Groupon's most directly matched competitor was LivingSocial, a Washington DC, daily-deals website that operated a similar e-mail-based business model. As of December 2011, LivingSocial had about 46 million subscribers spread across 25 countries.[77] The company's deal categories, somewhat more expansive than Groupon's, included nationwide deals and deals for families, escapes, and adventures.[78] LivingSocial, a private company valued in 2010 at US$200 million, was valued in 2011 at US$3 billion after rounds of investing that included funding from the likes of Amazon.com.[79]

Amazon operated its own daily-deals service in addition to its ties to LivingSocial. AmazonLocal launched in mid-2011 and offered customers savings from select businesses in their neighborhoods and nationwide.[80] Around the same time, Google—after its offer to acquire Groupon was rejected in late 2010—began testing its own service, Google Offers.[81] Both Google Offers and AmazonLocal had extensive, available resources from their established and wealthy parent companies, and both Amazon and Google typified the competitors that Groupon expressed concern about in its annual report:

> Many of our current and potential competitors have longer operating histories, significantly greater financial, technical, marketing, and other resources, and larger customer bases than we do. These factors may allow our competitors to benefit from their existing customer base with lower acquisition costs or to respond more quickly than we can to new or emerging technologies and changes in customer requirements. These competitors may engage in more extensive research and development efforts, undertake more far-reaching marketing campaigns and adopt more aggressive pricing policies, which may allow them to build a larger subscriber base or to monetize that subscriber base more effectively than we do. Our competitors may develop products or services that are similar to our products and services or that achieve greater market acceptance than our products and services.[82]

Legal Issues[83]

Regulation. Groupon was subject to a variety of regulations across the jurisdictions where it conducted its business, including, for example, consumer protection, marketing practices, tax and privacy rules, and regulations. Additional areas of concern included the evolving regulation of Internet business, the Credit Card Responsibility and Disclosure (CARD) Act of 2009, gift certificates/cards, disclosure of security breaches of personal data, and liability under the Digital Millennium Copyright Act (DMCA) for linking to third-party websites that include materials that infringe copyrights or other rights.[84] Some of Groupon's merchants raised concerns within their own industries about the appearance of fee-splitting, kickbacks for referrals, and the ethics of using Groupons and other daily deals for health services and the purchase of alcohol.[85,86]

Litigation. As described earlier, Groupon and its current and former directors and officers faced numerous class action lawsuits following its restatement of earnings in 2012. Groupon was also involved in, and at risk of, litigation concerning intellectual property infringement suits and suits by customers (individually or as class actions) alleging, among other things, violation of the Credit Card Accountability, Responsibility and Disclosure Act and state laws governing gift cards, stored value cards, and coupons. The company believed that additional lawsuits alleging that Groupon had violated patent, copyright, or trademark laws would be filed against it.

Looking to the Future

As Groupon continued to grow over the past year, it reported a net loss of only US$3.6 million in the first quarter of 2012, compared to US$113.9 million for that of 2011.[87] Marketing expenses were coming under control. The number of subscribers and merchants continued