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A CASE STUDY OF THE USES AND GRATIFICATIONS OF GROUP-BUYING WEBSITE – AN EXAMPLE OF TAIWAN GROUPON

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Abstract

Using Groupon in Taiwan as an example, this study investigates how the interaction between consumer demographics and media information impact and influence on the motivations and gratifications of consumers. An analysis of the data reveals a statistically significant relationship between media exposure and consumers' desire to participate in Online Group Buying.

Key words: *Group-Buying Website, Consumer, Uses and Gratifications, E-commerce, Mess Media*

I. INTRODUCTION

1.1 General Background Information

During the past several years, following innovative developments in e-commerce, Internet group-buying has become one of its popular forms. In 2008 in Chicago, the company "Groupon" earned a reputation for promoting daily sales of different merchandise at a discounted rate and for a limited time only by creating a website in which people would have to "rush to buy." This website assembles consumers with common preferences into groups that purchase bulk amounts of merchandise. As a result, companies are able to offer goods or services at preferential rates. This popular craze of both easy and convenient purchasing has had a worldwide impact. Media have competed eagerly to report on the rapid popularity of group-buying and how it is has thoroughly transformed consumer behavior and purchasing habits.

The results of the research demonstrate that different population demographics do not have noticeable differences regarding consumption motivations. The following categories show notable discrepancies, however, in satisfaction levels when using group-purchasing websites: "gender and recreational entertainment"; "age and economic status"; "forms of social interaction"; "education levels and information searching ability"; and, "geographical residence and forms of social interaction" - the remaining categories did not show any significant variation. In terms of accessing media information, only "gender" showed statistically significant differences.

The most noticeable finding was that consumers are positively influenced by their access to media exposure to the "Groupon" website. This indicates that how consumers receive media information will influence their motivations and satisfaction levels when using on-line group purchasing.

1.2 Literature Review

Uses and Gratification Theory

The three major theories applied to the study are uses and gratifications theory, relationship marketing theory and framing analysis. The uses and gratifications theory gives the power to the consumer assuming that the consumer is active in deciding what types of goods and services to purchase. This theory also is used to understand how consumers use the Internet to obtain goods and services. In addition, the theory explains the gratification that consumers fulfill from the virtual shopping experience.

Relationship marketing theory assumes that setting up specific business strategies creates consumer loyalty. The formation of a repeat purchasing consumer base generates sales and prosperity for the company. Marketers of major businesses are exploring ways to simulate shopping mall loyalty tactics in the virtual marketplace. Relationship marketing also will explain to retailer's strategies and tactics conducive to online marketing success.

Virtual shopping can apply uses and gratification theory and relationship marketing theory to business strategies to produce a Web site design that markets goods and services suitable for selling through e-commerce. Also, the businesses can format

Web site design to appeal to the consumers gratification needs. This study will examine the fundamental attributes need to be fulfilled to produce online consumer gratification.

Also this research will distinguish characteristics of products and services that are more inclined to succeed in e-commerce.

Distinguishing Characteristics of Groupon

1. Low Price. The vendors that offer their services on Groupon will select off-peak hours when there is a low rate of normal customers in order to increase their business. Thus, in addition to their regular business, they are able to attract other customers that they would not have otherwise. Despite Groupon's discount pricing structure, the amount of customers that use the vendor's services during off-peak hours will still result in a profit and hopefully attract future business.

2. Customer Service. Even though Groupon is a form of e-commerce, Groupon supplies a vast range of customer service support. Customers who use Groupon must print out a receipt/coupon from the Internet and give it to the vendor when they are purchasing services. As a result, Groupon needs to continually maintain a good relationship with its vendors, as well as respond to customer inquiries and complaints on their hotline and website. If the customer does not use the coupon, Groupon offers refunds.

3. Social Media. Groupon uses social media, like Facebook, Twitter, Google Advertisements, in order to expand their membership base. People who use Groupon will often share their experience with their friends on social media websites. Due to this form of social networking, Groupon became a profitable enterprise within only 6 months.

4. Focus on Service Industry. Mostly service industry vendors use Groupon's website to attract new customers (as opposed to companies only selling goods). This is because their profit margin does not mainly depend on the cost of the product, but rather on the amount of customers who use their service. For the service industry, Groupon is an ideal platform for the reason that it is able to assemble a large amount of customers during off-peak hours.

5. Win-Win Business Model. Groupon has surplus liquidity due to its business model. Customers will pay for the products or services they want to buy first through Group-On's website. Groupon will then deduct a commission and transfer the money to the vendors. This transaction model provides Groupon with a lot of cash on hand that they can invest in expanding their business network as well as in purchasing advertising to expand their consumer base.

1.3 Research Questions

1. Are different consumer demographics more or less likely to use Groupon because of motivation for use?

2. Are different consumer demographics more or less likely to use Groupon because of

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gratifications levels?

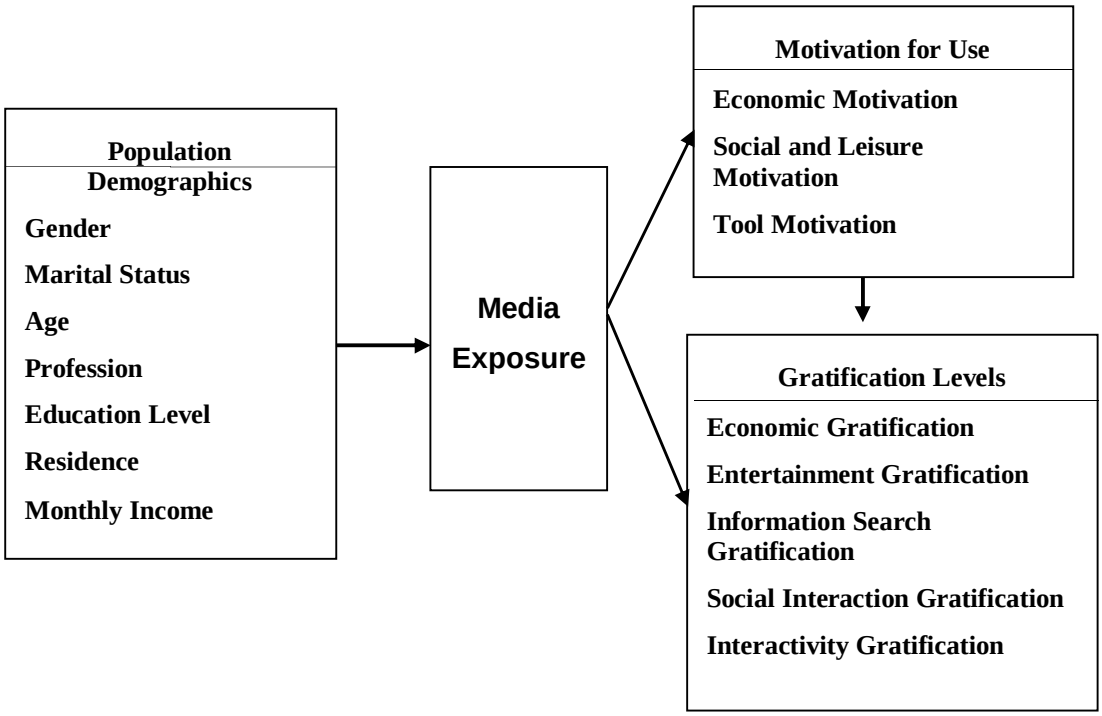
3. Are different consumer demographics more or less likely to use Groupon because of media exposure?

4. Does media exposure to the Groupon website impact consumer motivation for use when using the website?

5. Does media exposure to the Groupon website impact consumer gratification levels when using the website?

II. METHOD

2.1 Research Design



2.2 Subjects/ Materials

This research selected Groupon as the case study on the basis of Groupon's global popularity. Both worldwide and in Taiwan, it is ranked as the #1 group-purchasing website. As a result, through studying Groupon, it is possible to ascertain global trends in group-purchasing. The research analyzes the use patterns and satisfaction levels of subjects who previously used the Groupon website to purchase goods and services. The conclusions of the study are based on the data collected in 214 validly filled-in surveys.

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III. Results

Table 1. Examination of results regarding population demographics and motivation of use assumptions:

	Gender	Marital Status	Age	Profession	Education	Residence	Monthly Income
Economic Motivation	.187	.244	.063	.134	.558	.555	.291
Social and Leisure Motivation	.261	.552	.733	.619	.883	.172	.118
Tool Motivation	.336	.140	.112	.275	.678	.680	.076

P<.05

3-1 Brief Comments on the Results

1. Gender: Use motivation for group-buying website no significant differences.
2. Marital Status: Use motivation for group-buying website no significant differences.
3. Age: Use motivation for group-buying website no significant differences.
4. Profession: Use motivation for group-buying website no significant differences.
5. Education: Use motivation for group-buying website no significant differences.
6. Residence: Use motivation for group-buying website no significant differences.
7. Monthly Income: Use motivation for group-buying website no significant differences.

Table 2. Examination of results regarding population demographics and gratification levels assumptions:

P<.05

3-2 Brief Comments on the Results

1. Gender: Use motivation has significant impact on the ‘’Social Interaction Gratification’’ of Consumers.
2. Marital Status: Gratification levels for group-buying website no significant differences.
3. Age: Use motivation has significant impact on the ‘’Economic”, “Social Interaction “gratification levels of Consumers.
4. Profession: Gratification levels for group-buying website no significant differences.
5. Education level : Use motivation has significant impact on the ‘’Information Search”

gratification levels of Consumers.

	Gender	Marital Status	Age	Profession	Education	Residence	Monthly Income
Economic Gratification	.708	.983	.046*	.584	.554	.225	.850
Entertainment Gratification	.049*	.738	.982	.492	.962	.911	.853
Information Search Gratification	.298	.253	.400	.931	.045*	.590	.867
Social Interaction Gratification	.564	.697	.041*	.700	.870	.005*	.867
Interactivity Gratification	.076	.699	.489	.846	.514	.730	.867

6. Residence: Use motivation has significant impact on the ‘’Social Interaction” gratification levels of Consumers.

7. Monthly Income: Gratification levels for group-buying website no significant differences.

Table 3. Examination of results regarding population demographics and media exposure assumptions:

	Gender	Marital Status	Age	Profession	Education	Residence	Monthly Income
Media exposure	.000***	.918	.416	.857	.093	.850	.758

P<.05

3-3 Brief Comments on the Results

1. Gender: Media exposure for group-buying website significant differences.
2. Marital Status: Media exposure for group-buying website no significant differences.
3. Age: Media exposure for group-buying website no significant differences.

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4. Profession: Media exposure for group-buying website no significant differences.
5. Education level : Media exposure for group-buying website no significant differences.
6. Residence: Media exposure for group-buying website no significant differences.
7. Monthly Income: Media exposure for group-buying website no significant differences.

Table4. Examination of results regarding the assumption of a relationship between media exposure and group buying use motivation.

		Media exposure	**Economic Motivation**	**Social and Leisure Motivation**	**Tool Motivation**
Media exposure	Correlation Coefficient	1	.251	.361	.204
	Significance		**.000*** **	**.000*** **	**.003** **
Economic Motivation	Correlation Coefficient	.25	1	.490	.475
	Significance	**.000*** **		**.000*** **	**.000*** **
Social and Leisure Motivation	Correlation Coefficient	.361	.490	1	.491
	Significance	**.000*** **	**.000*** **		**.000*** **
Tool Motivation	Correlation Coefficient	.204	.475	.491	1
	Significance	**.003** **	**.000*** **	**.000*** **	

P<.05

3-4 Brief Comments on the Results

1. Media exposure has significant impact on the economic, social interaction, and tool-use motivations of consumers.

2. Economic motivation has significant impact on the media exposure, social interaction, and tool-use motivations of consumers.

3. Social interaction motivation has significant impact on the media exposure, economic and tool-use motivations of consumers.

4. Tool-use motivation has significant impact on the media exposure economic and social interaction motivations of consumers.

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Table 5. Examination of results regarding the assumption of a relationship between media exposure and group buying gratification levels.

		Media exposure	**Economic Gratification**	**Entertainment Gratification**	**Information Search Gratification**	**Social Interaction Gratification**	**Interactivity Gratification**
Media exposure	Correlation Coefficient	1	.336	.367	.358	.362	.220
	Significance		**.000*** **	**.000*** **	**.000*** **	**.000*** **	**.001** **
Economic Gratification	Correlation Coefficient	.336	1	.662	.530	.620	.327
	Significance	**.000*** **		**.000*** **	**.000*** **	**.000*** **	**.000*** **
Entertainment Gratification	Correlation Coefficient	.367	.662	1	.432	.658	.501
	Significance	**.000*** **	**.000*** **		**.000*** **	**.000*** **	**.000*** **
Information Search Gratification	Correlation Coefficient	.358	.530	.432	1	.436	.124
	Significance	**.000*** **	**.000*** **	**.000*** **		**.000*** **	.069
Social Interaction Gratification	Correlation Coefficient	.362	.620	.658	.436	1	.334
	Significance	**.000*** **	**.000*** **	**.000*** **	**.000*** **		**.000*** **
Interactivity Gratification	Correlation Coefficient	.220	.327	.501	.124	.334	1
	Significance	**.001** **	**.000*** **	**.000*** **	.069	**.000*** **	

P<.05

3-5 Brief Comments on the Results

1. Media exposure has significant impact on the economic, entertainment, information search, social interaction and interactivity gratification levels of consumers.

2. Economic gratification has significant impact on the media exposure, entertainment, information search, social interaction and interactivity gratification levels of consumers.

3. Entertainment gratification has significant impact on the media exposure, economic, information search, social interaction and interactivity gratification levels of consumers.

4. Information search gratification has significant impact on the media exposure, economic, entertainment and social interaction levels of consumers.

5. Social interaction gratification has significant impact on the media exposure, economic, entertainment, information search and interactivity gratification levels of consumers.

6. Interactivity gratification has significant impact on the media exposure, economic, entertainment and social interaction levels of consumers.

IV. DISCUSSION

4.1 Conclusions

The power of media exposure is the most important factor influencing people to use the Groupon website when purchasing goods and services. Consumers who learned about Groupon through the news media were more likely to be motivated to try the website than consumers who simply wanted to economize on costs, socially interact with friends, or use new technology.

Finally, this study concludes and recommends that merchandise vendors and other businesses that use e-commerce platforms should reinforce and expand positive media coverage in order to increase and influence consumer aspirations. The conclusions of this research offer an effective reference basis for online group-buying websites that want to increase their amount of sales and creative advertising ability.

4.2 Recommendations for Future Research

1. For future research, it would be valuable to study other group-buying websites to provide a comparative basis with Groupon. While Groupon is the most well-known and top-ranking group-buying website, it might not completely reflect the situation of other less popular websites.

2. This research also could be supplemented with more in-depth subject interviews in order to determine the personality traits of consumers. Such interviews would be able to reveal a deeper set of preferences and habits when online shopping than can be ascertained from survey research alone.

3. It would also be useful to apply and integrate different research methods, including both surveys and interviews. A more comprehensive approach would provide a much more detailed understanding of what motivations, thoughts, and habits people express during the consumption process.

4. This research focuses on consumer use patterns and gratifications from using the Groupon website only one time. Follow-up research should explore if consumers who were satisfied with their experience continue to use the Groupon website.

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