume that you did buy and redeem the coupon and were satisified with the experience. How likely are you to RECOMMEND the deal site to friends or family?
- ○ Highly unlikely
- ○ Unlikely
- ○ Somewhat unlikely
- ○ Undecided
- ○ Somewhat likely
- ○ Likely
- ○ Highly likely

Example: The following clauses are about your perceptions about yourself. Could you please circle the appropriate number for each statement about yourself?

	Strongly Disagree 1	2	3	4	5	6	Strongly Agree 7
I like completing this survey	○	○	○	○	○	○	○

The following items are about your perceptions about yourself. Please choose the statement that suits you the most.

	Strongly Disagree - 1	2	3	Neither - 4	5	6	Strongly Agree - 7
I try to perform my best at work.	○	○	○	○	○	○	○
I am a hard worker.	○	○	○	○	○	○	○
It is important to me to do the best job possible	○	○	○	○	○	○	○
I push myself to be "all that I can be"	○	○	○	○	○	○	○
I try very hard to improve my past performance	○	○	○	○	○	○	○
Validation question: mark number four among the options on the side	○	○	○	○	○	○	○
I spend a lot of time talking to other people	○	○	○	○	○	○	○
I am a "people" person.	○	○	○	○	○	○	○
When I have a choice, I try to work in a group instead of by myself	○	○	○	○	○	○	○
I try my best to work alone on a work assignment	○	○	○	○	○	○	○
I prefer to do my own work and let others do theirs.	○	○	○	○	○	○	○
Validation question: Please mark the second option from the left side	○	○	○	○	○	○	○
I would enjoy being in charge of a project	○	○	○	○	○	○	○
I would rather receive orders than give them	○	○	○	○	○	○	○
I seek an active role in the leadership of a group	○	○	○	○	○	○	○
I find myself organizing and directing the activities of others	○	○	○	○	○	○	○
I strive to be "in command" when I am working in a group	○	○	○	○	○	○	○

Gender
- ❍ Female
- ❍ Male

Please indicate your age category.
- ❍ 17 and under
- ❍ 18-21
- ❍ 22-25
- ❍ 26-34
- ❍ 35-44
- ❍ 45-54
- ❍ 55 and older

Please indicate your occupation:

Which of the following best describes your highest achieved education level?
- ❍ Elementary School
- ❍ Middle School
- ❍ High School
- ❍ College
- ❍ Master
- ❍ PhD

Please indicate your monthly income category in US Dollars.
- ❍ 0-500 $
- ❍ 501-1000
- ❍ 1000-1999
- ❍ 2000-2999
- ❍ 3000-3999
- ❍ 4000-4999
- ❍ 5000-6999
- ❍ 7000-8999

APPENDIX E

Scales, Measurement Items and Sources – Study3

Independent Variables	Measurement Items	Source
Price Consciousness	1. I am not willing to go to extra effort to find lower prices. 2. The money saved by lower prices is usually not worth the time and effort. 3. The time it takes to find low prices is usually not worth the effort.	Lichtenstein, Ridgway, Netemeyer (1993)
Coupon Proneness	1. I enjoy using coupons regardless of the amount I save by doing so. 2. I am more likely to buy brands for which I have a coupon. 3. Coupons have caused me to buy products that I normally would not buy. 4. When I use coupons, I feel that I am getting a good deal.	Lichtenstein, Ridgway, Netemeyer (1993)
Price-Quality Schema	1. The price of a service is a good indicator of its quality. 2. You always have to pay a bit more for the best. 3. The old saying "you get what you pay for" is generally true.	Lichtenstein, Ridgway, Netemeyer (1993)
Involvement	For me eating out at a restaurant is: Unimportant------Important Boring-----Interesting to me Means nothing to me---Means a lot to me Does not matter ----Matters to me Insignificant------Significant Of no concern to me----Of concern to me	Mittal (1995)

APPENDIX F

Independent Variables and Manipulation Scenarios – Study3

Independent Variables	Manipulation Scenarios
Reputation	Please imagine that, through Groupon site, you found the offer below for a **WIDELY KNOWN (RELATIVELY UNKNOWN)** and **HIGHLY ESTABLISHED (RECENTLY ESTABLISHED)** restaurant. This restaurant has started serving customers more than 90 years ago and everybody knows it.
Discount	There is a **35% discount (50% discount vs. 85% discount)** through Groupon for this restaurant.
Distance	Once you check the map you realize that it is **only 10 min. away (more than 60 min. away)** from your home by car.
Satisfaction	**Over Satisfaction Scenario:** Please imagine that you just used the Groupon coupon for the restaurant. The food is excellent. All the ingredients are fresh. The combination of the food is creative, and the preparation is exquisite. The waiter is very friendly and courteous the whole evening. He gives you good advice about the food and beverages. The period of time between the courses is just right. The interior design is neat and elegant. The noise level is low enough that you are able to talk in peace. Furthermore, it is just the right temperature at the restaurant. In short, you feel that the service at the restaurant is impeccable and really top notch. *Overall, your restaurant experience is ABOVE AND BEYOND what you expected!* **Average Satisfaction Scenario:** Please imagine that you just used the Groupon coupon for the restaurant. The food is ok. All ingredients are average quality. The combination of the food is similar to what you have seen before and the preparation is ordinary. The waiter is mediocre and somewhat able to answer your questions about the food and beverages. You wait for the food a little bit but not too long. The interior design is nothing extraordinary. The noise level is acceptable although it gets quite noisy at a couple of times over the dinner. Furthermore, the temperature at the restaurant is just at the tolerable level. In short, you feel that *the service at the restaurant is not too good or not too bad. Overall, your restaurant experience is just AVERAGE!* **Under Satisfaction Scenario** Please imagine that you just used the Groupon coupon for the restaurant. Several ingredients are not very fresh. The dishes are blunt and too spicy. The food quality is among the worst you have ever had! The waiter is unfriendly and rude the whole evening. He cannot answer your questions about the food and beverages. Moreover, you have to wait forever for your food. The interior design is terrible. The noise level is high and sometimes quite turbulent. Furthermore, It is so cold in the restaurant that you are at the point of freezing to death. In short, you feel that the service is awful and among the worst you have ever seen! *Overall, your restaurant experience is way BELOW what you expected!*

APPENDIX G

Dependent Variables and Measurement Items – Study 3

Interest	Dependent Variables	Measurement Items	Scale
DEAL SITES	Attractiveness	How attractive is this offer for you?	7 pt
	Purchase Likelihood	How likely are you to purchase this restaurant offer?	7 pt
	Repurchase Likelihood	How likely are you to buy the service again from the same restaurant at **same discount**?	100 pt
	STOP Purchase	How likely would you **STOP** buying restaurant offers through Groupon?	100 pt
	WOM	How likely are you to recommend the **DISCOUNT DEAL** you got at this **restaurant** to friends or family? How likely are you to recommend the **DISCOUNT DEAL** you got at this **restaurant by posting in an online environment (such as FACEBOOK, BLOG, TWITTER, INSTAGRAM) about the discount deal?**	7 pt
	WOM	Now, how likely are you to recommend the deal site itself, **GROUPON,** to friends or family? How likely are you to recommend **GROUPON** in an online environment (such as FACEBOOK, BLOG, TWITTER, INSTAGRAM)?	7 pt
SERVICE PROVIDERS	Repurchase Likelihood	How likely are you to EAT AGAIN at the same restaurant **AT THE REGULAR PRICE (without a Groupon discount)**? Buy the service again from the same restaurant at **half discount**?	100 pt
	WOM	How likely are you to How likely are you to **recommend** this **RESTAURANT** to friends or family? How likely are you to recommend this **RESTAURANT** by posting **in an online environment (such as FACEBOOK, BLOG*S, TWITTER, INSTAGRAM)?***	7 pt

APPENDIX H

Dear Participant,

The following study is about Deal Sites Providing Online Coupons. It investigates online coupon buyers' motivation and satisfaction with the service and the factors affecting repeat purchase decisions. Your answers will play an important role in improving these services. The survey will take at most 20 minutes of your time. None of the questions in this survey will reveal your identity. As much as you can, please be honest and open while answering the questions.

Throughout this survey, we have included easy to answer validation questions to ensure the quality of responses. These questions will be readily apparent to you. Please follow the instructions to answer these few questions.
We would like to thank you in advance for helping us with our research.

Kind Regards,

The following statements are about your price perceptions. Please indicate how much you agree with the following statements

	Strongly Disagree-1	Disagree-2	Somewhat Disagree-3	Neither - 4	Somewhat Agree-5	Agree - 6	Strongly Agree - 7
I am not willing to go to extra effort to find lower prices.	❍	❍	❍	❍	❍	❍	❍
The money saved by lower prices is usually not worth the time and effort	❍	❍	❍	❍	❍	❍	❍
The time it takes to find low prices is usually not worth the effort.	❍	❍	❍	❍	❍	❍	❍
Please mark the second option from left side.	❍	❍	❍	❍	❍	❍	❍

The following statements are about your coupon usage. Please indicate how much you agree with the following statements.

	Strongly Disagree-1	Disagree-2	Somewhat Disagree-3	Neither - 4	Somewhat Agree-5	Agree - 6	Strongly Agree - 7
I enjoy using coupons regardless of the amount I save by doing so.	❍	❍	❍	❍	❍	❍	❍
I am more likely to buy brands for which I have a coupon.	❍	❍	❍	❍	❍	❍	❍
Coupons have caused me to buy products that I normally would not buy.	❍	❍	❍	❍	❍	❍	❍
When I use coupons, I feel that I am getting a good deal.	❍	❍	❍	❍	❍	❍	❍

The following statements are about your perceptions regarding price and quality. Please indicate how much you agree with the following statements.

	Strongly Disagree-1	Disagree-2	Somewhat Disagree-3	Neither - 4	Somewhat Agree-5	Agree - 6	Strongly Agree - 7
Please mark the fourth option from the left.	❍	❍	❍	❍	❍	❍	❍
The price of a service is a good indicator of its quality.	❍	❍	❍	❍	❍	❍	❍
You always have to pay a bit more for the best.	❍	❍	❍	❍	❍	❍	❍
The old saying "you get what you pay for" is generally true.	❍	❍	❍	❍	❍	❍	❍

The purpose of the following items is to measure your involvement or interest in eating out at a restaurant. Please indicate HOW much you agree with the following statements. For me eating out at a restaurant is:

(-3) Unimportant--------------Neither (0)-----------Important (+3)

(-3) Boring---------------Neither (0)-----------Interesting

(-3) Means nothing to me ----------------Neither (0)-----------Means a lot to me (+3)

(-3)Does not matter -----------Neither (0)-----------Matters to me (+3)

(-3)Insignificant-----------Neither (0)------------Significant(+3)

(-3)Of no concern to me-----------Neither (0)-----------Of Concern to me(+3)

Imagine you are considering eating at a restaurant known as "the undefeated champ" for food, and service in your town. They offer an amazing selection of drinks and it's all delivered by a most polite staff that treats everyone attentively. How much would you expect to pay PER PERSON for DINNER at this restaurant?

$_____

Next, we will ask you to read an experience regarding a restaurant offer from Groupon. Later on, you will answer several questions regarding your perceptions of the restaurant and the Groupon deal. Please take your time to read the short information about the restaurant as well as the questions.

Please imagine that, through Groupon site, you found the offer below for a **WIDELY KNOWN** and **HIGHLY ESTABLISHED** restaurant. This restaurant has started serving customers more than 90 years ago and everybody knows it.

There is a **35% discount** through Groupon for this restaurant.

Once you check the map you realize that it is **only 10 min. away** from your home by car.
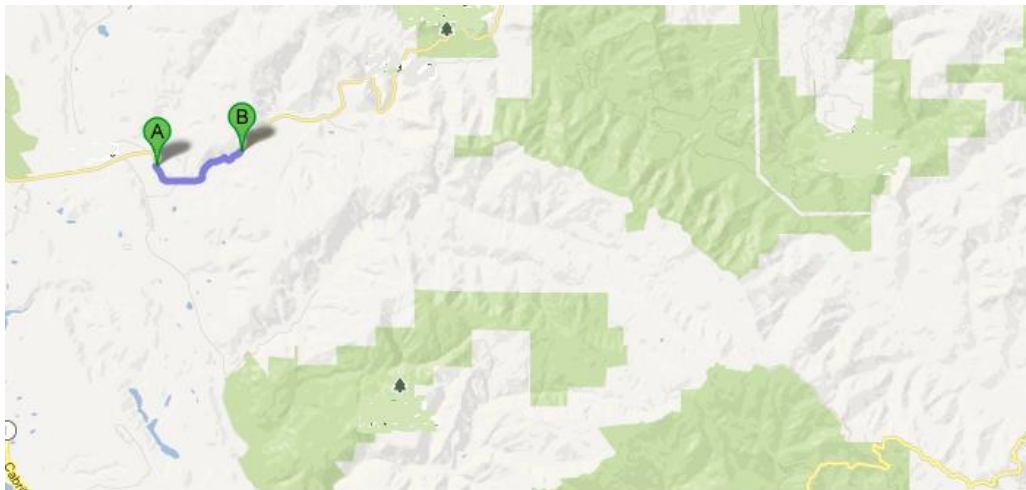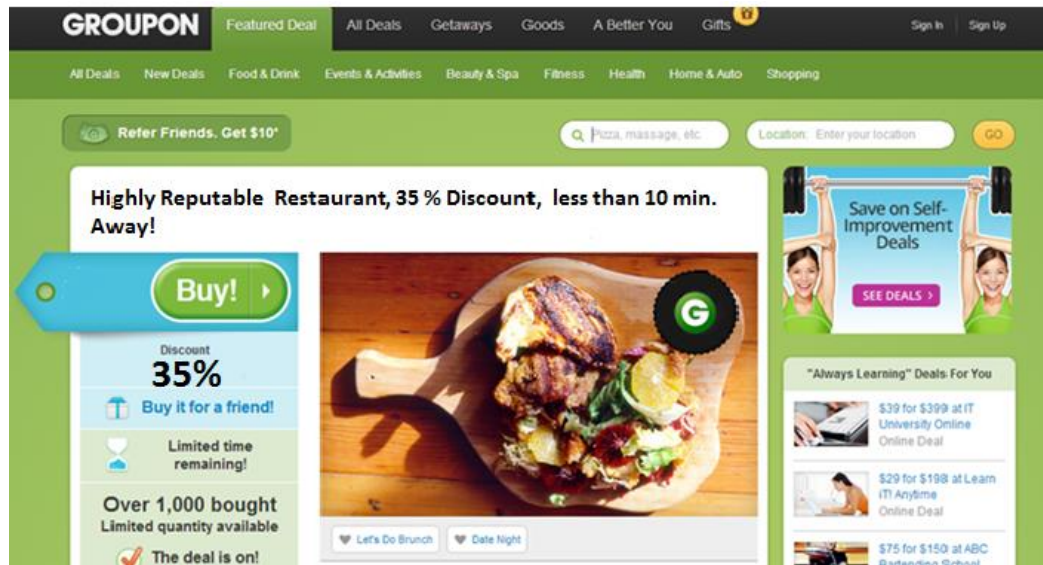
Please answer the following questions according to the info you have just read. How much was the discount for the restaurant?
- ○ 15%
- ○ 25%
- ○ 35%
- ○ 50%
- ○ 65%
- ○ 75%
- ○ 85%

How many miles do you think is the restaurant from your home?

How well is this restaurant known?
- ○ Not known at all
- ○ Very Unknown
- ○ Somewhat Unknown
- ○ Neither
- ○ Somewhat Known
- ○ Very Known
- ○ Extremely Known

How attractive is this offer for you?
- ○ Very unattractive
- ○ Unattractive
- ○ Somewhat unattractive
- ○ Undecided
- ○ Somewhat attractive
- ○ Attractive
- ○ Very attractive

How likely are you to purchase this restaurant offer?
○ Very Unlikely
○ Unlikely
○ Somewhat Unlikely
○ Undecided
○ Somewhat Likely
○ Likely
○ Very Likely

How much risk would be involved with purchase of this Groupon offer?
○ None at all
○ A little bit
○ Somewhat more
○ Moderate
○ Slightly more than moderate
○ Quite a bit
○ Very much

Would you elaborate as to why you would buy or not buy this offer?

Over Satisfaction Scenario:
Please imagine that you just used the Groupon coupon for the restaurant. The food is excellent. All the ingredients are fresh. The combination of the food is creative, and the preparation is exquisite. The waiter is very friendly and courteous the whole evening. He gives you good advice about the food and beverages. The period of time between the courses is just right.
The interior design is neat and elegant. The noise level is low enough that you are able to talk in peace. Furthermore, it is just the right temperature at the restaurant. In short, you feel that *the service at the restaurant is impeccable and really top notch.*
Overall, your restaurant experience is ABOVE AND BEYOND what you expected!

According to the info you just read, if you were to describe your satisfaction from this restaurant, how would you rate it?
○ Very Dissatisfied
○ Dissatisfied
○ Somewhat Dissatisfied
○ Neutral
○ Somewhat Satisfied
○ Satisfied
○ Very Satisfied

On a 100% scale, how likely would you EAT AGAIN at the same restaurant AT THE REGULAR PRICE (without a Groupon discount)?_____

On a 100% scale, how likely would you buy the service again from the same restaurant at half (17.5 % vs. 25 % vs 42.5%) discount?_____

On a 100% scale, how likely would you buy the service again from the same restaurant at SAME (35% vs. 50% vs. 85%) DISCOUNT? _____

On a 100% scale, how likely would you STOP buying restaurant offers through Groupon? _____

What would be the MINIMUM DISCOUNT you would require to go to this restaurant? _____

How likely are you to recommend this RESTAURANT to friends or family?
- ○ Very Unlikely
- ○ Unlikely
- ○ Somewhat Unlikely
- ○ Undecided
- ○ Somewhat Likely
- ○ Likely
- ○ Very Likely

If you are reading this, check somewhat unlikely among the options below.
- ○ Very Unlikely
- ○ Unlikely
- ○ Somewhat Unlikely
- ○ Undecided
- ○ Somewhat Likely
- ○ Likely
- ○ Very Likely

How likely are you to recommend this RESTAURANT by posting in an online environment (such as FACEBOOK, BLOGS, TWITTER, INSTAGRAM)?

- ○ Very Unlikely
- ○ Unlikely
- ○ Somewhat Unlikely
- ○ Undecided
- ○ Somewhat Likely
- ○ Likely
- ○ Very Likely

In a couple of sentences, please indicate what you would think and feel about your RESTAURANT experience?

How likely are you to recommend the DISCOUNT DEAL you got at this restaurant to friends or family?

○ Very Unlikely
○ Unlikely
○ Somewhat Unlikely
○ Undecided
○ Somewhat Likely
○ Likely
○ Very Likely

How likely are you to recommend the DISCOUNT DEAL you got at this restaurant by posting in an online environment (such as FACEBOOK, BLOG, TWITTER, INSTAGRAM) about the discount deal?

○ Very Unlikely
○ Unlikely
○ Somewhat Unlikely
○ Undecided
○ Somewhat Likely
○ Likely
○ Very Likely

In a couple of sentences, please indicate what you would think and feel about the DISCOUNT DEAL at this restaurant?

Please imagine that you have purchased the restaurant deal and used the coupon.

Now, how likely are you to recommend the deal site itself, GROUPON to friends or family?

○ Very Unlikely
○ Unlikely
○ Somewhat Unlikely
○ Undecided
○ Somewhat Likely
○ Likely
○ Very Likely

What is the second month of the year?
- ○ January
- ○ February
- ○ March
- ○ April
- ○ May
- ○ June
- ○ July

 How likely are you to recommend GROUPON in an online environment (such as FACEBOOK, BLOG, TWITTER, INSTAGRAM)?

- ○ Very Unlikely
- ○ Unlikely
- ○ Somewhat Unlikely
- ○ Undecided
- ○ Somewhat Likely
- ○ Likely
- ○ Very Likely

 In a couple of sentences, please indicate what you would think and feel about Groupon?

Have you ever purchased from deal sites? (e.g. Groupon, Living Social, Saveology, Buy with me, Google Offers etc.)
- ○ Yes
- ○ No

Gender
- ○ Female
- ○ Male

Please indicate your age: _____

Please indicate your occupation:_____

Which of the following best describes your highest achieved education level?
- ○ Elementary school
- ○ Middle School
- ○ High school
- ○ College
- ○ Master
- ○ PhD

Please indicate your MONTHLY income category in US Dollars.
- ○ $0-500
- ○ $501-1.000
- ○ $1.001-2.000
- ○ $2.001-3.000
- ○ $3.001-4.000
- ○ $4.001-5.000
- ○ $5.001-7.000
- ○ $7.001-9.000
- ○ $ 9.001 and more

REFERENCES

Alegre, J., Cladera, M., 2009. Analysing the effect of satisfaction and previous visits on tourist intentions to return. *European Journal of Marketing*, 43 (5), 670–685.

Alford, B.L., Biswas, A., 2002. The effects of discount level, price consciousness and sale proneness on consumers' price perception and behavioral intention. *Journal of Business Research*, 55 (9), 775–783.

Anderson, E.T., and Simester D.E., Long-Run Effects of Promotion Depth on New Versus Established Customers: Three Field Studies. *Marketing Science* Winter 2004 23:4-20

Anderson, E. W., Fornell, C., & Mazvancheryl, S. K. (2004).Customer satisfaction and shareholder value. *Journal of Marketing*, 68, 172–185.

Bawa, K., Srinivasan, S. S., & Srivastava, R. K. (1997). Coupon attractiveness and coupon proneness: A framework for modeling coupon redemption. *Journal of Marketing Research*, 517-525.

Bearden, W. O., & Shimp, T. A. (1982). The use of extrinsic cues to facilitate product adoption. *Journal of marketing research*, 229-239.

Beasley, F. M. & Shank M. D., 1997,The Effect of Price Promotions on Repeat Purchase Behavior, Journal of Promotion Management, Vol. 4(2)

Berry, L. L., & Parasuraman, A. (2004). *Marketing services: Competing through quality*. Simon and Schuster.

Blattberg, R., & Neslin S. (1990). Sales Promotions: Concepts, Methods and Strategies, Englewood Cliffs, New Jersey: Prentice Hall

Byers, J. W., Mitzenmacher, M., Potamias, M., & Zervas, G. (2011). A Month in the Life of Groupon. arXiv preprint arXiv:1105.0903.

Campo, S., Yagüe, M.J., 2007. The formation of the tourist's loyalty to the tourism distribution channel: how does it affect price discounts? *International Journalof Tourism Research*, 9 (6), 453–464.

Clifford S., & Miller C. C. (2012). Merchants and Shoppers Soul on Daily Deal Sites. http://www.nytimes.com/2012/08/18/technology/merchants-and-shoppers-sour-on-daily-deal-sites-like-groupon.html?_r=0

Cohen T. (2014). Why Groupon (GRPN) Stock Is Lower Today. *The Street*, available at http://www.thestreet.com/story/12730198/1/why-groupon-grpn-stock-is-lower-today.html

Cronin, J. J., Brady, M. K., & Hult, G. T. M. (2000). Assessing the effects of quality, value, and customer satisfaction on consumer behavioral intentions in service environments. *Journal of retailing*, *76*(2), 193-218.

Dholakia, U. M. (2010). How effective are Groupon Promotions for Businesses? Working Paper. Available at SSRN: http://ssrn.com/abstract=1790414

Dholakia, U. M. (2011). What Makes Groupon Promotions Profitable for Businesses? Working Paper, Available at SSRN: http://ssrn.com/abstract=1790414

Dholakia, U. M. (2011). How Businesses Fare with Daily Deals: A Multi-Site Analysis of Groupon, Livingsocial, Opentable, Travelzoo, and BuyWithMe Promotions. Working Paper, Available at SSRN: http://ssrn.com/abstract=1863466

Dichter, E. (1966). How Word-of-Mouth AdvertisingWorks. *Harvard Business Review*, 44(November–December), 147–166.

Dodson, J. A., Tybout, A. M., & Sternthal, B. (1978). Impact of deals and deal retraction on brand switching. *Journal of marketing research*, 72-81.

Dowling, G. R. (1986). Perceived risk: the concept and its measurement.*Psychology & Marketing*, *3*(3), 193-210.

Edelman, B., Jaffe, S., & Kominers, S. D. (2011). To groupon or not to groupon: The profitability of deep discounts. *Marketing Letters*, 1-15.

Engel, J. F., Kegerreis, R. J., & Blackwell, R. D. (1969). Word-of-mouth communication by the innovator. *The Journal of Marketing*, 15-19.

Fraccastero, K., Burton, S., Biswas, A., 1993. Effective use of advertisements promoting sale prices. *Journal of Consumer Marketing* 10 (1), 61–70.

Ganesh J, Arnold M, Reynolds K. (2000). Understanding the Customer Base of Service Providers: An Examination of the Differences between Switchers and Stayers. *Journal of Marketing*, 64(3), 65-87.

Gotsi, M., & Wilson, A. M. (2001). Corporate reputation: seeking a definition.*Corporate Communications: An International Journal*, *6*(1), 24-30.

Groupon (2011),"Become the talk of the town", http://www.grouponworks.com/why-groupon

Helson, H., (1964), Adaptation-Level Theory, (New York: Harper and Row).

Henderson, C. M. (1988). The Interaction of Coupons with Price and Store Promotions. *Advances in consumer research*, *15*(1).

Hennig-Thurau T, Gwinner KP, Gremler DD (2002). "Understanding relationship marketing outcomes: an integration of relational benefits and relationship quality". J. Serv. Res. 4(3): 230-47

Hennig-Thurau, T. & Walsh, G (2003) Electronic Word-of-Mouth: Motives for and Consequences of Reading Customer Articulations on the Internet*, International Journal of Electronic Commerce, 8(2), 51-74*

Hennig-Thurau, T., Gwinner, K. P., Walsh, G., Gremler, D. D.(2004). Electronic word-of-mouth via consumer-opinion platforms: What motivates consumers to articulate themselves on the Internet? *Journal of Interactive Marketing,* 18(1)

Hong, S. Y., & Yang, S. U. (2009). Effects of reputation, relational satisfaction, and customer–company identification on positive word-of-mouth intentions.*Journal of Public Relations Research*, *21*(4), 381-403.

Hunt, H. K. (1977). CS/D—Overview and future research direction.In H. K. Hunt (Ed.), Conceptualization and measurement of customer satisfaction and dissatisfaction (pp.455–488). Cambridge, MA: Marketing Science Institute.

Jamilena, D.M.F., Barrio-García, S.D., Moreno, L.L., 2012. Determinants of satisfaction with holidays and hospitality in rural tourism in Spain: the moderating effect of tourists' previous experience. *Cornell Hospitality Quarterly,* http://dx.doi.org/10.1177/1938965512466587

Kahn, Barbara E. and Therese A. Louie (1990). "Effects of Retraction of Price Promotions on Brand Choice Behavior for Variety-Seeking and Last Purchase-Loyal Consumers," Journal of Marketing Research, 27, 279–289

Kalwani, M. U., & Yim, C. K. (1992). Consumer price and promotion expectations: an experimental study. *Journal of Marketing Research*, 90-100.

Kumar, V., & Rajan, B. (2012). Social coupons as a marketing strategy: a multifaceted perspective. *Journal of the Academy of Marketing Science*, *40*(1), 120-136.

Lee, L., Bertini, M., & Ariely, D. (2008). Money Muddles Thinking: The Effect of Price on Preference Consistency. *Columbia Business School, Working Paper*.

Lichtenstein, D. R., Netemeyer, R. G., & Burton, S. (1990). Distinguishing coupon proneness from value consciousness: an acquisition-transaction utility theory perspective. *The Journal of Marketing*, 54-67.

Lichtenstein, D. R., Ridgway, N. M., & Netemeyer, R. G. (1993). Price perceptions and consumer shopping behavior: a field study. *Journal of Marketing Research*, 234-245.

Lichtenstein, D. R., Burton, S., & Netemeyer, R. G. (1997). An examination of deal proneness across sales promotion types: a consumer segmentation perspective. *Journal of Retailing*, *73*(2), 283-297.

Linaine, C. (2015). Groupon sales head steps down: Re/code available at http://www.marketwatch.com/story/groupon-sales-head-steps-down-recode-2015-01-08

Mangold, W. G., Miller, F., & Brockway, G. R. (1999). Word-of-mouth communication in the service marketplace. *Journal of Services Marketing*, *13*(1), 73-89.

McGaughey, R. E., & Mason, K. H. (1998). The Internet as a marketing tool.*Journal of Marketing Theory and Practice*, 1-11.

Monroe, K. B., & Krishnan, R. (1985). The effect of price on subjective product valuations. *Perceived quality*, *1*, 209-232.

Mittal, Banwari. "A comparative analysis of four scales of consumer involvement." Psychology & Marketing 12.7 (1995): 663-682.

Neslin, S. A., & Shoemaker, R. W. (1989). An alternative explanation for lower repeat rates after promotion purchases. *Journal of Marketing Research*.

Oh, H., 2000. Diners' perception of quality, value, and satisfaction: a practical viewpoint. *Cornell Hotel and Restaurant Administration Quarterly*, 41 (3), 58–66.

Oliver, R. L. (1997). Satisfaction: A behavioral perspective on the consumer. New York: McGraw-Hill.

Patterson, P. G., & Spreng, R. A. (1997). Modelling the relationship between perceived value, satisfaction and repurchase intentions in a business-to-business, services context: an empirical examination. *International Journal of service Industry management*, *8*(5), 414-434.

Qin, H., Prybutok, V.R., 2009. Service quality, customer satisfaction, and behavioral intentions in fast-food restaurants. *International Journal of Quality and Service Sciences*, 1 (1), 78–95.

Raghubir, P., & Krishna, A. (1996). As the crow flies: Bias in consumers' map-based distance judgments. *Journal of Consumer Research*, 26-39.

Ronald A. Clark , James J. Zboja & Ronald E. Goldsmith (2013) Antecedents of Coupon Proneness: A Key Mediator of Coupon Redemption, Journal of Promotion Management, 19:2,188-210, DOI: 10.1080/10496491.2013.769475

Rose, C., & Thomsen, S. (2004). The impact of corporate reputation on performance: Some Danish evidence. *European Management Journal*, 22(2), 201–210.

Rothschild, M L., & Gaidis, W. C. (1981). Behavioral Learning Theory: Its Relevanceto Marketing and Promotions. *Journal of Marketing*, 45 (Spring), 70-78

Setijono, D., Dahlgaard, J.J., 2007. Customer value as a key performance indicator (KPI) and a key improvement indicator (KII). *Measuring Business Excellence* 11(2), 44–61.

Shao, C. Y., Baker, J. A., & Wagner, J. (2004). The effects of appropriateness of service contact personnel dress on customer expectations of service quality and purchase intention: The moderating influences of involvement and gender. *Journal of Business Research*, *57*(10), 1164-1176.

Shoemaker, Robert W. and F. Robert Shoaf (1977). "Repeat Rates of Deal Purchases," Journal of Advertising Research, 17, 47–53.

Sibly, H. A., 1995, Price Dynamics in Repeat-Purchase Markets, *The Economic Record*, 1995, vol. 71, issue 213, pages 179-90

Stone, R. N., & Grønhaug, K. (1993). Perceived risk: Further considerations for the marketing discipline. *European Journal of marketing*, *27*(3), 39-50.

Stulec, I., Petljak, K., & Vouk, R. (2011). The role of internet in empowering consumers: the case of group buying. In MSKE 2011: Proceedings of MSKE 2011 Conference–Managing Services in the Knowledge Economy (pp. 730-741).

Suh, J.C., Yi, Y., 2006. When brand attitudes affect the customer satisfaction-loyalty relation: the moderating role of product involvement. *Journal of Consumer Psychology*16 (2), 145–155

Taylor, S. A., & Baker, T. L. (1994). An assessment of the relationship between service quality and customer satisfaction in the formation of consumers' purchase intentions. *Journal of retailing*, *70*(2), 163-178.

Um, S., Chon, K., Ro, Y., 2006. Antecedents of revisit intention. *Annals of Tourism Research* 33 (4), 1141–1158.

Van der Heijden, H., Verhagen, T., & Creemers, M. (2003). Understanding online purchase intentions: contributions from technology and trust perspectives. *European journal of information systems*, *12*(1), 41-48.

Yoon, Y., Uysal, M., 2005. An examination of the effects of motivation and satisfaction on destination loyalty: a structural model. *Tourism Management*, 26 (1), 45–56.

Winer, R. S. (1986). A Reference Price Model of Brand Choice for Frequently Purchased Products. *Journal of Consumer Research*, 13(September), 250-256

Winter, D.G. (1973). The power motive. New York: The Free Press, p.141

Winter, D.G. (1988). The power motive in women and men, *Journal of Personality and Social Psychology*, 54, 510-519

Zaichkowsky, J. L. (1985). Measuring the involvement construct. *Journal of consumer research*, 341-352.

Zhang, Z., Zhang, Z., Wang, F., Law, R., & Li, D. (2013). Factors influencing the effectiveness of online group buying in the restaurant industry. *International Journal of Hospitality Management*, *35*, 237-245.