

The title page includes identifying information: title, business name, author and position, and date.

FIGURE 11.5A Title Page of a Formal Report

Executive Summary

Cali's Low-Cal Frozen Yogourt will benefit from offering a Groupon promotion to support the store's June grand opening in Vancouver. Both academic and business research suggest that Groupons provide effective low-cost advertising, especially for businesses that are new and need exposure.

How Groupons Work

Groupons are "group coupons": discount vouchers that are available for purchase on various city-specific Groupon websites. Groupon subscribers receive daily emails from Groupon featuring a deep discount on one or more "daily deals." The deals are advertised for a short period of time to encourage customers to purchase the discount quickly and share details of the Groupon with others, exponentially increasing the number of people who receive the advertising. When a deal is activated, Groupon keeps 50% of the revenue, and the business receives the other 50%, minus credit card processing fees.

Benefits and Risks of Offering Groupons

Research shows that Groupons will benefit Cali's in several ways:

- Guaranteed customers during the first month the store is open
- Broad exposure to all Groupon subscribers in Vancouver
- Additional social networking and word-of-mouth advertising beyond Groupon subscribers
- Minimal impact on cash flow

However, Groupons do pose several potential risks:

- Loss of profit on customers using Groupons
- Risk of attracting one-time-only customers
- Potential devaluation of Cali's product
- Risk of being unable to handle the influx of customers and thus alienating customers through bad service

Recommendation

Despite the risks, offering a Groupon is a good marketing decision for Cali's as a new and unknown business. However, to minimize the risks, Cali's should do the following:

1. Offer a limited number of Groupons.
2. Offer a short redemption period.
3. Limit the number of Groupons per person.
4. Offer a deal that is low risk to purchase.
5. Ensure a sufficient number of trained staff are available during the promotion.
6. Conduct in-store research on the impact of the Groupon.

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The executive summary is a miniature version of the report. The summary comes directly after the title page.

The executive summary includes all important findings, conclusions, and recommendations. This summary uses subheadings to guide the reader.

All page numbers before the introduction are in lowercase Roman numerals. The title page counts as page number i, even though it is not numbered.

FIGURE 11.5B Preview Elements in a Formal Report

(continued)

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The table of contents includes all the headings in the report and their page numbers.

Right-aligned tabs are formatted with dot leaders connecting the headings and page numbers.

This report does not need a list of figures and a list of tables because the report is relatively short and contains only one figure and one table.

FIGURE 11.5B (continued)

Introduction

Since 2008, Groupon has offered businesses a venue to advertise products and services at substantially discounted rates. Every day, Groupon subscribers receive a cleverly worded email announcing a "daily deal" from a local business. The email encourages customers to visit Groupon's highly trafficked website to learn more about the offer and purchase the deal quickly. The consumer saves money, and the business owner gets increased traffic in the store, including new customers.

Despite the popularity of Groupons, researchers and business owners have mixed opinions about the value of offering Groupons and other online vouchers to advertise and market a business. While some people argue that Groupons are an effective tool to attract new customers and gain exposure, others argue that Groupons are unprofitable and that Groupon buyers are unlikely to become loyal, repeat customers.

To determine whether to offer a Groupon in conjunction with its grand opening, Cali's Low-Fat Frozen Yogourt requested this study, which reviews the current research and opinions about Groupons (for contact information for business owners interviewed, see the Appendix). Although offering a Groupon daily deal does involve some risk, this report concludes that Cali's will benefit from a Groupon promotion. The research suggests that Groupons are ideal for small, startup businesses like Cali's, that need exposure to new customers. However, for a Groupon promotion to be successful, Cali's must implement it strategically.

This report does the following:

- Explains how Groupons work
- Compares Groupon promotions to other advertising methods
- Identifies the benefits and potential risks to Cali's
- Offers concrete suggestions for making a Groupon campaign a success

The introduction provides a complete preview of the report.

In this introduction:

- The first paragraph provides context.
- The second paragraph discusses the reason for the research and the question the report is addressing.
- The third paragraph summarizes the report's most important findings and the recommendation.
- The final paragraph previews the organization of the content.

Paragraph 3 also refers to the report appendix. The reference explicitly states what the reader will find in that appendix.

FIGURE 11.5B (continued)

Why Offering a Groupon Is Preferable to Traditional Advertising

When allocating resources to promote the store, Cali's must decide whether offering a Groupon is a good substitute for traditional advertising. Cali's must also decide whether Groupon is the best partner for selling discount vouchers. This section of the report describes how Groupon works, how it differs from traditional advertising, and how it compares to its competitors.

How Does Groupon Work?

Groupon is a company that offers businesses in more than 500 markets around the world a venue to promote their products or services ("Groupon Works FAQ," 2015). Groupon has an estimated 260 million subscribers worldwide, with over 24 million active customers in North America (Groupon Investor Relations, 2015).

A participating business works with Groupon representatives to develop a promotion, which Groupon sends to its subscribers as a "daily deal" ("Groupon Works," 2015). This deal offers a deep discount on the business's products or services (e.g., \$5 for \$10 worth of frozen yogourt). Groupon takes 50% of the revenue, plus a surcharge of 2.5% for credit card fees, and sends the participating business a cheque for the remaining 47.5% (J. Lurie, personal communication, March 15, 2015).

Each Groupon has a discount expiration date. Purchasers who do not use the Groupon by that date are no longer entitled to the deep discount but can still redeem the Groupon for the amount originally paid. For example, if a customer pays \$5 for \$10 worth of yogourt and does not use the Groupon before the expiration date, the Groupon is worth the \$5 originally paid. The Groupon itself does not expire.

How Does Groupon Differ from Other Advertising Options?

From a consumer standpoint, Groupons differ from standard coupons in three ways: Groupons are purchased in advance, offer a deeper discount, and are conditional. The deal is cancelled if a minimum number of people do not purchase it. This incentive to reach the minimum number of purchases motivates interested consumers to encourage family and friends to buy the Groupon before the offer ends ("Groupon Anxiety," 2011). Groupon advertises this "collective buying power" as something mutually beneficial for consumers, who save money, and for businesses, which benefit from the certainty of exposure and a guaranteed minimum number of responses ("Groupon Works FAQ," 2015).

The guaranteed exposure is part of Groupon's appeal, as financial journalist Felix Salmon (2011) explained:

With traditional advertising or even with old-fashioned coupons, a merchant never has any guarantee that they will be noticed or make any difference. But with a Groupon, you know that hundreds of people will be so enticed by your offer that they're willing to pay real money to access it. That kind of guaranteed engagement is hugely valuable, and more or less unprecedented in the world of marketing and advertising. (para. 3)

The detailed discussion in this report is divided into three sections. Each section begins with a centred heading.

The first section is divided into three subsections, each starting with a heading at the left margin. All the headings in a subsection should be a similar style. In this case, they are all questions.

In APA documentation style, personal communications are cited within the text only. They are not included in the reference list.

To cite an article or webpage with no author, begin the citation with the name of the article placed in quotation marks.

In APA style, quotations of 40 or more words stand alone as *block* quotations, with no quotation marks. They start on a new line and are indented approximately ½ inch from the left margin of the text. The source citation, with page or paragraph number, follows the final punctuation mark.

FIGURE 11.5C Detailed Discussion Elements in a Report

How Does Groupon Compare with Other Online Deal Sites?

Groupon is the market leader in the online voucher space, attracting more customers and bringing in more revenue than its closest competitor, LivingSocial. The research firm ForeSee (2012) analyzed survey responses from 10,000 online shoppers during the 2011 holiday season and found that in a 90-day period, twice as many daily deal subscribers purchased a voucher from Groupon (50%) than from LivingSocial (25%). (See Figure 1.)

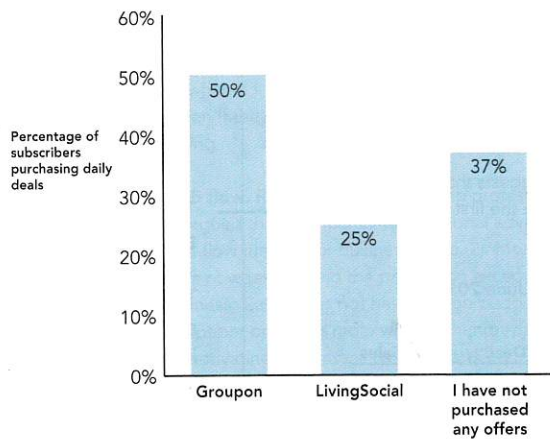


Figure 1: Percentage of Surveyed Subscribers Purchasing Deals from Special-Offer Websites during a 90-day Period in the 2011 Holiday Season. Data source: ForeSee, 2012.

Research by Synovate (acquired by Ipsos in 2011) looked specifically at Canadian consumers' awareness of online daily deal sites. Of the more than 1,000 Canadians surveyed, the study found that 50% of Canadians were familiar with Groupon versus 25% of Canadians who had heard of WagJag. When it came to generating revenue, Groupon attracted the most purchasers (18% of Canadians who were aware of such deal sites) and usage of Groupon was highest in British Columbia and the Prairies (Synovate, 2011).

These two studies suggest that if Cali's does offer a discount voucher deal, Groupon is a good business partner to choose.

3

This paragraph introduces Figure 1 and directs the reader to look for specific information in the figure.

Figure 1 graphs data from a source that is listed in the reference list. The caption of the figure provides a citation of that source. The label "data source" indicates that the original source provided the data but not the graph. The writer used the data to create an original graph.

Benefits and Risks of Offering a Groupon

Researchers and businesses offering Groupons have identified benefits and risks of using Groupon as a marketing tool. Below is a summary of those benefits and risks as they apply to Cali's.

Benefits of Offering a Groupon

Groupons will offer Cali's several benefits:

- **Guaranteed customers during the opening month.** When customers purchase a Groupon, they make a commitment to visit the business that is offering the deal (Salmon, 2011). These customers have an incentive to redeem the Groupon quickly because the discount provided by the Groupon ultimately expires. Therefore, the number of customers Cali will see from the Groupon depends on how many Groupons are sold and how quickly customers redeem them.

An analysis of Groupon sales for six frozen yogurt stores in June 2011 suggests that Cali's can expect to sell between 150 and 700 Groupons, with most of the sales taking place the first day the deal is offered (see Table 1).

Table 1: Sales of Groupons by Six Frozen Yogurt Businesses in June 2011

Businesses' Groupon Daily Deal	Sales per Day of Deal			Total Sales
	Day 1	Day 2	Day 3	
\$5 for \$10 — Yo-Way Yogourt and Crepes	480	117	78	675
\$5 for \$10 — Frozen Treats at Sno Biz	515	105	51	671
\$10 for \$20 — Maggie Moo's Ice Cream & Treatery	358	74	N/A	432
\$10 for \$20 — Fruit Shack Smoothies & Yogourt	328	87	N/A	415
\$5 for \$10 — The Cordial Cherry	208	88	N/A	296
\$4 for \$8 — Project: Yogourt	126	25	13	164

Data source: "Groupon Analytics," 2011.

Cali's can expect its customers to begin redeeming their Groupons immediately. Dholakia and Tsabar's (2011) research on Groupon redemption patterns suggests that approximately 30% of Cali's Groupons (between 45 and 210) will be redeemed within the first few weeks. Another, larger spike of Groupons will be redeemed near the discount expiration date. Assuming that Cali's sets a short expiration period of four weeks, the Groupon will guarantee customers during the opening month.

New sections of the report begin at the top of a new page.

This paragraph introduces Table 1 and directs the reader to look for specific information in the table. The data source for the table is noted below the table. The source is listed in the reference list.

FIGURE 11.5C (continued)

- **Guaranteed exposure, even to customers who do not purchase the deal.** People who read the daily deal email and click on the link will learn a good deal about Cali's, even if they choose not to purchase the deal. A business's daily deal webpage on Groupon includes a map of the business's location, the business's contact information, a link to its website, and an explanation of its products or services. As Salmon (2011) indicated, this kind of information would be difficult and expensive to broadcast via traditional advertising methods.
- **Additional social network and word-of-mouth advertising.** A promotion through Groupon leads to additional, free social network and word-of-mouth advertising. Purchasers are motivated to tweet about the deals they purchase and to promote them on Facebook, both to inform their friends and to ensure that the deal is not cancelled ("Groupon Anxiety," 2011). In addition, as Salmon (2011) explained, when customers purchase Groupons, the business remains "in the back of their minds" all the time (para. 9). As a result, when a friend asks for a recommendation, Groupon purchasers are likely to mention the business, even if they have not yet redeemed the coupon. Businesses benefit from this word-of-mouth advertising.
- **Minimal negative impact on cash flow.** Rice University marketing professor Utpal M. Dholakia and his co-author Gur Tsabar (2011) argued that, compared to traditional advertising, Groupon daily deals are "more cost-effective and cash-flow friendly for businesses" (p. 2). Moreover, Groupon deals do not require "any financial investment when running the promotion except for maintaining inventory to fill orders" (p. 14). As a small business, Cali's does not have a large budget for marketing and advertising. Advertising in a newspaper or on the radio will cost hundreds or even thousands of dollars, without any certainty of motivating customers. By contrast, Groupon guarantees customers and requires no initial investment that will negatively impact cash flow.

Risks of Offering a Groupon

Although Groupons offer many potential benefits, any business that offers a Groupon must be prepared to face potential risks.

- **The likely loss of profit, at least initially.** Edith Lavallee owner of Sweet Goodness in Fredericton, New Brunswick, and Will Merryweather owner of Great Shakes'n'Smoothies in Moncton, New Brunswick, both confirmed an initial loss of revenue on their businesses' Groupon promotions. Merryweather stated that "Groupon doesn't necessarily increase your revenue; in fact, it gives you a big revenue dip because you have to make a drastic loss-leader discount offer in order to make your daily deal attractive. And then on top of that, you have to split the money with Groupon" (personal communication, March 15, 2012). Lavallee claimed that "not only did we lose profit on individual sales, but we lost money on the fact that some of those customers would have bought yogurt at full price." However, Lavallee acknowledged that losing money "would have happened with any coupon or any advertisement that I had sent out or special I did. I would have had full-price paying customers who found the coupons and used them" (personal communication, March 14, 2012).

This discussion of benefits and risks is divided into bulleted paragraphs. Bullets are appropriate when your discussion is organized as a list. Starting each bullet item with a bolded sentence that highlights the main point helps your audience quickly skim the content to get the main points.

- **The risk of attracting one-time-only customers.** Groupon analysts Dholakia and Tsabar (2011) warn that Groupons may bring in “price-sensitive deal-seekers” who do not intend to make any future purchases from the business at full cost (p. 3). Sweta Patel (2011), the CEO/marketing strategist of Social Media Eatery, a group that focuses on helping businesses reach their objectives through social media venues, agrees:

Groupon is great to bring in new people to your business. However, it seems like they just use the coupon at your venue then run to the next best deal. This is really not a great deal for businesses because they do not gain loyal customers, they just gain the votes of people who like great deals. (para. 1)

As retail expert Bob Phibbs (2011) explained, because Groupon is the one directly offering customers the discount voucher, the customer’s loyalty is to Groupon rather than the business itself.

- **Potential devaluation of the product.** In his book *Groupon: You Can’t Afford It—Why Deep Discounts Are Bad for Business and What to Do Instead*, Phibbs (2011) argued that Groupon is bad for business because the deep discounts devalue the product or service in the eyes of the customer. Once the deal is over, customers will try to find that same discount again and hesitate before buying it at the full undiscounted price. Therefore, perpetual discounts are necessary to ensure those same customers return. Ultimately, “you either lose the customer because they don’t want to pay more than their discounted price, or you lose the customer because they don’t value the product you’re selling them anymore” (Phibbs, 2011, “Economics 101,” para. 10).
- **The risk of alienating customers through bad service.** For a Groupon promotion to succeed, a business must be prepared to offer excellent service (Dholakia, 2011b). Phibbs (2011) highlighted the example of a restaurant in Tokyo that offered a Groupon and unexpectedly had over 500 customers attempt to redeem the voucher on New Year’s Eve. The restaurant was understaffed and undersupplied, and the disappointed customers were unlikely to return.

Citations for direct quotations require sufficient information to allow the audience to find the quotation in the original source, as illustrated below.

This citation for an article in PDF form includes a page number.

This citation for a web-based article includes the paragraph number.

This citation for an ebook with no page numbers includes the chapter name and paragraph number.

FIGURE 11.5C (continued)

Recommendation: Cali's Low-Cal Frozen Yogourt Should Offer a Groupon

Despite the risks, offering a Groupon is a good marketing decision for Cali's Low-Cal Frozen Yogourt. As a new and unknown business, Cali's stands to benefit more from a Groupon than an established business would. In fact, according to the analysis of economists Edelman, Jaffe, and Kominers (2011), "vouchers are always profitable for 'sufficiently unknown' firms" (p. 7). In addition, owners of other frozen yogurt businesses confirm the exposure value of a Groupon. Jon Lurie of Fruit Shack Smoothies & Yogourt found that Groupon is certainly "a way to get the word out quickly about your business" (personal communication, March 15, 2012). Similarly, Audrienne Doucet of Project: Yogourt asserted that it "is one of the cheapest and easiest ways to send a widespread message" (personal communication, March 14, 2012).

To take advantage of Groupon's benefits while minimizing the risks, Cali's must implement the Groupon promotion strategically, following these recommended steps:

1. **Offer a limited number of Groupons.** Research shows that businesses offering a limited number of Groupons tend to sell more deals overall (Dholakia, 2011a). This limit magnifies the incentive for buyers to act quickly before the deal sells out.
2. **Offer a short redemption period.** No benefit is gained from offering a long redemption period. According to research, long redemption periods do not increase the number of Groupons sold (Dholakia, 2011a). Moreover, distant expiration dates encourage customers to wait to use their Groupons (Dholakia, 2011a). By contrast, a shorter redemption period will motivate customers to come in sooner, increasing the likelihood that they will become repeat customers early in the summer season.
3. **Limit the number of Groupons per person.** The mathematical analysis of Edelman et al. (2011) suggests that allowing one Groupon per customer is profitable, and allowing multiple Groupons is not. However, because Cali's goal is to introduce the store to as many new customers as possible, Cali's should consider following the common Groupon practice of allowing customers to purchase additional Groupons as gifts.
4. **Offer a deal that is low risk to purchase.** An analysis by Paul Butler (2011) in the *Harvard Business Review* shows that low-priced deals generate the most revenue on Groupon. The deal should be enticing enough that customers will purchase it yet moderate enough that customers will spend more than the value of the Groupon at the store (Salmon, 2011). As Table 1 showed, yogurt stores typically offer Groupons in two denominations: \$4 for \$8 worth of frozen yogurt and \$5 for \$10 worth of frozen yogurt. Cali's should adopt one of these pricing schemes.
5. **Be sure a sufficient number of trained staff are available during the promotion to make a good first impression.** Dholakia (2011b) argued that well-trained employees with a positive attitude are critical to the success of a Groupon. Chait (2010) recommended that restaurants double the number of staff during a Groupon promotion, station a greeter near the entrance, and distribute appetizers

Recommendations are numbered for easy reference. If someone refers to "recommendation 3" in a discussion about the report, the specific recommendation will be easy to find.

if the wait is long. Following the spirit of this advice, Cali's should ensure that employees are trained and prepared for a potentially large influx of customers during the Groupon promotion. A greeter can welcome customers at the door and explain how the store works. If the line grows long, the greeter may offer samples to waiting customers.

6. **Conduct in-store research on the impact of the Groupon.** As Edelman et al. (2011) suggest, Cali's should conduct its own in-store research to determine the effectiveness of the Groupon. Staff stationed behind the counter can be directed to note whether Groupon customers (1) put money in the general employee tip jar, (2) spend over the value of the Groupon, and (3) agree to join Cali's email list. In addition, staff can quickly ask customers at checkout whether they have previously visited the store. To simplify this data gathering, employees can mark responses on a printed checklist next to the register or on the printed Groupon that customers present at checkout.

A Groupon promotion is ideal to support the opening of a new business like Cali's, which has an excellent product, no current customers, and very little money to spend on advertising. Although the store may lose money during the promotion, the widespread exposure and the opportunity to win loyal customers should ultimately make the Groupon promotion a success.

FIGURE 11.5C (continued)

Conclude the report with supporting information

Formal reports may conclude with two types of supporting information: reference lists and appendices. As **FIGURE 11.5D** illustrates, the Groupon report contains both types of supporting information.

References

If a report uses secondary research sources, create a reference section to list the sources. The reference section begins on its own page, immediately after the detailed discussion

References

- Butler, P. (2011). Deconstructing the Groupon phenomenon. *Harvard Business Review*, 89(7/8), 32–33.
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The reference list is prepared in APA style:

- Sources are listed alphabetically by last name (or title when there is no author).
- The publication date immediately follows the author (or title when there is no author).
- In source titles, only the first words and proper nouns are capitalized.
- In journal titles, each word in the title is capitalized.
- Note that periods are not used at the end of web addresses.

FIGURE 11.5D Supporting Information Sections of a Report

(continued)

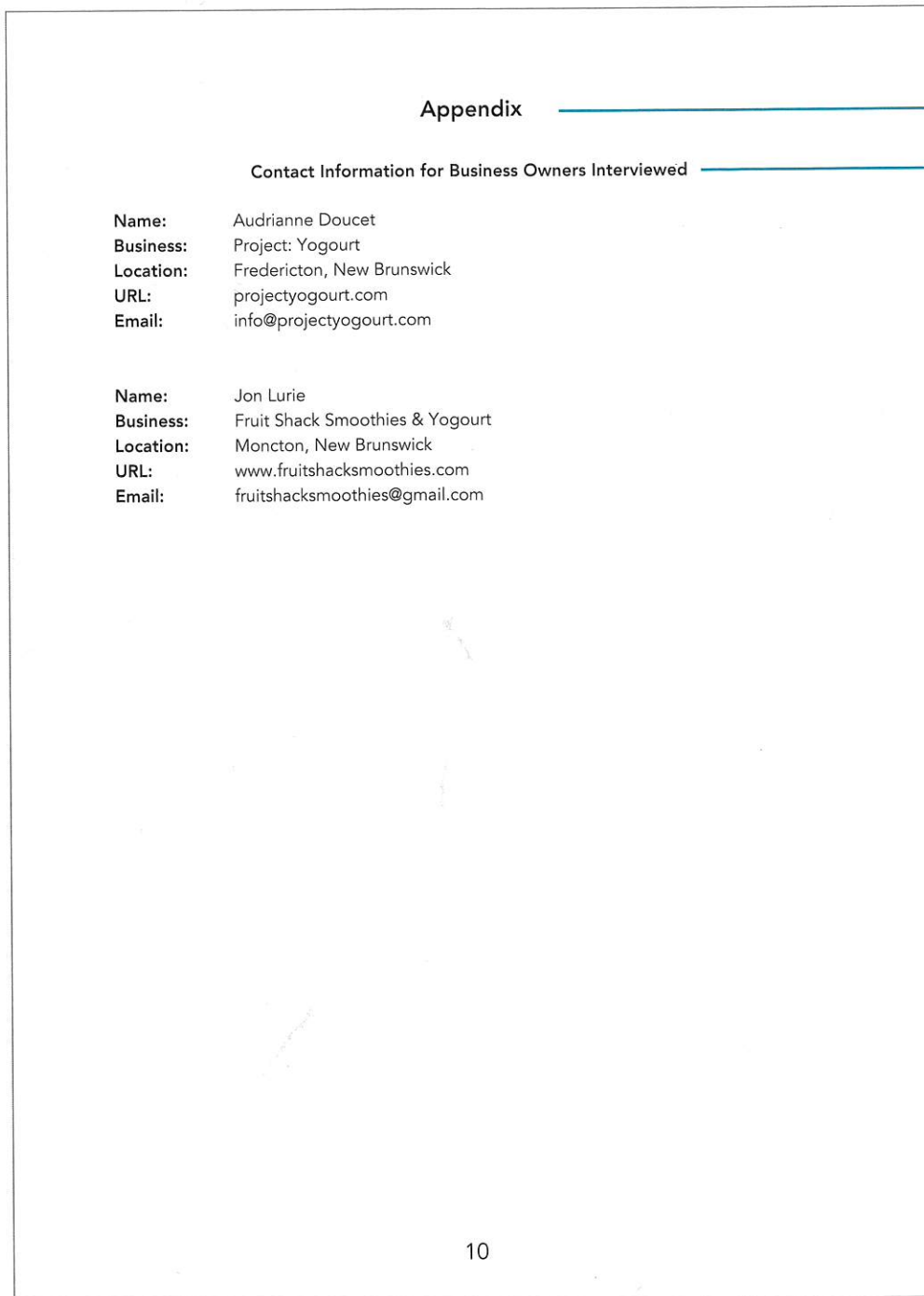


FIGURE 11.5D (continued)

(or body) of the report. Use an appropriate documentation method, such as APA (American Psychological Association), CMS (Chicago Manual of Style), or MLA (Modern Language Association). You can find details about these documentation styles in Appendix D: Documentation and Reference Styles, at the back of this book.

Appendices

Following the reference list, a report may include additional supporting information in an appendix or multiple appendices. Appendices contain information that would interrupt