

Groupon CEO apologizes to Japanese customers

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In this July 8, 2010 file photo, Andrew Mason, CEO and founder of Groupon, the rapidly growing online coupon provider, breaks for lunch, at the annual Allen & Co. Media summit in Sun Valley, Idaho. Mason apologized to Japanese customers Monday, Jan. 17, 2011 for a New Year's deal gone wrong that highlighted the difficulties the company faces in managing its global expansion. (AP Photo/Nati Harnik, File)

(AP) -- The chief executive of Groupon, the rapidly growing online coupon provider, apologized to Japanese customers Monday for a New Year's deal gone wrong that highlighted the difficulties the company faces in managing its global expansion.

In a subtitled video message uploaded onto YouTube, the company's founder and CEO Andrew Mason acknowledged that the company had "really messed up" and outlined steps it was taking to rebuild its tarnished image in [Japan](#).

Mason attributed the latest misstep to similar growing pains that the Chicago-based company has felt in the U.S. Groupon has expanded quickly since launching two years ago. It owns the Internet's largest ad network and its daily discounts now reach about 50 million subscribers in 35 countries. Last week it secured a nearly \$1 billion investment to fund its growth.

"We created Groupon to help enrich people's lives by bringing new exciting experiences to them," he said. "So when we do the opposite, as we have in this case, it really hurts."

The blunder that prompted Mason's apology involved a deal for delivery of "osechi," which is a traditional New Year's meal. Osechi usually includes a variety of Japanese dishes painstakingly prepared and beautifully presented.

Unfortunately, some customers who paid 10,500 yen (\$127) for this particular bargain were left feeling like they had been duped.

Many of the 500 osechi sets sold arrived late, while others' meals were in "terrible condition," Mason said. In an explanation earlier this month, Groupon Japan said the sets didn't match the picture or description provided by the restaurant, Bird Cafe, which was overwhelmed by the volume.

Angry customers took to the Internet, posting pictures of the underwhelming delivery on message boards, triggering a slew of criticism and bad publicity for the company.

Groupon subsequently refunded customers' money and offered them [vouchers](#) worth 5,000 yen.

Groupon - a fusion of "group" and "coupon" - combines social media with collective buying clout to offer deals on products, services and cultural events in local markets. Promotions are activated only after a certain number of people in a given city sign up.

Last week, it completed its biggest deal so far: a \$950 million investment that will help finance further growth and enrich its current shareholders, including some of its employees. The infusion came less than two weeks after the company outlined its plans to raise the money in documents filed with the Securities and Exchange Commission.

Mason said Groupon has developed capacity planning formulas to help businesses determine just how many customers they can handle and how many deals they should offer. The system is available in the U.S. and other countries but had not been introduced in Japan.

"Basically because the popularity of Groupon Japan has grown so quickly it took us off guard," he said. "We weren't expecting to run into this problem so quickly."

[Groupon](#) entered the Japanese market in August when it bought Qpod Inc. for an undisclosed price.

Mason said his company has begun teaching its Japan staff on capacity planning and will implement similar training in other countries "as soon as we launch."

More information: <http://www.youtube.com/user/gruponpon2010>

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