

Report: Groupon spurns Google's takeover attempt

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(AP) -- Google Inc.'s attempt to buy local-coupon site Groupon Inc. appears to have failed for now, according to published reports.

Groupon, whose ties to local merchants and some 35 million subscribers worldwide made it a company worth potentially \$5 billion to \$6 billion to Google, has decided to stay independent for now, according to the Chicago Tribune, The Wall Street Journal and The New York Times, which cited unnamed sources close to the negotiations. The reports say Groupon may pursue an initial public offering of stock.

Google declined comment Saturday. Messages by The Associated Press for Groupon representatives were not returned Saturday.

Groupon, a 2-year-old startup based in Chicago, dangles a different bargain each day to people signed up for the service.

Google was pursuing Groupon in an attempt to turn the Internet's largest advertising network into an even more powerful marketing vehicle. It would have marked the highest price that Google paid for a company, eclipsing its \$3.2 billion purchase of online advertising service DoubleClick Inc. in 2008.

Forrester Research retail analyst Sucharita Mulpuru said Groupon made a mistake if the reported \$5 billion figure had been an up-front cash payment "because that was the best the company would do on a valuation standpoint."

But Mulpuru said that if the proposed payout was some kind of staggered deal, subject to Groupon meeting certain performance targets over the next few years, walking away "wasn't such a bad idea, because they probably weren't going to meet those hurdles."

Groupon's aggressive expansion may mean that the site is "already coming up against diminishing returns, and that's been fundamentally one of the biggest challenges of this space," she said in an interview with the AP. "The success of the business is based on great deals, and to get great deals, you have to have a lot of salespeople out there selling, and that's an expensive way to grow a business."

Groupon employs about 3,000 people and is run by its 30-year-old founder, Andrew Mason.

Groupon has spawned numerous copycats, including LivingSocial, CrowdSavings, BloomSpot, Tippr and Scoop St. The mimicry has raised worries among some analysts that Google is paying far too much for a business that can so easily be cloned.

But Google could have easily afforded the deal, with \$33 billion in cash as of Sept. 30. Mulpuru said a technology company such as Google might be willing to pay more than the company's value to keep it out of the hands of rivals such as Yahoo Inc. and Microsoft Corp.

The privately held company raised about \$165 million in venture capital to get off the ground.

Besides North America, Groupon also operates in South America, Europe and Asia.

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