

# Groupon CEO Andrew Mason deals in growth, looking forward

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In spring 2011, Groupon Inc. was said to be worth as much as \$25 billion - an amazing valuation for a company that still isn't four years old.

Today, the Chicago-based [daily deals](#) pioneer is no longer the same tech darling. Groupon has kept growing, but an onslaught of criticism about its business model has come at a real price. The company that was worth \$13 billion when it went public in November now has a [market capitalization](#) of \$3 billion. Groupon's stock is down nearly 80 percent year-to-date.

So what is an investor to think? From Chief Executive Andrew Mason's point of view, the company he built from scratch is flying high and is just starting to realize its vision of bringing local commerce online.

"We're growing 45 percent year over year," Mason told the [Chicago Tribune](#) on Friday. "I think most companies would kill for those kinds of growth rates. We're quite proud of them."

Assessing Groupon's growth prospects and long-term viability isn't easy, especially because the daily deals business is such a new industry. Many analysts pointed to a [slowdown](#) in quarter-on-[quarter revenue](#) growth as a warning sign that Groupon's core business of selling discounted [restaurant meals](#) and massages is losing favor with consumers. Defending himself against the critics, Mason said they are using the wrong criteria.

"We're an e-commerce company that does over \$5 billion in sales every year, and like every other e-commerce company that's operating at this scale, you have to look at us at a year-over-year basis," Mason said.

"[Amazon](#) has something like two quarters a year of negative quarterly sequential growth. It's simply the wrong way to evaluate an e-commerce company."

The Amazon comparison is appropriate, Mason maintained, saying he believes "Groupon has the opportunity to be the world's first marketplace for local commerce in the same way that Amazon is the dominant marketplace for retail commerce."

These [ambitions](#) have propelled the company into a number of new categories beyond connecting local stores and spas with consumers. Groupon now offers deals on travel and physical goods.

For Edward Woo of Ascendant Capital Markets, the diversification could prove to be a necessary buttress against what he believes is a slowdown in Groupon's main business.

"It seems that their core daily deals business declined (in the second quarter) and it declined on a sequential basis," said Woo, who has a "sell" rating on Groupon's stock. "Andrew says, 'Don't look at us on a quarter-on-quarter basis.' The reason he says that is quarter-on-quarter, they went down. The sense that they're growing overall is good ... (but) they're not going to get growth everywhere. Unfortunately, I'm pretty negative on the daily deal space. I think it's saturated; there's a lot of fatigue. I think it's good that Groupon is branching out."

Mason said the expansion into new categories such as Groupon Goods is part of the company's long-term plan to invest in areas that will "increase wallet share of our customers." But he believes the core daily deals business still holds appeal for consumers.

"Local commerce is something like a \$3 trillion global industry," Mason said. "We feel like we're in the early innings of realizing the opportunity of taking offline commerce and plugging it into the Web. It's still very much about discovery. Just today, I bought a deal for a bread-making class, which is something I've always wanted to learn how to do, and I've been a subscriber for four years. I think people are continuing to have these types of discovery experiences on Groupon every day."

To manage Groupon's rapid transformation from local daily deals provider to e-commerce giant, Mason has brought in senior executives from other Internet companies such as Amazon and eBay. He downplayed concerns of turnover, particularly in the company's sales staff, saying Groupon's retention rates are higher than those of its peers.

"I think the things we've learned (about management) in the last year have largely been about the importance of having a strong system for internal communications," Mason said. "(In) a company with 12,000 people, there's a lot of noise on the outside and you need to build an infrastructure to communicate directly with people. And unfortunately, sending companywide emails is not in the solution set."

In August 2011, after Groupon filed for its IPO, Mason penned a long, feisty internal memo defending the company's business model. The note was promptly leaked to the public, forcing the company to account for Mason's remarks to regulators. The incident was one of a string of gaffes that tripped up Groupon in the run-up to its IPO.

When asked whether he would still go public in November if given the chance to revisit his decision, Mason said he's not looking back.

"We're very focused on the future and unlocking the potential of the business that we have in front of us," he said. "It's easy to look back in retrospect and say that you could have done things differently, but there

are risks in making decisions. We are focused on the future."

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