

Groupon (Nasdaq: GRPN)  
MB107 EXECUTIVE PRESENTATION ASSIGNMENT SHEET  
Friday, December 7, 2012 Holiday Inn

As aspiring young executives working for Groupon, your team must formulate a comprehensive strategic plan and a set of action steps that will enable the firm to meet its financial and strategic objectives. Your team of junior executives will present its strategic recommendations at the designated time to representatives of Groupon's senior management at the Holiday Inn on Friday, December 7, 2012. Your presentation (not to exceed 25 minutes) will be followed by questions from the executives. You will be evaluated on your presentation's substance, professionalism and effectiveness, and teamwork. A detailed copy of the evaluation form will be distributed at a later date.

You must perform a **comprehensive strategic analysis** and develop a **specific action plan** for Groupon. Recognize that this is a young firm that has just recently gone public. It operates in a highly dynamic (even volatile) environment. The HBS case is a critical reading for each student. It provides an invaluable background and overview on this firm as well as its industry. Of course, you will need to conduct extensive research that moves you beyond the time of the case in order to accurately assess Groupon's business situation up to December 7, 2012. That is, you need to determine the major strategic issues (opportunities, problems, challenges, etc.) that Groupon is facing and devise an action plan to address these issues. Your team's action plan might include a few of the strategic vehicles (e.g., expansion, acquisitions, joint ventures, and/or market, product, or brand development) discussed in the MB107 course. You are also expected to apply the elements of the strategy diamond when formulating your strategic recommendation, and you must determine the revenues, expenses, and operating profits associated with your proposed strategy over the next three years in order to reach the financial target.

Unlike the written case analyses in the course, you must consider the issues, events, and changes that have transpired since the date of the case. Thus, your presentation in December will need to account for changes in Groupon's internal, external (macro), and industry environments (some of their competitors include Living Social, Amazon, and Google, as well as aggregate sites such as Yipit). Groupon is an internet-based, daily deal company offering discounted coupons for local merchants to its subscribers. Its popularity has spread quickly, making use of the popularity of social networking and online marketing. The case suggests that Groupon is struggling with issues including its fee structure, low barriers to entry and copycats, potential fad status, questionable value for small business merchants, as well as media attention and scrutiny from the investment community. Questions you might ask yourself include: How did Groupon get to where it is today? How did Groupon perform in 2011 and the first two quarters of 2012? Will Groupon be able to meet earnings and growth expectations in the future? How can Groupon offer services that make them less vulnerable to copycats and more valuable to merchants and subscribing customers? Will factors such as customer demographics, cultural trends, local tastes and styles, etc. play a role in Groupon's success? How will Groupon need to adjust to the needs of different international stakeholders? Can Groupon overcome the media/investment community scrutiny it has faced in recent months?

In sum, you are expected to convince the executives with a clear, concise, and logical presentation that:

- ✓ You are experts on Groupon's business model
- ✓ You have conducted an analysis to successfully identify Groupon's internal, environmental, and competitive challenges
- ✓ You have developed a strategic recommendation that addresses those issues, firmly stating not only *what* Groupon should do, but *why* and *how* (think "strategy diamond" here)
- ✓ Your strategic plan is the right course of action to meet the financial objectives

(continued)

### Financial Target

Refer to the “MB107 Financial Template”. By following Steps 1-2, you will see Groupon’s financial performance through 2011 and you will project its baseline performance (without your strategic recommendation) for 2012-2015. The template includes revenue/cost assumptions for that period of time. You will have to decide if these assumptions are accurate as more data becomes available (e.g., Groupon’s Q3 earnings report, analyst estimates) and as you conduct your own research about Groupon’s sales/expenses outlook.

Your three-year strategic recommendation **must increase Groupon’s operating income by 10%** over the projected baseline level of operating income by year-end 2015. In other words, your proposal needs to add 10% to operating income by year three of your strategic recommendation.

Assumptions to establish a baseline:

- a) Revenue growth assumptions: For now, you can base your revenue projections on YahooFinance’s (<http://finance.yahoo.com/q/ae?s=GRPN+Analyst+Estimates>) Analyst Estimates. For example, they estimate offer revenue estimates for 2012 and 2013. Then, you might base 2014 and 2015 on the growth rate from their 2012 to 2013 estimates (i.e., 20%). However, any assumptions about revenues and costs will need to be changed depending on shifting analyst estimates and/or your team's own research and projections.
- b) You can assume expenses stay the same percentage of revenues in each subsequent year as they were in the first six months of 2012; however, your assumptions should be updated as more data comes available (e.g., Groupon’s Q3 earnings) and as you do more research.

\*You may decide to work with a different set of assumptions regarding expected revenues/expenses based on what you find in the course of your research, but the financial target of contributing an additional 10% to operating income holds for all strategic recommendations.

Then, you’ll need to create an income statement that reflects how your strategy will change these revenues/expenses from the baseline projections. This income statement must demonstrate that your strategy increases Groupon’s operating income by 10%.

### Keys to Success

- All team members must take an active role in the work and the presentation
- Utilize all resources including the Scribner Library, databases, industry reports, news, external research, and the MB107 webpage (this provides links to numerous recent articles and reports on the firm/industry to just get you started)
- Make use of the documents and files that have been provided to help you. They include the Financial Template (excel), the Financial Template Guide (word), and the Orientation Presentation slides (powerpoint), as well as material covered in your MB107 class.
- Work with your coaches (Note: They will not do the work for you, but they are an excellent resource and have experienced MB107 quite recently)
- Check your Skidmore email every day
- Consult often with MB107 and MBD Faculty
- Apply what you've learned in MB 107 (Remember to *use* your case analysis skills)

*Work smart, exude confidence, and be a team!*