Groupon's Daily Deals Model

Idea In Short

Groupon built a marketplace around a simple trade: merchants offer steep discounts to attract new customers and Groupon takes a cut of every voucher sold. Founded in Chicago in 2008 out of a failed group-fundraising site, the company grew fast enough to reject a $6 billion buyout offer from Google in 2010 and to sign up more than 30 million customers within a few years. Growth reversed just as quickly and revenue fell for a decade before edging back up to $498 million in 2025. That recovery proved fragile. In May 2026, Groupon's board approved a restructuring that cuts roughly 400 jobs, about a quarter of the workforce, to fund a pivot toward artificial intelligence (AI) and agentic tools. Chief executive officer (CEO) Dusan Senkypl now runs a leaner company still built on the same idea: connect local merchants with bargain hunters.

From Failed Fundraising Site to Group Deals

Andrew Mason founded The Point in Chicago in 2007 while still a student, trying to make group fundraising easier through a "tipping point": a target amount that had to be reached before any credit card was charged. The concept struggled to gain traction as a general cause-funding platform, but one feature caught on, organizing group discounts with local vendors, which the small team called "Groupons." In 2008, Mason and co-founder Eric Lefkofsky relaunched the business as Groupon, sending a single daily deal by email to subscribers in Chicago. Forbes put Mason on its cover in 2010 under the headline "Meet the Fastest Growing Company Ever."1

A Fast Climb and a Rejected Buyout

Groupon expanded from one city to 28 American markets within a year of launch, then moved into Europe by acquiring the German clone CityDeal in 2010. Google offered $6 billion for the company that December, a deal Groupon turned down, betting it could reach a higher valuation on its own.2 Groupon listed on Nasdaq in November 2011 and closed that year with roughly 33 million active customers across dozens of countries, a scale few internet companies had reached that fast.

The Loss-Leader Mechanics

Every Groupon deal works as a loss leader: merchants price a discount deep enough to lose money on the transaction itself, betting that new customers return at full price or spend more once inside. A typical deal splits the sale price between the merchant and Groupon, though the exact share varies by category and by how much negotiating leverage the merchant has. Deals run on two clocks, a short purchase window of 24 to 72 hours and a longer redemption window of six to twelve months, after which an unused voucher simply expires. Restaurants, spas, fitness studios and local retailers fill most of the listings because these businesses carry unused capacity, an empty table or an open appointment slot, that costs little to fill.

Reaching Shoppers Across Channels

Consumers find deals through Groupon's website, its iOS and Android apps, email campaigns and location-based push notifications that alert shoppers to nearby offers. Beyond the voucher itself, Groupon built card-linked offers, discounts applied automatically once a shopper pays with a registered credit or debit card, removing the step of printing or presenting a coupon. Merchants manage listings, inventory and payouts through a self-service portal, a shift that cut the sales overhead Groupon carried in its early years, when local reps called vendors one by one.

Ownership and Leadership Today

Groupon Inc trades on Nasdaq under the ticker GRPN and operates as a standalone public company with no controlling shareholder. Dusan Senkypl took over as interim chief executive officer in March 2023 and was named permanent CEO in May 2024, following a stretch of leadership turnover that started with Andrew Mason's departure in 2013.[3] Senkypl, an entrepreneur with a background in e-commerce, has pushed the company toward what he calls an AI-native operating model, a strategy that now shapes Groupon more than the coupon mechanics that built it.

A Decade of Shrinking Scale

Groupon's revenue peaked near $3.2 billion in 2014, then fell for ten straight years as customers drifted toward search engines, social media and direct booking apps that made hunting for local deals unnecessary. Active customers, which topped 33 million at their peak, had fallen to roughly 16 million by early 2026, though that number has stabilized rather than kept sliding.4 Full-year 2025 revenue reached $498 million, Groupon's first annual growth in a decade, but the recovery proved fragile: the first quarter of 2026 swung back to a net loss as billings and units sold both declined year over year.

Betting on an AI-Native Turnaround

In May 2026, Groupon's board approved a restructuring that eliminates up to 400 positions, close to a quarter of the workforce, with most cuts completed by the third quarter. The plan is expected to cost $7 million to $13 million upfront while generating $20 million to $25 million in annual savings, roughly half of which Groupon plans to reinvest in artificial intelligence tools and marketing.5 Senkypl described the logic behind the move directly.

> We are rebuilding Groupon as an AI-native company to operate at the velocity the era of agentic commerce demands and better deliver on our mission, serving both customers and merchants

The restructuring, part of an internal initiative called Project Foundry, includes AI voice agents meant to take over some of the merchant outreach and customer support work employees used to handle.

Competitors and the Local Deals Market

Groupon's biggest rival, LivingSocial, once held 20 percent to 25 percent of the daily-deals market before Groupon acquired its remaining operations for a token price in 2016 and wound the brand down the following year.6 Smaller players such as Yipit and assorted card-linked offer providers still compete for merchant budgets, but the larger threat now comes from platforms that never called themselves daily-deal sites: Google, Yelp and Instagram all let local businesses reach nearby customers directly, without giving up a cut of every transaction. That shift explains much of Groupon's structural decline, since the loss-leader model worked best when local merchants had no cheap way to reach new customers and that scarcity has largely disappeared.

Key Partners

Local merchants across restaurants, spas, salons and retailers supply the inventory that fills every deal page and remain Groupon's most essential partners. Payment processors and card networks enable the card-linked offers that run alongside traditional vouchers. Search engines and social platforms act as paid distribution partners, helping Groupon reach shoppers who no longer visit the app directly. Cloud and artificial intelligence vendors are becoming more important as Groupon automates merchant outreach and support under its 2026 restructuring.

Key Activities

Groupon's central activity is balancing both sides of its marketplace, recruiting new merchants while keeping consumers coming back to browse deals. Marketing and email campaigns drive repeat visits and remain one of the largest expense categories. Merchant support teams manage listings, redemptions and payouts, though Groupon is automating parts of this work with AI voice agents under Project Foundry. Ongoing negotiation over discount depth and revenue share with merchants keeps the loss-leader economics functioning.

Key Resources

The Groupon website and mobile apps form the platform every transaction runs through, making uptime and search relevance core resources. A brand built over more than a decade still drives organic traffic Groupon no longer has to buy outright. Its base of roughly 16 million active customers and years of purchase data support personalization and merchant targeting. Relationships with hundreds of thousands of local merchants, built through years of direct sales outreach, remain hard for new entrants to replicate quickly.

Value Propositions

For consumers, Groupon offers steep discounts on local experiences, paired with reviews that lower the risk of trying an unfamiliar business. For merchants, the pitch is marketing without upfront cost: Groupon lists a deal for free and only takes a cut once a voucher actually sells and gets redeemed. That arrangement turns unused merchant capacity, an empty table or an open appointment slot, into paying customers. Card-linked offers extend the same value proposition without the friction of a physical or digital voucher.

Customer Relationships

Most consumer relationships run through the self-service website and app, supported by email and push notifications that surface nearby deals. Customer support handles refunds, redemption issues and disputes, a function Groupon is increasingly routing through AI tools rather than human agents. Merchants manage their own listings and view performance data through a self-service portal, limiting the need for dedicated account managers to larger accounts. Reviews and ratings build trust between strangers on both sides of every transaction.

Channels

Groupon reaches consumers primarily through its website and mobile apps, supplemented by email campaigns and location-based push notifications. Card-linked offers add a channel that requires no active browsing, applying discounts automatically once a registered card gets used. Paid search and social advertising bring in shoppers who no longer visit Groupon directly, a channel that has grown more important as organic traffic declined. Merchants access the platform through a separate self-service portal used to list deals and track redemptions.

Customer Segments

Groupon's core consumer segment is value-conscious shoppers looking for discounted local experiences, from restaurant meals to spa treatments to fitness classes. A second segment covers bargain shoppers buying discounted physical goods and travel packages through Groupon Goods and Groupon Getaways. On the merchant side, small and midsize local businesses with unused capacity, empty tables or unbooked appointments, form the largest segment. Groupon also serves national and regional chains looking for a lower-cost customer acquisition channel than traditional advertising.

Cost Structure

Marketing and advertising, including the paid search and social spend needed to replace lost organic traffic, make up one of Groupon's largest costs. Salaries and contractor payments, now shrinking under the 400-position cut announced in 2026, form another major expense. Payment processing fees, web hosting and platform maintenance add recurring technology costs, while the current restructuring carries one-time severance and transition charges of $7 million to $13 million.

Revenue Streams

Groupon earns most of its revenue by keeping a share of each voucher's selling price, a split negotiated individually with every merchant. The company reports this activity through its North America Local and International Local segments, both built on the same commission model. Card-linked offers generate a smaller cut of qualifying purchases made with registered payment cards. Residual Groupon Goods and travel bookings add a smaller stream of retail-style margin on physical products and packages.

- 1Groupon's Andrew Mason did what great founders do
- 2Andrew Mason and the Groupon story
- 3Groupon reports first quarter 2026 results
- 4Groupon statistics and facts
- 5Groupon layoffs today: jobs slashed in AI-native pivot, stock rises
- 6Groupon is buying LivingSocial, plans to downsize business to 15 markets from 27

Summary

Groupon's history is a lesson in how fast a novel model can scale and how hard it is to defend once imitators and cheaper alternatives close in. Group buying solved a real problem for small merchants who lacked affordable ways to reach new customers, but low switching costs meant Groupon never locked either side into loyalty. Search engines, social platforms and direct e-commerce chipped away at that advantage for over a decade, taking revenue from a 2014 peak near $3 billion down to under $500 million today. The 2026 restructuring bets that artificial intelligence can strip enough cost from merchant outreach and customer service to make a smaller Groupon durable. Whether that produces a stable, profitable niche business or just slows a longer decline will depend on execution the company has struggled to deliver since 2011.