PGDM, 2016-18 / PGDM (IB), 2016-18

Digital Marketing

DM-331/ IB-331

Trimester – III, End-Term Examination: March 2017

Time allowed: 2 Hrs and 30 Min

Max Marks: 50

Roll No: ____________

Instruction: Students are required to write Roll No. on every page of the question paper, writing anything except the Roll No will be treated as Unfair Means. In case of rough work please use answer sheet.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5 (Short Questions)	5 Marks each	3*5 = 15
B	2 out of 3 (Long Questions)	10 Marks each	2*10 = 20
C	Compulsory Case Study	15 Marks	15
		Total Marks	**50**

Section A (answer any 3 questions)

Q1.What is internet of things? Briefly discuss its applications with two suitable examples.

Q2. You have been asked by your supervisor to identify suitable keywords (as part of SEO strategy) for incorporating into a new website that will be launched soon. Briefly discuss the process you would follow and what factors you will take into consideration.

Q3. Briefly discuss how internet enables dynamic pricing? What are the three criteria for dynamic pricing?

Q4. What are the design constraints you will keep in mind while designing a website?

Q5. Briefly discuss the differences between old school and new school SEO.

Section B (answer any 2 questions)

Q6. What is viral marketing? Choose a company/product of your choice and outline the process that you would follow in developing and launching the campaign.

Q7 (a) What is Charles Hofacker's model of information processing? What are the stages various stages in the model?

Q7 (b) Chose a company of your choice and discuss it can use mobile games to promote and sell its products. What are the challenges and advantages of this approach? (5M)

Q8. What is "freemium model"? What are the key challenges companies face while using "freemium" model? Discuss how companies may address these challenges with suitable examples.

Section C: Case

READ THE "GROUPON" CASE AND ANSWER THE FOLLOWING QUESTIONS

Q1. What is Groupon's revenue model? How does Groupon promote its business?

Q2. What are the challenges associated with Groupon's model? How can Groupon overcome these challenges?

Q3. Why do merchants partner with Groupon in spite of the deep discounts they have to offer?

GROUPON: WILL THE COMPANY PROSPER?

The name Groupon is a combination of *group* and *coupon* . Groupon was founded in November 2008 and has been considered the fastest-growing company ever by 2012 (in terms of sales). Initially, Groupon offered both *group buying* and *deal of the day* (one highly discounted deal per day) in selected metro areas in the United States. As of 2013, Groupon serves 500 markets worldwide, in 48 countries. According to Groupon's Q3 2013 financial report, the number of customers, that have purchased a Groupon deal within the last twelve months, grew by 10% year-over year, to 43.5 million by September 30, 2013, with about 50% in North America, and the rest are all over the world.

Groupon offers special sales, called "Groupons," in each city that the company serves. The advertised deal lasts for a limited time (usually between 24 and 72 hours) and becomes available to all registered members. Groupon's policy was to guarantee participating merchants a certain number of sales. In other words, the customer would only get the discount if enough people (hence, the "group" element) purchased that particular Groupon. If Groupon did not meet that promised quota, there was no need for the seller to honor the deal, nor was any commission paid to Groupon, and the customer was not charged. Buyers, however, benefits which include steep discounts, discovery of new/specialized services and products, deals related to the daily offer are presented by Groupon, useful recommendations provided to family and friends.

Groupon charges advertising and promotions fees, usually a percentage of the revenue generated by the sellers. The retailers can use the system to promote their business, gain new customers, and run sales during their slow seasons (e.g., running a promotion such as liquidation during the late summer). The initial process was a combination of *group buys* and *flash deal models* , today, it is basically a flash (daily) deal. The reason merchants are willing to offer a 50–80% discount to volume shoppers is that the merchants' marketing and overhead costs are lower, while their market share is increased. Merchant benefits include opportunity to sell larger quantities and liquidate merchandise, quickly, save on advertising and marketing expenses (e.g., by using viral advertising), get repeat customers (if they like the deal and the service, customers will come back), lower customer acquisition cost, knowledge of and collaboration with vendors in a close geographical area.

Groupon's business strategy is to work with quality merchants who are willing to provide substantial discounts. Groupon uses both traditional e-mail and social networking (e.g., Facebook, Twitter, Pinterest, etc.) to promote the deals. Deals are e-mailed directly to members when available, but those interested in current daily deals can go to the Groupon website (Groupon Goods; **groupon.com/goods**). Groupon offers a "refer a friend" program, where the shopper can earn $10 for every friend they refer who buys their first deal.

Smaller vendors may not be able to fulfill large orders generated by Groupon. For example, according to Crum (2011), a restaurant in Tokyo, sold 500 Groupons for a traditional New Year's dinner, but the business was unable to process the orders in a timely fashion due to the overwhelming demand of the orders. Apparently, some of Groupon's deals became too large for vendors to fulfill, and customers complained about late deliveries and about orders arriving "in terrible conditions." A similar problem occurred in India when a high demand for onions caused the Groupon website to crash. In response to such a problem, Groupon officials have created formulas to help vendors it partners with to determine how to meet consumer demand, and how many coupons to offer (capped the orders to a reasonable number). Another limitation is that some businesses may not make money on the deal and may possibly even suffer a loss. Finally, although Groupon and similar companies can generate large revenues, they may have large expenses as a result, and actually lose money by offering more deals. Thus, the profitability of the model is questioned by many especially in light of the strong competition. Groupon is attempting to become more than just a deal of the day business.

As part of their branching out, in November 2013, Groupon opened an e-commerce "marketplace" (online retail site), known as Groupon Goods (**groupon.com/goods**), which focuses on slightly discounted products. These deals also have a time limit (ranging from 3 to 7 days). In Q2 of 2013, less than 40% of Groupon's North America revenue came from the company's daily deal e-mails, suggesting the marketplace store (with over 60% of revenue) is getting to be successful. In 2011, Groupon partnered with Expedia (**expedia.com**) to launch Groupon Getaways, which focuses on discounted travel (hotels, tours, etc). Groupon also has a program called Groupon "Reserve" (**groupon.com/reserve**), where participating restaurants give diners discounts when they have empty tables. Unlike the usual daily deal where you buy a voucher, with Groupon Reserve, you make a reservation online and show up. In March 2013, 45% of North American transactions were completed on mobile devices, compared with nearly 30% in March 2012. In 2010, Groupon rejected a $6 billion buyout offer from Google. Instead, the company went public on November 4, 2011, raising $700 million. Share prices soared 31% the first day, bringing Groupon's valuation to about $16 billion. Since then, the share price has declined due to concerns about profitability.