

# Facebook launches deals program, rivals Groupon

April 26 2011, By ELLEN GIBSON , AP Retail Writer

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In this Feb. 11, 2011 photo, a Facebook page is seen on a computer in Montpelier, Vt. Following on the popularity of sites like Groupon, Facebook is launching its own daily deals program Tuesday, April 26, 2011 in five U.S. cities. The social network hopes to exploit the peer-to-peer aspect of group buying when it begins testing offers in San Diego, San Francisco, Austin, Atlanta and Dallas. (AP Photo/Toby Talbot, File)

(AP) -- What happens when you cross the world's largest social network with one of the hottest business models in e-commerce? Facebook wants to find out.

Facebook is launching a deals program Tuesday in five U.S. cities, following on the popularity of [Groupon](#) and other services that offer deep discounts - for example: \$50 worth of food at a local eatery for \$25.

By allowing small businesses to leverage the Internet while helping consumers score great deals, these group-coupons services have become some of the fastest-growing businesses in the world.

Facebook now wants a part of that. It hopes to exploit its existing networks of friends and family when it begins testing offers in San Diego, San Francisco, Atlanta, Dallas and Austin, Texas.

Many deals sites have a social component. For instance, if you get three friends to buy a LivingSocial voucher, yours is free. Groupon's offers become valid only after a certain number of people purchase them.

But the deals are circulated to users through email, and the community aspect is secondary.

Facebook is hoping to change that.

"We're building a product that is social from the ground up," says Emily White, director of local for Facebook. "All of these deals are things you want to do with friends, so no teeth whitening, but yes to river rafting."

Starting Tuesday, when Facebook users in the five test markets log into the site, they will see a deals insignia at the bottom of the page.

Clicking on it brings up a list of currently available offers. A user can buy one, click the "like" button to recommend it to others or share the offer with friends through Facebook's private messaging system. When users purchase or "like" a deal, it shows up in their friends' news feed.

That means "the discovery of the product can happen in lots of different places," White says.

To get the program started, Facebook has enlisted 11 companies that already supply deals elsewhere. Restaurant reservation service OpenTable will broadcast offers for local eateries, while online ticket seller Viagogo will market events.

Not all offers involve discounts. Some are experiences people may not otherwise have access to, such as a backstage pass to Austin City Limits concerts, a tour of the Dallas Cowboys' new stadium, or a children's sleepover at the California Academy of Sciences in San Francisco with live-snake demos.

In some cases, you'll get a "friend bonus" - an additional discount - if at least one other person in your social network buys a deal.

Leveraging social tools and direct sharing among friends will be "a key to success for daily deal companies" going forward, says Lou Kerner, social media analyst at Wedbush.

This is not the first time a social network has made a foray into disseminating deals. Twitter launched its own daily deal program called Earlybird Offers last year but canceled it after just two months. Last November Facebook launched a product called Check-in Deals that allowed users to "check in" via their mobile phones when they visit certain businesses and in turn receive discounts and other special offers. Location-based social network Foursquare has a similar program.

Offers through Facebook can last anywhere from a day to a week. The social network won't disclose how much commission it takes. (With Groupon and others, the deal site typically takes up to half the revenue.)

There are hundreds of Groupon copycats willing to accept lower commissions, but many small businesses prefer to partner with larger companies such as Groupon and LivingSocial because they reach more potential customers.

Facebook will bring deals to even more people. While Groupon has 70 million members and LivingSocial has 28 million, Facebook has 500 million people worldwide.

Add to that the fact that many [small businesses](#) already have a Facebook presence, and the social network becomes a good fit for daily [deals](#), says Greg Sterling, senior analyst for Opus Research.

As a share of overall Web surfing, visits to group-buying sites grew ten-fold over the past year, according to research firm Experian. LivingSocial had 7 million unique visitors in March, up 27 percent from February, making it one of the 10 fastest-growing websites in the U.S., according to ComScore.

"Groupon and LivingSocial have shown how much demand there is out there," Sterling says. "[Facebook](#), if they do this right, can have a big hit on their hands."

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Citation: Facebook launches deals program, rivals Groupon (2011, April 26) retrieved 3 July 2024 from <https://phys.org/news/2011-04-facebook-rivals-groupon.html>

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