The perceived effectiveness of social couponing campaigns for hotels in Italy

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Purpose

The purpose of this paper is to analyze the effectiveness of social couponing campaigns for hotels. In particular, the perceived effectiveness related to four specific objectives is explored (acquiring and retaining new customers, building brand awareness, balancing seasonality, and stimulating demand among existing customers).

Design/Methodology/Approach

A questionnaire-based survey was conducted that involved 108 hotels, each of which has run at least one social couponing campaign through Groupon in Italy. The importance-performance approach was applied to analyze the data.

Findings

Overall, the perceived effectiveness of social couponing for hotels is quite low. Social couponing is useful to increase brand awareness but does not encourage customer behavioral loyalty. Larger hotels can successfully use this marketing tool to balance demand seasonality.

Research limitations/implications

The sample size is limited but includes approximately one-fourth of all Italian hotels that have run social coupon campaigns through Groupon. Only social couponing campaigns run through one daily deal site (Groupon) in one country (Italy) were considered.

Practical implications

Social couponing is not perceived as equally effective for all hotels. This study provides hotel managers with suggestions for deciding whether to allocate a share of their marketing resources to social couponing.

Originality/Value

To the authors' knowledge, this is the first paper to present field data to complement the available theoretical knowledge on social couponing for hotels.

Keywords: online coupons, marketing promotions, daily deals, Groupon, tourism, hotels.

Research paper

Introduction

In an effort to resist increasing competition and counteract declining sales, hotels are experimenting with a wide variety of marketing initiatives (Alonso-Almeida and Bremser, 2013; King *et al.*, 2011). Among them, social couponing campaigns are quickly gaining popularity in the hotel industry as innovative marketing programs (Sigala, 2013), and this trend is expected to continue for the next several years (Verma and Withiam, 2014). Social coupons are prepaid online discount vouchers made available by a variety of businesses (such as hotels, spas, and restaurants) through daily deal websites, such as Groupon, LivingSocial and others (Kumar and Rajan, 2012; Ong, 2014). Traditional coupons have long been used as monetary promotional tools (Buil *et al.*, 2013; Chandon *et al.*, 2000) in the hospitality industry (e.g., Lefever and Morrison, 1988; Ward and Davis, 1978), and their effectiveness has been investigated by several studies (e.g., DelVecchio *et al.*, 2006). Nonetheless, social coupons have several specific features that render them different from traditional coupons and associate them with current social and economic trends.

First, social coupons promise savings ranging from 50% to 90% off regular prices (Kumar and Rajan, 2012) compared to traditional coupons, which offer discounts averaging 30% (Lefever and Morrison, 1988). These steep discounts are particularly appealing to tourists in the current scenario. In fact, tourists have become highly price-sensitive due to the economic crisis, and this enhanced price consciousness is likely to persist beyond the crisis (Smeral, 2009; Smeral, 2010).

Second, whereas traditional coupons are distributed through newspapers, magazines, direct mail and on-package (Ward and Davis, 1978), social coupons are circulated through the Internet and take full advantage of social media (Boon, 2013; Leung *et al.*, 2013). Hence, the phenomenon of social couponing is related to the wider trend of the opening of new channels such as e-mail, social media and mobile applications (Kumar and Rajan, 2012). The web environment has empowered customers to make informed purchases and to exchange opinions and experiences with other customers, thus enabling "e-word-of-mouth" (Niininen *et al.*, 2007).

Consistent with this trend, customers voluntarily subscribe to receive offers by e-mail from daily deal sites (Sigala, 2013). In addition, these consumers are no longer passive viewers of coupons; rather, they receive and then disseminate social coupons and share their experiences through social media (Ong, 2014). Social coupons are designed to stimulate strong viral effects and rich online conversations (Boon, 2013; Boon *et al.*, 2012; Jing and Xie, 2011) and to create time pressure because each campaign runs for only a few days. Hence, although traditional coupons are appealing mainly for their utilitarian benefits (i.e., monetary savings), social coupons also offer hedonic benefits, such as entertainment and value expression opportunities (e.g., being recognized by others as smart shoppers) (Chandon *et al.*, 2000).

4

Compared to other initiatives, such as the reinforcement of structured loyalty programs that require significant investments and are therefore only accessible to large hotel chains (Xie and Chen, 2014), social couponing seems appropriate and easy to implement, even for small firms (Lee and Lee, 2012). Indeed, when visiting groupon.com and other daily deal sites, it is immediately apparent that a remarkable proportion of available coupons are offered by hotels, particularly by independent hotels. Unfortunately, despite the quick adoption of social couponing, few studies are available on this issue, and most of them analyze this phenomenon from the perspective either of the daily deal sites (Krasnova *et al.*, 2013) or of the subscribers and purchasers of daily deals (Jing and Xie, 2011; Ong, 2014).

Detailed information on the effectiveness of social couponing for merchants is scarce (Kumar and Rajan, 2012), particularly in the hospitality industry (Sigala, 2013), with a few relevant exceptions (Kimes and Dholakia, 2011; Wu *et al.*, 2012). In addition, some frameworks and principles to suggest whether the merchant should or should not opt for a social couponing campaign are available both for merchants in general (Edelman *et al.*, 2011; Kumar and Rajan, 2012) and for tourism firms in particular (Sigala, 2013). This knowledge needs to be complemented with evidence of the effectiveness of social couponing for hotels.

The purpose of this paper is to contribute to filling this significant information gap by analyzing the effectiveness of social couponing as perceived by 108 Italian hotels that have launched social coupon campaigns through Groupon. The results of this analysis will provide hotel managers with suggestions to evaluate whether to invest a share of their marketing budget in social couponing. In addition, the findings will enrich the available knowledge about the effectiveness of monetary and nonmonetary promotions (DelVecchio *et al.*, 2006). Such insights are fundamental, given the scarcity of marketing resources and the opportunity to allocate them to a number of alternative marketing programs (Williams, 2006).

The remainder of this paper is organized as follows: first, the relevant literature is reviewed; next, the methodology of the study is explained, and the results are presented and discussed; finally, the conclusions and limitations of the study are presented.

The effectiveness of a social coupon campaign for hotels

According to the framework of Rust et al. (2004) for marketing productivity, every marketing action (including marketing promotions) may pursue several objectives, which may be positioned at three sequential levels. First, the marketing action aims to change a customer's mental state, such as the level of brand awareness and the customer experience. Translating new customers' mental states into certain desired customer behaviors (such as repatronizing the current provider) represents the

second level. Finally, at the third level, marketing actions should help the firm to achieve improved long-run financial results (e.g., Luo and de Jong, 2012).

Traditional coupons and other monetary promotions are mostly designed to stimulate an immediate boost in sales; i.e., they affect short-term customer behaviors (DelVecchio *et al.*, 2006). In contrast, nonmonetary promotions (e.g., contests and free gifts) deliver hedonic benefits to customers (e.g., an entertaining shopping experience, fun, self-perception enhancement) (Chandon *et al.*, 2000) and are designed to affect consumers' attitudes and behaviors also in the medium-long term (Buil *et al.*, 2013). Thus, "monetary promotions might be effective in increasing trial […] whereas nonmonetary promotions might be more effective in retaining customers" (Chandon *et al.*, 2000, p.78).

Social coupons combine the characteristics and objectives of both monetary and nonmonetary promotions; therefore, they can serve several purposes (Sigala, 2013). Hence, we reviewed the available literature on social couponing and promotions to identify the most relevant objectives that a hotel may plan to achieve through a social coupon campaign, and we ordered them according to the framework of Rust et al. (2004). After identifying the objectives, we evaluate to what extent social couponing was perceived as effective in helping the hotel reach each objective.

Through the analysis of available studies, four suitable objectives of social couponing for hotels were identified: building brand awareness (Boon, 2013; DelVecchio *et al.*, 2006; Edelman *et al.*, 2011; Jing and Xie, 2011; Kimes and Dholakia, 2011; Lee and Lee, 2012; Ong, 2014; Sigala, 2013); acquiring and retaining new customers (Edelman *et al.*, 2011; Kimes and Dholakia, 2011; Kumar and Rajan, 2012; Sigala, 2013; Wu *et al.*, 2012); stimulating existing customers' demand (Dholakia, 2010; Kimes and Dholakia, 2011; Wu *et al.*, 2012); and balancing seasonality (Kumar and Rajan, 2012; Sigala, 2013). Building brand awareness is positioned at the first level of the framework of Rust et al. (2004) because it involves changing customers' mental states. In contrast, the three remaining objectives are placed at the second level because they involve stimulating specific customers' behaviors. The rationale for each of the four objectives is reviewed and discussed next.

Increasing brand awareness

Research on traditional coupon campaigns demonstrates that their performance should be evaluated by considering both the redemption and exposure effects (Venkatesan and Farris, 2012). Coupon programs not only increase sales through the redemption of the coupons (a redemption effect) but may also work as advertising tools by improving customers' awareness (an exposure effect) (Kimes and Dholakia, 2011). Similarly, Lee and Lee (2012) suggested that social couponing both increases sales and can serve as an advertising medium for merchants. Additionally, through newsletters and

online conversations, customers are exposed to firms' products even if they decide not to buy the deals (Sigala, 2013). Informed customers may then work as "sales agents" (Jing and Xie, 2011), engaging in online conversations about the deals. On this point, Ong (2014) found that in the hospitality industry, coupon purchasers, compared to subscribers only, are more likely to share daily deal e-mail offers with friends and family members. Such referrals also enhance the credibility of the recommended daily deal.

Interestingly, social couponing allows merchants to make promotions without a dedicated marketing budget because commissions to the websites are not paid in advance (Krasnova et al., 2013). In the hotel industry, creating brand awareness seems to be one of the most effective ways to react to currently declining sales (Alonso-Almeida and Bremser, 2013). Moreover, hotels often rely on promotional activities to increase brand awareness (Kayaman and Arasli, 2007). Following this reasoning, hotels could decide to launch social coupon campaigns to increase their brand awareness.

Acquiring new customers and retaining them

The discount rate for traditional coupons is typically smaller than the profit margin, and therefore, companies are able to continue to make profits on the promoted goods (Zhang and Wedel, 2009). In contrast, social couponing is based on much higher discount rates (up to 90%) than traditional couponing (Kumar and Rajan, 2012). Additionally, a considerable commission (up to 50% of the coupon face value) must be paid to the daily deal site.

Therefore, coupon redemption may generate short-term losses for the company running the promotion. The social coupon campaign should then be considered an investment, aimed at acquiring and retaining as many new customers as possible (Edelman *et al.*, 2011; Kumar and Rajan, 2012; Lee and Lee, 2012). Retained customers will continue to buy at full price from the company, making it possible to achieve a return on the investment.

Attracting new customers and gaining their loyalty is typically considered one of the most important marketing objectives for hotels (Xie and Chen, 2014), and promotions such as traditional coupons have been widely used for this purpose (Peattie and Peattie, 1996). Therefore, social couponing may be adopted to reach this objective.

It should be noted, however, that it may be difficult to retain coupon users. Coupon promotions typically attract deal-driven or convenience-prone customers (Chandon *et al.*, 2000), who are not likely to develop brand loyalty (Kang *et al.*, 2006; Mela *et al.*, 1997; Srinivasan *et al.*, 2002). Nonetheless, Wu et al. (2012) found that 35% of coupon users at restaurants returned without a promotion. Hence, it seems reasonable to hypothesize that acquiring and retaining new customers may be one of the objectives of hotels that use social coupon campaigns.

Stimulating existing customers' demand

Current customers are often not intended to be the main target of social couponing campaigns (Kumar and Rajan, 2012). Current customers are accustomed to paying full price and would have continued to pay full price if the social coupons were not available (Edelman *et al.*, 2011; Kumar and Rajan, 2012; Lee and Lee, 2012). Therefore, the risk of cannibalization may be a serious concern for merchants running a social couponing campaign (Wu *et al.*, 2012). Nonetheless, previous research in the restaurant industry reports that 60% of customers who purchased a deal had already visited the restaurant at least once and that the average overage (the amount of money spent over the daily deal value) was just under 40% (Wu *et al.*, 2012). Hence, we suggest that the merchant may use couponing as a temporary incentive (DelVecchio *et al.*, 2006) to stimulate existing customers' demand and then apply an upselling or cross-selling strategy, that is, to encourage customers to buy other services in addition to those included in the coupon (Dholakia, 2010; Wu *et al.*, 2012).

Balancing seasonality

In the tourism industry, and particularly in the hotel industry (Fernandez-Morales and Mayorga-Toledano, 2008), a social coupon campaign could be intended as a tool to counteract the seasonality of demand. Tourist flows are typically concentrated in relatively short periods (Koenig-Lewis and Bischoff, 2005) for a number of reasons, including public holidays, social traditions, access, and climate, among others (Koenig-Lewis and Bischoff, 2005). Seasonality is characterized by regularity and can therefore be forecasted, and specific measures can be adopted to reduce its effect on hotel revenues. The use of price discounts and promotions to increase demand during a low season is among such measures (Buhalis, 2000). Therefore, social coupons may also successfully serve this purpose.

Previous studies (Orfila-Sintes *et al.*, 2005) have highlighted stronger effects of seasonality for large-sized hotels. In general, the cost structure in the hotel industry is characterized by high fixed costs along with relatively low variable costs (Pan, 2007). Hotel size significantly affects the initial capital investment and the incidence of fixed costs (Pan, 2007). Larger hotels incur higher fixed costs and therefore need to attract customers during the low seasons to cover at least a share of these costs. If social coupons may be redeemed only during the low season at a price that covers at least the variable costs (Lee and Lee, 2012) and a share of the fixed costs, then the hotel will gain economic benefits from such a promotion. Therefore, it seems reasonable to conclude that hotels,

particularly larger hotels, may decide to launch a social coupon campaign to reduce the effects of seasonality, thus covering a share of their fixed costs during the low season.

Methods and data analysis

A questionnaire-based survey was conducted among all Italian hotels that had run at least one social coupon campaign through Groupon. Groupon is the market leader among the social couponing websites, with a market share of approximately 53% in North America, followed by LivingSocial, which has a share of 22% (MacMillan, 2012). In 2012, it registered $2.33 billion in revenue and reached 41 million active subscribers (Groupon, 2013). In 2010, Groupon entered the Italian market and gained a dominant position (Osservatorio B2c - School of Management Politecnico di Milano, 2011) with 7.2 million active subscribers and a market share of approximately 50%, followed by Groupalia (1.8 million active subscribers), Letsbonus (1.1 million active subscribers) and a number of smaller competitors (Klausner, 2013).

The questionnaire (see the appendix) was structured into three sections related to information about the hotel, information about the perceived effectiveness of the social couponing campaign, and comments about the hotel's experience with the social couponing campaign through Groupon. Questions related to respondents' attitudes were measured through 5-point Likert scales. Participants were also directly asked to report data about the coupon campaign (e.g., the percentage of returning customers and unredeemed coupons). Similar to Ong (2014), we developed the questionnaire through literature reviews, industry reports, and analyses of online conversations because academic research about social couponing is scarce.

In addition, to support the items' validity, we also relied on previous explorative studies we conducted on social couponing in Italy (Magno *et al.*, 2014a; Magno *et al.*, 2014b). The purpose of these studies was to understand merchants' attitudes toward the effectiveness of social couponing, without focusing on a specific industry. Merchants belonging to several industries (including, e.g., health services and wellness, restaurants, home maintenance services, and hotels) were approached. The collected information proved valuable to inform the questionnaire for this paper.

To create a list of participants for this study, we visited Groupon's website, which contains a list of all hotels that published coupons through Groupon. Hotels remain listed on this page even after their coupon campaigns have expired. The list was created in October 2012 and thus included all the hotels that had run at least one coupon campaign through Groupon from 2010 to October 2012. For each of the hotels found on Groupon's website, we visited the hotel's website to identify the contact information of the hotel management. The final list was composed of 466 hotels. As Groupon owns approximately 50% of the market share in the Italian social couponing market

(Klausner, 2013), we suggest that through this sampling procedure, we intercepted a relevant share of all Italian hotels that have used social couponing to date. These hotels represent a small portion of the entire population of Italian hotels, which includes 33,728 hotels (Federalberghi, 2014).

Data collection took place in late spring 2013. This choice was made to be sure that hotels' coupon campaigns had been completed at the time of data collection and that the hotel managers had the opportunity to make evaluations about the effectiveness of this program. Similar to previous studies about merchants' perceptions of social couponing (Wu *et al.*, 2012), the survey was distributed online. Respondents were familiar with the online environment and with e-mail; they had not only run an online coupon promotion but also explicitly requested that coupon purchasers contact the hotel by e-mail. Thus, the online survey administration method was judged as suitable for this study.

We collected 117 questionnaires; however, 8 were deleted due to incomplete answers. Moreover, we excluded another questionnaire from the analysis because it was the only one received from a five-star hotel and may have distorted the results. The final sample was composed of 108 hotels and can be considered to be a self-selected convenience sample (Wu *et al.*, 2012). Thus, we obtained a response rate of 23.17%, which compares favorably with rates reported in previous online surveys among hospitality managers (Chi and Gursoy, 2009; Tavitiyaman *et al.*, 2012).

Data were analyzed through an importance-performance analysis (IPA) (Martilla and James, 1977), which has been extensively applied in hospitality and tourism research to identify improvement priorities and the effective allocation of scarce resources (Yoo *et al.*, 2011). IPA has been used mainly to examine visitors' or customers' evaluations of the importance / performance of relevant attributes of the providers' offering (Azzopardi and Nash, 2013). In addition, through IPA, researchers have explored tourism managers' evaluations of the importance and performance of their marketing initiatives (e.g., Murdy and Pike, 2012). Following this second stream of study, we evaluated hotel managers' perceptions regarding both the importance (i.e., how important the objective is for the respondent) and performance (i.e., the effectiveness of the campaign in reaching the objective) of each objective of the social couponing campaign.

Some methodological issues related to the IPA technique have been raised by several studies (Azzopardi and Nash, 2013; Oh, 2001). In particular, there is a debate about choosing between direct and indirect measurements of importance. Direct measurement relies on direct ratings whereby respondents are asked to rate the importance on Likert scales. Indirect measurement estimates importance through methods such as correlation analysis, multiple regression analysis (Azzopardi and Nash, 2013). Contrary to direct measurement, indirect procedures avoid inflating importance rates (Oh, 2001). In this paper, performance scores for individual objectives were

regressed on scores for perceived overall effectiveness, and the standard regression coefficients were used as indirect measures of importance (Matzler *et al.*, 2003). Moreover, because we suggested that large-sized hotels may be more motivated to use social couponing to balance seasonality (Pan, 2007), we included hotel size as a variable moderating the relationship between perceived effectiveness in balancing seasonality and perceived overall effectiveness. Room capacity was used as a proxy for hotel size (Le *et al.*, 2006).

The results were then plotted on the traditional two-dimensional IPA grid (Martilla and James, 1977), which combines the importance and performance scores for each attribute. Whereas Martilla and James's seminal work prescribed the use of the mean values of observed importance and performance as cross-hair points in the IPA grid, some other studies (e.g., Oh, 2001) supported the use of the mean values of the established scale (such as 3 in 5-point Likert scales). Following the prevailing approach in the tourism importance-performance literature (Azzopardi and Nash, 2013), we used the mean values of the observed ratings to determine cross-hair points.

To enhance the robustness of the results and to enrich the discussion, we also collected data from coupon users who had stayed at the 108 hotels. In particular, according to well-established procedures, we explored users' experiences (Volo, 2010) through the analysis of customer reviews available on TripAdvisor webpages (Briggs *et al.*, 2007; Carson, 2008; Chaves *et al.*, 2012). TripAdvisor was selected because it is the largest travel-related reviews site, enabling users to exchange information, opinions and recommendations about tourism services (Akehurst, 2009). First, we collected all customer reviews published on TripAdvisor for the 108 hotels included in our sample, obtaining a total of 15,772 reviews (an average of 146.03 for each hotel).

With the support of NVivo 10 software (Pan *et al.*, 2007), we found that 746 of the 15,772 reviews made an explicit reference to Groupon (i.e., customers reported that they stayed at one of the 108 hotels using a Groupon's coupon). For each hotel, the ratio between the number of reviews from Groupon's users and the total number of reviews ranged from 0% (for 2 hotels) to 41.17%. The average ratings given by Groupon's users regarding their experiences were then compared with the average rating for each hotel reported on TripAdvisor. Again with the support of NVivo 10 software, the contents of the 746 reviews (which included 130,660 words) were analyzed by the authors independently to find evidence about the effects of social couponing on customer loyalty and brand awareness for each of the 108 hotels (Pan *et al.*, 2007). For customer loyalty, we registered the number of reviews in which the coupon users clearly reported their intention to return to the hotel. To measure brand awareness, we counted the number of reviews in which coupon users a) explicitly stated that they did not know the hotel before purchasing the coupon and b) explicitly

recommended the hotel to other people. Finally, the contents of the reviews were analyzed to enrich data interpretation.

Results

The hotels included in the sample had an average room capacity of 51.6 and were classified as 3- or 4-star hotels according to legal requirements and technical specifications in Italy. Table 1 compares the profiles of the respondents with the profile of the whole population of Italian hotels, suggesting that hotels with experience with social couponing are larger than average Italian hotels (51.6 vs. 32.4 rooms). Most of the hotels (62.9%) participating in this study had fewer than 10 employees, and none of them belonged to hotel chains. Thirteen of them were located in the northeast of Italy, 27 in the northwest, 19 in the center and 49 in the south (including Sardinia and Sicily). Finally, 7 respondents were marketing managers, and all of the others were hotel managers.

(Insert Table 1 about here)

Approximately half of the hotels had run just one campaign through Groupon. The number of coupons sold through these campaigns was extremely variable, ranging from less than 50 (for 18 hotels) to more than 500 (for 17 hotels). Approximately 15% of these coupons were not redeemed by customers (table 2).

(Insert Table 2 about here)

Participants were then asked to express their satisfaction with the overall effectiveness of the campaign and with its effectiveness in reaching each one of the four suitable objectives of the campaign. Five-point Likert scales (very unsatisfied – very satisfied) were used. The data show that the overall perceived effectiveness is quite low, with an average value of 2.56 (table 3).

(Insert Table 3 about here)

Specifically, the highest level of perceived effectiveness of the social couponing campaigns was registered for the objective of increasing brand awareness (2.70), followed by balancing seasonality (2.51). Low perceived effectiveness emerged with regard to the objective of attracting new customers and retaining them (2.11). On this issue, respondents were asked to indicate what percentage of the new customers attracted through the coupons had returned at least one other time

without the coupon. Seventy-two hotels reported that they were not able to retain any of the coupon users, whereas the remaining 36 hotels retained 8.65% of them, on average. Finally, the coupon campaigns did not significantly stimulate existing customers' demand (1.57). Eighty-five hotels stated that none of the coupons were used by existing customers, whereas the remaining 23 hotels indicated that on average, 7.90% of coupons were used by existing customers.

In addition, one-way ANOVAs were conducted to identify the possible differences in the perceived effectiveness based on the hotels' length of experience with social couponing. For this purpose, hotels were divided into three groups depending on when they started their first Groupon campaign: less than 1 year before the survey (n=34), more than 1 year but less than 2 years before the survey (n=61), or more than 2 years before the survey (n=13). The results of this analysis showed that there were no statistically significant differences in the satisfaction with the campaign's overall effectiveness ($F_{(2,105)} = 1.239$, $p>.10$) or in the satisfaction with the campaign's effectiveness related to each of the four specific objectives: increasing brand awareness ($F_{(2,105)} = .266$; $p>.10$), acquiring and retaining new customers ($F_{(2,105)} = .535$; $p>.10$), stimulating demand among existing customers ($F_{(2,105)} = .946$; $p>.10$), and balancing seasonality ($F_{(2,105)} = 1.746$; $p>.10$).

After measuring the perceived overall performance of the campaign, the importance of each objective for the merchant was established according to the procedure described in the "Methods and data analysis" section. The results of the regression estimation are summarized in table 4.

(Insert Table 4 about here)

The analysis shows that the most important objectives pursued by the hotels through the social couponing campaigns were acquiring and retaining new customers (Beta: .410; $p<.01$) and increasing brand awareness (Beta: .318; $p<.05$). Notably, the findings show that balancing seasonality is relevant only for larger hotels, as demonstrated by the moderating effect of room capacity (Beta: .178; $p<.10$). Finally, stimulating existing customers' demand is not perceived as an important aim of coupon campaigns (Beta: .131; $p>.10$).

Figure 1 shows the IPA matrix resulting from the analysis. To account for the moderating effect of hotel size, data for "balancing seasonality" have been plotted not only for the entire sample but also for the two sub-samples of small and large hotels. The average number of rooms (n=51.6) was used as a cutoff point. In summary, by combining the results of the perceived performance and the importance evaluations, we find that hotels decide to run social coupon campaigns primarily to acquire and retain new customers and to increase brand awareness. Although a campaign is perceived to be effective in enhancing brand awareness, it does not help hotels find returning

customers. These points will be discussed in the next section. Additionally, larger hotels also use social couponing to balance seasonality, and they obtain satisfactory results. Finally, stimulating demand among existing customers is not a relevant objective of social couponing.

(Insert Figure 1 about here)
Figure 1: The importance-performance matrix

As mentioned in the "Methods and data analysis" section, data from coupon users were then analyzed to corroborate findings from hotel managers. The volume of coupon users' reviews available on TripAdvisor for these 108 hotels confirms that the coupon campaigns stimulated a remarkable level of online word-of-mouth about the brands, thus enhancing awareness. In addition, 103 customers explicitly recommended the hotels to other people, whereas only 6 customers advised against the hotels. Moreover, 74 customers noted that they found out about the hotels through Groupon. With regard to loyalty, 148 customers (19.8% of the reviews) reported that they were willing to stay again at the same hotel, but 61 of them (8.1% of the reviews) specified that their intention was subjected to the availability of new coupons for the hotel in the future. Only 7 customers stated that they would not return to the evaluated hotel in the future. Finally, the hotel ratings given by coupon users were slightly lower than the average ratings reported on TripAdvisor (3.64 versus 3.85).

Discussion

Theoretical implications

The results of this study contribute to two streams of research related to social couponing in the hospitality industry and to the effectiveness of monetary and nonmonetary promotions.

Regarding the first stream, this work extends previous knowledge about social couponing from the restaurant sector (Lee *et al.*, 2014; Wu *et al.*, 2012) to the hotel sector. Although both hotels and restaurants belong to the hospitality industry, similarities and differences emerge with regard to the effectiveness of social couponing in these two contexts. Consistent with previous studies on the restaurant sector (Wu *et al.*, 2012), social couponing shows an overall mixed perceived effectiveness for hotels, as well. In particular, the results confirm that social couponing is an effective way to create awareness (Lee *et al.*, 2014).

Conversely, hotel managers reported that social couponing had a very low level of effectiveness in retaining new customers who were attracted through the coupons, whereas restaurants were able to retain a substantial share (35%) of them (Wu *et al.*, 2012). To explain this result, it should be noted that for hotels that do not belong to a chain (independent hotels), such as those participating in this

study, retention requires that customers return to the same place. This is unlikely if customers' dominant travel motivation is to visit new places. On the contrary, restaurant coupons are primarily purchased by customers living in the local area, and they are thus more likely to repatronize the restaurant.

In addition, our findings show that stimulating existing customers' demand is not a relevant objective of social couponing for hotels. Notably, Wu et al. (2012) found that in the restaurant industry, a large volume of coupons was used by existing customers, and an average customer spent 40% over the daily deal value. In the hotel industry, the relevance of ancillary services (such as food and beverages) has long been overlooked as revenue management systems have focused on room revenue maximization (Kim *et al.*, 2013). Therefore, the scarce interest of respondents in using the coupons to attract existing customers may be motivated by their perception that it may be difficult to make profits by selling ancillary services. Nonetheless, there is evidence that satisfied hotel customers are more likely to purchase such services (Kim *et al.*, 2013).

The findings also contribute to the stream of studies about the effectiveness of monetary and nonmonetary promotions. Previous research (Buil *et al.*, 2013) has suggested a clear distinction between monetary and nonmonetary promotions, positing that monetary promotions primarily convey utilitarian benefits (monetary savings) that encourage customers' immediate response, whereas nonmonetary promotions offer hedonic benefits that affect customers' attitudes beyond the short term. Social couponing is able to reconcile these findings because it is designed as a multi-benefit promotional tool (Chandon *et al.*, 2000), i.e., it combines both utilitarian and hedonic benefits. In fact, social couponing both offers substantial monetary savings and stimulates online customer engagement (through, e.g., conversations and reviews), thus satisfying the needs for entertainment and self-enhancement. Therefore, social couponing is a flexible promotional tool that may be used by hotels for short-term purposes (e.g., balancing seasonality) and/or for long-term objectives (e.g., building a reputation through post-purchase reviews and word-of-mouth).

Practical implications

When approaching hotels that are potentially interested in running a social couponing campaign, daily deal sites give them a broad overview of the benefits that such campaigns could provide, including acquiring new customers, reaching a wide audience, increasing traffic and revenues, enhancing their reputation and strengthening their image. Nonetheless, before deciding whether to allocate a share of their marketing resources to social couponing, hotel managers should carefully reflect on the objective they intend to achieve through this investment. If their main purpose is to

acquire and retain customers, this study suggests that social couponing is not the most appropriate marketing tool.

On the contrary, social couponing can successfully assist hotels in building brand awareness. In particular, social couponing has a high potential of stimulating e-word-of mouth and referrals. If coupon users have a satisfying experience at the hotel, they are highly likely to engage in positive word-of-mouth and referrals (through online reviews, etc.). To clarify this point, it is interesting to remark that the analysis of the customers' negative reviews shows that the main reason for dissatisfaction was that coupon users felt that they were treated as b-level customers. Thus, hotels should focus on providing high quality experiences to coupon users to avoid their dissatisfaction and, in turn, negative word-of-mouth. Coupon users should be perceived by hotel managers as brand ambassadors, and their satisfaction should be set as a priority.

Social couponing may also be successfully used by larger hotels to reduce sales seasonality. In this case, hotel managers are required to perform a careful evaluation of the cost structure of the hotel to ensure that the discounted price is able to cover, at a minimum, incremental costs. Conversely, if the revenues from each coupon are lower that the incremental costs, then social couponing will negatively affect the hotel profitability.

Finally, hotels may decide to run a social couponing campaign to stimulate existing customers' demand. In this case, the hotel should offer (new) appealing ancillary services to compensate for the low revenues from the coupons. For this strategy to be effective, it is important that cross-sold services satisfy coupon users and are not overpriced.

Beyond the potential benefits of social couponing, hotel managers should also consider several risks, including potentially incurring negative returns in the short term, presenting the offering in an inconsistent way (selling valuable services at low prices), experiencing organizational chaos and inefficient service due to an excessive number of coupons being sold, potentially diluting the brand due to an excessive use of promotions, and creating confusion among existing customers.

Conclusions and limitations

The findings of this study indicate that the average perceived effectiveness of social couponing is quite low, but it has a significant variability depending on the specific marketing objective the hotel intends to achieve. Although social couponing seems ineffective in retaining customers, it may successfully assist the hotel in enhancing brand awareness. On this point, this study suggests that some hotel managers may have overlooked the social component of social couponing; i.e., they think that the effectiveness of social couponing depends only on its ability to improve the economic

result in the short term. In contrast, coupon users, even if unprofitable in the short-term, should be perceived as brand ambassadors of the hotel.

In assessing the validity of the conclusions of this study, several characteristics of the sample should be taken into account. First, participating hotels had a larger room capacity (51.6) than average Italian (32.4) and European Union hotels (31.6) (http://epp.eurostat.ec.europa.eu). These data may suggest that social couponing is selected by hotels with a significant number of rooms because they have a stronger need to attract more customers, particularly during the low season. Nonetheless, these hotels are much smaller than the average hotel in the United States (93.29 rooms) (www.ahla.com), suggesting that caution must be taken when generalizing the results to that context. Second, the participants were all 3-star or 4-star hotels. This evidence may signal that these hotels are able to offer a medium to high service quality at a discounted price and thus appeal to value-conscious customers. Third, the fact that none of the hotels belonged to a chain suggests that social couponing may be particularly attractive for independent hotels, which are not able to create structured loyalty programs (Xie and Chen, 2014).

Several limitations of this study should be noted. First, the sample size is limited, even though it represents approximately one-fourth of all Italian hotels that had run social coupon campaigns through Groupon by October 2012. In addition, given the response rate, the possibility of respondent self-selection should be mentioned. Second, we only considered social campaigns through Groupon. Groupon is the leader in running these campaigns, but it would be useful to compare the results of social coupon campaigns that were launched through other websites. Third, the period between the launch of the social coupon campaigns and the evaluation of their effectiveness may have been too short for some hotels to appreciate the results in terms of customer retention. Finally, this study has primarily considered effectiveness as perceived by merchants. Complementing this knowledge with additional data from customers would provide a complete overview of the effectiveness of social couponing (Wu *et al.*, 2012): for example, it would make it possible to evaluate both customer behavioral loyalty (i.e., repurchasing) and attitudinal loyalty (Kandampully and Suhartanto, 2000; Yoo and Bai, 2013).

For all of these reasons, caution should be taken when extending our findings to the entire population of hotels that use social couponing. Further studies that rely on more sophisticated methods of analysis should be conducted to generalize the results. Drawing comparisons between the perceived effectiveness of social couponing by hotels located in different countries is also of particular interest. For example, because social couponing is a very recent phenomenon in Italy, it may be interesting to verify merchants' perceptions in countries with a longer history of social couponing.

Appendix: Questionnaire

A) Information about the hotel

1. Name of the hotel
2. Address
3. Number of stars (1-5):
     [ ]1   [ ]2   [ ]3   [ ]4   [ ]5
4. Is the hotel part of a chain?
     [ ]Yes   [ ]No
5. Number of rooms
6. Number of employees
     [ ]1-5   [ ]6-10   [ ]11-20   [ ]21-50   [ ]>50

B) Information about the effectiveness of the social couponing campaign

7. How many coupon campaigns has your hotel run through Groupon so far?
     [ ]1   [ ]2-5   [ ]6-10   [ ]>10
8. When did you start your first Groupon campaign?
     < 1 year ago
     More than 1 but less than 2 years ago
     > 2 years ago
9. Average number of coupons sold per campaign
     [ ]<50   [ ]51-100   [ ]101-200   [ ]201-500   [ ]>500
10. How satisfied are you with the overall effectiveness of your Groupon campaign(s)? (1 = very unsatisfied to 5 = very satisfied)
11. How satisfied are you with the effectiveness of your Groupon campaign(s) in (1 = very unsatisfied to 5 = very satisfied):
     a. Acquiring and retaining new customers
     b. Increasing brand awareness
     c. Balancing seasonality
     d. Stimulating demand among existing customers
12. Were you able to retain any of your coupons' users? (I.e., has any coupon user returned to your hotel without a promotion?)
     a. [ ]Yes   [ ]No
     b. If yes, please indicate the (perceived) number of returning customers as a percentage (1% to 100%) of the new customers who came to your hotel through the Groupon deal
13. Were your coupons purchased by any of your existing customers (i.e., by customers who had already stayed at your hotel before you started your Groupon campaign)?
     a. [ ]Yes   [ ]No
     b. If yes, please indicate the (perceived) number of existing customers who used the coupon as a percentage (1% to 100%) of the total number of customers who used the coupon

14. How many coupons were not redeemed? Please indicate the (perceived) number of unredeemed coupons as a percentage (1% to 100%) of the total number of coupons you sold through Groupon

C) Free comments

15. What were the main advantages of your social couponing campaign(s)?

16. What were the main disadvantages of your social couponing campaign(s)?

17. Please use the following free space to write any additional comments about your experience with the social couponing campaign(s) through Groupon

Contact details of the interviewee (name, position, phone, e-mail address)

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	Sample (n=108)	Population of Italian hotels* (n=33,728)
	Frequency	Frequency
Number of stars		
3-star hotel	48 (44.4%)	15,243 (45.2%)
4-star hotel	60 (55.6%)	5,354 (15.9%)
Others (1-, 2- and 5-star hotels)	0 (0.0%)	13,131 (38.9%)
Number of rooms		
<25	28 (26.0%)	18,218 (54%)
25-99	67 (62.0%)	14,121 (41.9%)
>99	13 (12.0%)	1,389 (4.1%)
Average room capacity	51.6	32.4
Area		
Northeast	13 (12.0%)	14,032 (41.6%)
Northwest	27 (25.0%)	6,490 (19.2%)
Center	19 (17.6%)	7,216 (21.4%)
South (including Sardinia and Sicily)	49 (45.4%)	5,990 (17.8%)
Respondents		
Marketing managers	7 (6.5%)	/
Hotel managers	101 (93.5%)	/

Table 1: Sample description
*Data from Federalberghi (2014)

	Frequency (n=108)
Number of coupon campaigns run through Groupon so far	
Only 1	56
From 2 to 5	47
From 6 to 10	3
More than 10	2
Average number of coupons sold per campaign	
Less than 50	18
From 51 to 100	24
From 101 to 200	23
From 201 to 500	26
More than 500	17
Percentage of unredeemed coupons	15.3%

Table 2: Experience of the hotels with coupon campaigns through Groupon

Indicators of effectiveness	Rating (1-5)
Satisfaction with the campaign's overall effectiveness	2.56
Satisfaction with the campaign's effectiveness in:	
-Acquiring and retaining new customers	*2.11*
-Increasing brand awareness	*2.70*
-Balancing seasonality	*2.51*
-Stimulating demand among existing customers	*1.57*

Table 3: Perceived effectiveness

	Beta	t-statistic	p-value	VIF.
(Constant)		2.784	.007	
Acquiring and retaining new customers	.410	2.962	.004	2.837
Increasing brand awareness	.318	2.509	.015	2.378
Balancing seasonality	-.022	-.149	.882	3.243
Balancing seasonality * Room capacity	.178	1.786	.080	1.083
Stimulating demand among existing customers	.131	1.530	.132	1.478

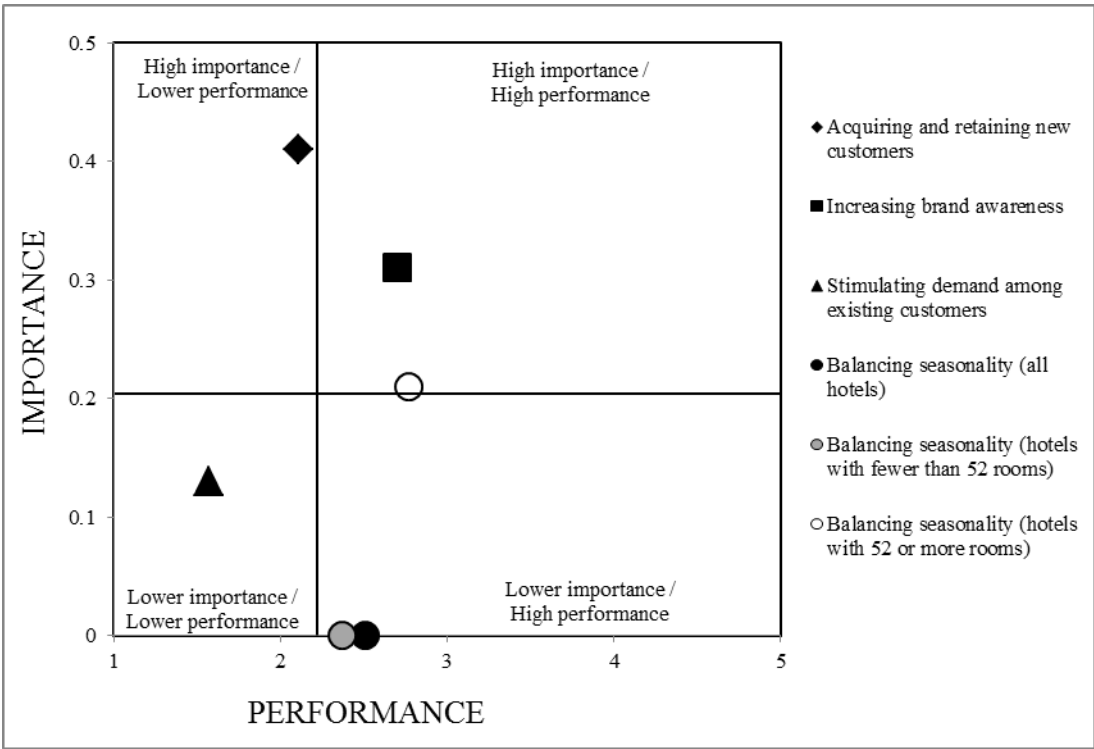**Table 4: Results of the linear regression analysis. Dependent variable: perceived overall effectiveness. Adjusted R^2: .588.**

Figure 1: The importance-performance matrix