

Deal or No Deal?
Social Couponing Lessons from Philadelphia Museum Experiences

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March 2013

A thesis submitted to the University of the Arts in partial fulfillment of the requirements
for the degree of Museum Communications, M.A

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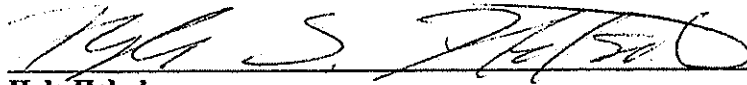
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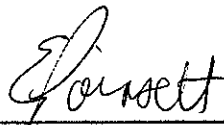
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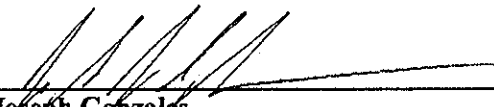
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Abstract

This research examines how museums are using social couponing discounts offered by companies such as Groupon and LivingSocial. It compares the strategies of businesses crafting social couponing discounts to how non-profit arts organizations, with a specific focus on museums, structure daily deal discounts. There are multiple strategies for pricing admissions, special exhibitions, programs, and membership within museums and more organizations are discounting such offers. Discounts are used to increase accessibility, promote the institution, and LivingSocial and Groupon give museums access to millions of subscribers that could become visitors to their institution. By understanding the goals of museums turning to social couponing discounts, this thesis provides a tool kit for similar organizations debating if daily deals can and should be incorporated to their pricing strategies.

Dedicated to the History Department Professors of Western New England University

For your guidance, support and, most of all, inspiration.

Acknowledgements

Many people have made this project possible and deserve my utmost gratitude and appreciation. Thank you to my advisor, Joseph Gonzales, for guiding me on this path and helping me achieve my educational goals. To my committee members, Hyla Helsel, Elyse Poinsett, and Melissa Smith, thank you for providing your great insight and knowledge, while repeatedly giving your time and support.

To the Museum Studies Department at the University of the Arts, you have provided great opportunities throughout my time here, for which I will always be grateful. And to my classmates, who are now great coworkers in the field.

My family, thank you for always being there with encouragement, support, and love. And finally, to Matt, thank you for continually supporting and loving me while I pursued my passion.

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Nomenclature

Admission—an entrance fee, typically at museums it is determined by age, member status, and other demographic factors

BuyWithMe—a group buying website allowing consumers to leverage group buying power to get large discounts with local merchants

Cross-selling—getting the customer to spend more money by adding more products from other categories of products

Deal—a sale favorable to the buyer; a bargain

Deal Seekers—people more interested in the deal and the monetary value or percentage discount, than in the actual product or service

Discount—a deduction of the original price, social couponing sites typically require a 50 percent reduction on goods and services

Dynamic Pricing—offering goods at a price that changes according to the level of demand, the type of customer, environmental factors or the economy; often considered the “airline model” of pricing

E-Commerce—a type of industry where buying and selling of product or service is conducted over electronic systems such as the Internet and other computer networks

Funsavers—a program created by the Greater Philadelphia Cultural Alliance, as part of *Engage 2020* initiative, that sends out weekly discount emails to subscribers for half-price offers from local cultural and arts organizations

Groupon—a Chicago-based company launched in November 2008 that features daily deals for things to do, places to eat, and things to see in the local area of subscribers; one of the most popular daily deal sites

Grouponers—people who exclusively purchase discounted promotions through Groupon; sometimes used to include people who buy discounts through other daily deal sites as well

Incentive—something, such as a punishment or reward that induces action or effort;

LivingSocial—a Washington, D.C. based company that launched daily deals in July 2009 and promotes itself as a way for people to explore their local marketplace, buy things, and share experiences with friends; main competitor of Groupon

Museum—a non-profit institution in the service of society and its development, which acquires, conserves, researches, communicates and exhibits the tangible and intangible heritage of humanity and its environment; focus on public education, study and enjoyment

Non-profit Arts Organization—a non-profit formed for the purpose of developing and promoting the work of artists in various visual and performing art forms, such as film, sculpture, dance, painting, multimedia, poetry and performance art; theaters, galleries, and community art centers fall into this category

Price Devaluation—a reduction in price that also lowers the value of the good or service
Papering—giving away a free ticket, often to fill up seats and venues

PhillyDealYo—online service operated by Philadelphia Media Network Digital, LLC that offers subscribers the ability to purchase certificates to redeem for discounted deals offered by local merchants

Retention—returning and repeating visits to a place, with the potential to subscribe or join with membership to an organization; repeated use of products and experiences

Selective Discounting—a discount of less than 50percent created by the merchant or organization, typically presented as a dollar amount off the original price rather than a percentage

Social Buy—buying and sharing purchases, when friends buy the same deal it results in a discount for the first purchaser; also known as “group buying”

Social Couponing—an online method of buying and receiving a “coupon” or voucher, users buy redeem the deal to save on a variety of local products, services and adventures; sent out daily by deal sites to subscribers featuring discounts for spas, restaurants, electronics, vacation packages, etc.

Subscribers—people who sign up for the service provided by daily deal sites; receive updates and emails for local deals

Tipping point—when enough people purchase a deal from a social couponing site, making the deal active and distributing it to a wider number of subscribers

TravelZoo—an Internet Media Company that publishes travel and entertainment deals from all over the globe, as well as local discounts for subscribers

Upselling—the method of getting the customer to spend more money, by buying a more expensive model of the same type of product

Value—the relative worth of a product or experience as it relates to the person participating with the product or experience

Voucher—a printed piece of paper or digital paper that when redeemed, gives discounts on goods or services

Introduction

Daily deal companies, such as Groupon and LivingSocial, offer goods and services from local merchants at a discounted rate to their subscribers. Since this e-commerce since first launched, for-profit and non-profit organizations have asked themselves deal or no deal? These sites reach out to local merchants and attractions in an effort to diversify their deals and build up local markets. Non-profit arts organizations and museums are among those solicited, raising the question for staff-is a discount right for our organization? Some museums have turned to social couponing companies to offer deals on their exhibits, programs, special events and membership subscriptions.

As museums continually engage with social couponing sites and their subscribers, there needs to be more focus on if the deals are a useful tool for all institutions. Staff needs to easily determine if daily deals will work for their museum before crafting a deal, rather than experiment and see if it works. Museums need to be certain their goals and desired outcomes for the deal match their institutional goals and pricing structures, and if Groupon and LivingSocial are the correct sites for them. This thesis will determine what museums are discounting and the main motivations for creating discounts with social couponing sites. Using this information, it creates a tool kit for staff at museums debating working with Groupon, LivingSocial, or any other daily deal site. This tool kit gives recommendations for working with Groupon and LivingSocial as well as alternative discounts. The fundamental question this thesis answers is “do daily deal sites work for museums?”

Chapter 1: Literature Review

The museum field is beginning to discuss social couponing more in-depth and this thesis will be a starting point for deeper analysis. Literature presented in this section focuses on current discussions about non-profit arts pricing, museum pricing, and social couponing discounts. Sources include books, scholarly articles, news articles and blog posts. It presents an overview of the current sources available for understanding how museums are discounting with Groupon and LivingSocial and how these deals fit into current pricing strategies. It also presents some scholarship on how businesses are faring with daily deals, which provides a comparison between for-profit merchants and non-profit museums.

Non-profit pricing strategies

Pricing strategies currently available to museums must first be explored to understand where social couponing discounts fit into admissions structures. The following section presents discussions of the “pay-what-you-want” and “pay-as-you-go” strategies, as well as specific audience discounts. It also discusses some museums that have opted for being free or donation based, versus determining a set admissions price. In addition, it presents some ongoing debates about the cost of museum admissions.

Non-profit marketing consultant John Burnett wrote, in his book Nonprofit Marketing Best Practices, about pricing strategies and the relationship between the marketer and consumer. His work is one of the most comprehensive analyses of how non-profits struggle with pricing their experiences because consumers determine the value of their experience after they have paid admissions. He argues that with nonprofits,

price determines the repeat visitation of consumers, but not their initial participation.¹

Price is also not the main criteria for a purchase of services when it comes to nonprofit organizations, but it does create people's perception of the quality of the service.² He argues that non-profits should charge for their services, but he does not touch on discounting and how it can affect public perception of value. This book provides a starting point for discussing pricing strategies, but not how discounting factors in.

Pay-What-You-Want

A traditional museum pricing strategy is the “pay-what-you-want” model, typically called a “donation” at the door. Instead of a fixed price, consumers dictate how much they want to spend on the good, service or experience. The Metropolitan Museum of Art has a suggested donation price, but visitors can pay as little as a penny for admissions. Allowing consumers to dictate a price is not without criticism, as the public and press often debate whether or not museums have a moral obligation to be free.³ Former director of the Metropolitan Museum of Art, Philippe de Montebello, responds to the criticism by pointing out that most cultural goods have a price, and just because it is art people think it is mandatory for it to be free.⁴ The “donation” or “pay-what-you-want” strategy can be seen as a response to criticism over pricing the arts because museums, ranging in size from the Met to a local historical society, let people determine the price of

¹ John J. Burnett, “Chapter 10: Pricing the Product,” in *Nonprofit Marketing Best Practices*

² Ibid, 263.

³ Randy Kennedy, “The Cultural Calculation: Museum Fees,” *The New York Times*, June 9, 2011, <http://www.nytimes.com/2011/06/10/arts/design/metropolitan-museum-admission-fee-debate.html>.

⁴ Ibid.

their experience. People of varying economic levels and spending habits can visit the same museum because they determine the price.

However, while this strategy may seem to promote accessibility by eliminating economic barriers, Sophie Bushwick, writer for *Scientific American*, suggests that the “pay-what-you-want” model deters people from spending any money. Bushwick summarizes the study “Pay-what-you-want, Identity, and Self-signaling in Markets,” which was first published in the *Proceedings of the National Academy of Sciences of the United States of America*. The study found that customers are more willing to purchase goods when the price is determined for them, because people feared that donating less than a suggested donation or less than someone else in line, made them look cheap and left them feeling embarrassed.⁵ More people are willing to opt out of the purchase rather than determine their own price.⁶ Bushwick’s summary of the study shows that the “pay-what-you-want” strategy might not be the best for attracting customers and suggests institutions determine a set price for their goods and services in order to avoid alienating customers.

Donation-based spending has been used by other organizations and businesses, as writer Sumathi Reddy highlighted in the *Wall Street Journal*’s article “To Pay or Not to Pay,” and was met with mixed results. Panera Bread and World Café Live have pay-what-you-want establishments, in addition to their operations with set prices. Ron Saich, founder of Panera, thought that it was successful for the few establishments they opened this way, but for most for-profit businesses it is not an option for pricing because the

⁵ Sophie Bushwick, “Pay What You Want” May Deter Consumers,” *Scientific American*, podcast audio, April 25, 2012, <http://www.scientificamerican.com/podcast/episode.cfm?id=pay-what-you-want-may-deter-consume-12-04-25>.

⁶ Ibid.

profit is not clear. He is not likely to open more pay what you want Panera Bread establishments.⁷ Blogger Patrick Lefler responded to Reddy's article in his *Innovation Excellence* blog post "Pay What You Like," surmising that consumer behavior to "pay-what-you-want" depends on where they feel the money ends up. Lefler argues that people tend to be more generous towards non-profits when they feel their donation will end up helping the organization and are stingy when they feel it benefits one individual within the institution.⁸

"Pay-what-you-want" is a popular pricing model, with around thirty-seven percent of United States museums donation-based. It still has drawbacks for institutions because they risk admissions revenue not covering operating costs.⁹ Museums who have suggested donations and might not understand how to properly utilize Groupon's services for their institution without set ticket prices. The question of how museums can apply a couponing discount a donation-based pricing strategy has yet to really be explored. With more museums using these services, social couponing needs to be studied further.

Pay-As-You-Go

An interesting proposal for museum pricing was published in the journal *Museum Management and Curatorship*, in the piece "Pay as You Go: A New Proposal for Museum Pricing," written by Bruno Frey and Lasse Steiner. In this piece the authors

⁷ Sumathi Reddy, "To Pay or Not to Pay," *The Wall Street Journal*, November 11, 2011, <http://online.wsj.com/article/SB10001424052970204358004577030412609729608.html>.

⁸ Patrick Lefler, "Pay What You Like," *Innovation Excellence* (blog), November 27, 2011, <http://www.innovationexcellence.com/blog/2011/11/27/pay-what-you-like/>.

⁹ Ford W. Bell, "You Asked: How Are Museums Supported Financially in the United States," *United States Department of State Bureau of Investigation Information Programs Pamphlets* (Washington, DC: March 2012) <http://iipdigital.usembassy.gov/st/english/pamphlet/2012/05/201205155699.html#axzz2MFTuGWRy>.

propose museums charge visitors when they leave the museum, rather than when they enter it. This price will be based on the amount of time spent in the museum: the longer the visit, the higher the exit price.¹⁰ The authors argue that this type of pro-rated pricing has not been considered in the debate about museum admissions prices. Parking garages employ this for-profit model, as do gyms, saunas and spas and the authors argue museums should consider it as another pricing strategy.¹¹ Their main argument for exit prices as a new pricing strategy is that it takes into account how satisfied visitors were with the experience, and the greater the satisfaction the more money spent in the museum.¹² This pricing strategy proposal considers giving the visitor more power in determining their exit prices, but does not account for the discounts typically used by museums to appeal to different audiences. It does present an interesting option for museums who are looking for ways to be more accessible through admissions costs but do not wish for a donation setup.

Michael Ruston, Director of the Arts Administration programs at Indiana University, considered Frey and Steiner's proposal in his blog post "Museums, Amusement Parks, and Cable TV," posted to his blog *For What it's Worth: Michael Ruston on Pricing the Arts*. Ruston proposes the "pay-as you-go" model as something cable companies should consider, in that they should let customers pay for only the TV channels they actually watch.¹³ However, with cable companies, a discount is given by bundling all the channels together so the customers have options, should they want to

¹⁰ Bruno S. Frey and Lasse Steiner, "Pay as You Go: A New Proposal for Museum Pricing," *Museum Management and Curatorship* 27 (2012): 223-235.

¹¹ Ibid, 230.

¹² Ibid, 231.

¹³ Michael Ruston, "Museums, Amusement Parks and Cable TV," *Arts Journal: For What it's Worth* (blog), February 24, 2013, <http://www.artsjournal.com/worth/2013/02/museums-amusement-parks-and-cable-tv/>.

switch from the Home Shopping Network to CNN or the Sports Networks. In museums, the “pay-as-you-go” model would essentially mean charging per room viewed or per hour spent in the galleries.¹⁴ Rushton believes that staying two hours versus three hours does not really impose extra costs to the museum, so giving visitors as much time as they want under a single admissions fee makes sense, much like bundling cable channels makes sense and saves the customer money.¹⁵ In conclusion, Rushton argues that “pay-as-you-go” model might not be the right strategy for museums because it places time limits on people in the museum. The authors do not incorporate discounts or any other deals into this strategy because visitors set the cost of their experience, by determining how much time and money they want to spend.

Demographic-based Pricing

Museums and other nonprofit arts organizations also have various prices for their different audiences. Students, seniors, military personnel and their families, groups and children are some of the audiences that museums will use to vary their admissions pricing. The Philadelphia Museum of Art, for example, prices its two-day admissions pass differently for multiple audiences based on age. Their pricing is as follows:

Adults: \$20
 Seniors (65 & over): \$18
 Students (with valid ID): \$14
 Youth (13-18): \$14
 Children (12 & under): Free
 Members: Free

Another example of these discounts is found with the Blue Star Museums certification program, offered through collaboration between museums nationwide, the

¹⁴ Rushton, “Museums.”

¹⁵ Ibid.

National Endowment of the Arts, Blue Star Families, and the Department of the Defense. This collaboration “offer free admission to all active duty military personnel and their families from Memorial Day, May 28, through Labor Day, September 3, 2012,” and some museums have even chosen this discount to be year-round.¹⁶ Social couponing companies do not factor in already-existing discounts and so admissions already discounted for audience groups are further discounted through the daily deal. There is very little research on how that affects museum pricing and audience development.

Membership Discounts

Patrons who purchase memberships to museums typically receive free admittance to the museum and its special programs. Membership is another form of discounting that does not involve social couponing sites. Museum professional Nina Simon points out, on her *Museum 2.0* blog, in the post, “Rethinking Membership: What does it Mean to Belong to a Museum?” that members are mostly “value” members, people who join based on the savings membership provides in admission fees, special programs, and events over a yearly period.¹⁷ Simon argues that the members who can be characterized as “value members” are the ones less likely to renew at the end of the year and will not turn into high-level donors. She believes that most discount membership purchasers are often just wanting to try out the organization for a year at a discounted rate and do not want to commit to long-term support of the institution’s mission.¹⁸ Membership is an alternative discount offered by museums that gives people a chance to sample its

¹⁶ Blue Star Museums Initiative, National Endowment for the Arts, accessed October 19, 2012, <http://www.arts.gov/national/bluestarmuseums/faq.html>.

¹⁷ Nina Simon, “Rethinking Membership: What Does it Mean to Belong to a Museum,” *Museum 2.0* (blog), November 23, 2007, <http://museumtwo.blogspot.com/2007/11/rethinking-membership-what-does-it-mean.html>.

¹⁸ Ibid.

offerings and tries to encourage repeat visitors, but the structure has its drawbacks. Simon points out that while many museums are often restructuring their membership to cultivate long-term donors, she feels that memberships can sometimes only incentivize patrons with savings over the year.¹⁹ Simon does not address museums that discount memberships through social couponing sites.

Dynamic Pricing

“Dynamic pricing” is a method of pricing typically used by performing arts organizations. It is an “airline”-pricing pricing model in that the price fluctuates based on time of day, the particular performance and the demand of that experience. Michael Rushton, who commented on the “pay-as-you-go” model discussed previously, addresses dynamic pricing in another blog post “Why is Dynamic Pricing So Rarely Used?” In this post Rushton questions if dynamic pricing should be used as much as it is by non-profit arts organizations. He bases this question on the fact that for-profit businesses rarely use dynamic pricing. For example, iTunes prices most of its songs the same, between ninety-nine cents and one dollar and twenty-nine cents, regardless of popularity and demand.²⁰ Prices do not change when a song suddenly becomes popular so there is little surprise at the cost when someone goes to download a song. Rushton suggests that iTunes does not want to sway opinions of consumers to a certain artists or album, but other for-profits are not utilizing dynamic pricing either and he explores why this might be the case. He also points out that restaurants cannot change their menu every single time the price of vegetables or beef changes based on demand. There are limits to the dynamic pricing

¹⁹ Simon, “Rethinking Membership.”

²⁰ Michael Rushton, “Why is Dynamic Pricing So Rarely Used?” *Arts Journal: For What it's Worth* (blog), February 28, 2013, <http://www.artsjournal.com/worth/2013/02/why-is-dynamic-pricing-so-rarely-used/>.

strategy because patrons do not see consistency, which Rushton says can make people less inclined to visit those establishments.²¹ Rushton does not consider the implications of discounting tickets based on a dynamic pricing structure.

In contrast to Rushton, who cautions against dynamic pricing, art author William Poundstone suggests that dynamic pricing might be a good alternative to museums criticized for high admissions costs. In his article “How Much Should a Museum Visit Cost?” published on the website *ArtInfo*, Poundstone proposes museums charge one price at the box office and a different price online. He advises museums give discounts online only after personal data has been collected through the website. This structure is based on his idea that people who come to the box office are willing to pay full price and price-sensitive visitors will purchase advance tickets online.²² He is also recommending dynamic prices between local residents and tourists, with tickets being free for local residents and tourists paying a higher price. This pricing strategy is Poundstone’s dynamic pricing strategy for the museum field and although he discusses online discounts, he does not suggest offering them through a company that specializes in daily deals.

Diane Ragsdale, a PhD candidate at the Erasmus University in Rotterdam, Netherlands, studies cultural economics and addressed dynamic pricing in her blog post, “Beware dynamic pricing dressed as “accessibility.” She argues that dynamic pricing is a way to maximize profits through price discrimination. Her argument is that selling nosebleed or obstructed view seats at a discounted rate is often promoted as “accessibility” to audiences of different economic levels, but is more of a way for the

²¹ Rushton, “Why is.”

²² William Poundstone, “How Much Should a Museum Visit Cost?” *Blouin ArtInfo Blog*, June 27, 2012, <http://blogs.artinfo.com/lacmonfire/2011/06/27/how-much-should-a-museum-visit-cost/>.

organization to make money regardless of the experience of the patron.²³ Ragsdale is not opposed to the dynamic pricing strategy, but cautions that nonprofit arts organizations use it judiciously because the continual fluctuation of pricing based on a show's popularity and box office sales can drive people away. One point Ragsdale makes is that patrons of the arts have multiple options of where to spend time and money, and there is risk of alienating patrons by changing prices for every performance or exhibit. Ragsdale does not find dynamic pricing to be a form of accessibility, but rather a form of price discrimination and cautions its use.

Dynamic pricing is just another option for nonprofit arts organizations, although theaters and orchestras primarily use it, it could potentially be a strategy for museums to consider. Dynamic pricing discussions often do not include social couponing sites because the discounts change based on popularity and demand.

Free Admittance

Some museums have chosen to completely eliminate any admissions requirement or suggestions for donations by letting visitors in for free. Two examples of a museum transitioning from charging an admissions price to being free, because of the support from the public, are the Baltimore Museum of Art and the Walters Art Museum. In 2006 a grant from the city of Baltimore enabled the Baltimore Museum of Art to eliminate admissions charges completely. In St. Louis, the city is using city and county tax revenue

²³ Diane Ragsdale, "Beware dynamic pricing dressed as 'accessibility,'" *Arts Journal: Jumper* (blog), November 29, 2010, <http://www.artsjournal.com/jumper/2010/11/beware-dynamic-pricing-dressed-as-accessibility/>.

to guarantee free admissions to the Walters Art Museum.²⁴ There is no investigation into how social couponing can help these museums or what discounting alternatives to admission prices can do for museums with free admissions.

Discussions in the Business Field

Flash deals, holiday discounts, store credit, gift cards, two-for-one deals and coupons are among the different options available to people interested in saving a few dollars on each purchase. Coupons are offered in weekly circulars, newspapers, magazines, and now, most popularly, online. While people may download coupons to save 50 cents on their favorite can of soup or one dollar on a coffee, for example, there are now coupon deals for rounds on a golf course, a day at the spa, dining at restaurants, weekend getaways and even cruises and full vacation packages. These coupons, offered through social couponing websites, such as Groupon and LivingSocial, are the latest trend in shopping for the best discount and daily deal. Groupon, one of the earliest social couponing companies, features multiple daily deals, with at least a discount of 50percent off the full value of the good or service, of “the best stuff to do, see, eat and buy in 48 countries, and soon beyond.”²⁵ Its biggest competitor, LivingSocial says it “inspires members to discover everything from weekend excursions to one-of-a-kind events and experiences to exclusive gourmet dinner to family aquarium outings and more,” through their daily deal offerings. Since businesses have utilized Groupon and LivingSocial

²⁴ Roberta Smith, “Should Art Museums Be Free? There’s Room for Debate,” *The New York Times*, July 22, 2006,

http://www.nytimes.com/2006/07/22/arts/design/22admi.html?pagewanted=all&_r=0.

²⁵ About Us, Groupon, accessed November 18, 2012, <http://www.groupon.com/about>.

economics and businesses professionals have been tracking the effects of social couponing discounts.

Social Couponing Case Studies

Social couponing has been studied in relationship to for-profit businesses and the economics of discounting goods and services. A leading scholar of daily deal research is Rice University Professor, Utpal M. Dholakia, who investigates how Groupon promotions work for businesses in a series of papers published from 2010 to 2012. His first study, “How Effective are Groupon Promotions for Businesses?” found that in a survey of one hundred and fifty Groupon promotions offered between June 2009 and August 2010, sixty-six percent of businesses reported the deal as profitable and thirty-two percent reported it unprofitable.²⁶ Profitability of the deal was measured based primarily on employee satisfaction with the Groupon shoppers and secondly on the effectiveness in reaching new customers.²⁷ Dholakia concluded that the promotions are structured to greatly benefit the consumers with not enough value given to the business that runs the promotions.²⁸ His study focused on for-profit businesses, surveying salons, spas, restaurants, educational services (cooking classes, skydiving lessons), and tourist attractions and did not include non-profits, such as museums.²⁹

Another analysis Dholakia conducted, titled “How Businesses Fare with Daily Deals: A Multi-Site Analysis of Groupon, LivingSocial, OpenTable, Travelzoo, and BuyWithMe Promotions,” examined the performance of daily deals run through these 5

²⁶ Utpal M. Dholakia, “How Effective are Groupon Promotions for Businesses?” academic paper, Rice University (September 28, 2010) 5, <http://dx.doi.org/10.2139/ssrn.1696327>.

²⁷ Ibid, 7.

²⁸ Ibid, 11.

²⁹ Ibid, 5.

major social couponing sites. Published in 2011, this study concludes that daily deal sites have similar success and failure rates, and that no one company stands out from the offers. In short, the different daily deal sites available are very similar and will give businesses similar promotion results.³⁰ Despite very little differentiation between sites, Dholakia's sample found that Groupon was used by more businesses, with LivingSocial following close behind.³¹ Another find of this study was that close to eighty percent of customers who redeemed were new customers, although they did not spend beyond the deal's face value.³² These results led Dholakia to conclude that daily deals are very useful for attracting new customers and increasing visibility, but not for generating increased revenue.³³ A later version of the abovementioned study, released in 2012 found that businesses report greater profitability and success with the deal after offering multiple deals over a long period of time. Experience with the sites increases chances of profitability, but most reported having to offer six to seven deals before making money on the discounts.³⁴ Dholakia's series of papers analyzing the nature of social couponing sites are extremely useful for understanding how the promotions affect for-profit businesses. However, his studies do not include non-profits, which leaves a gap in the scholarship of how daily deal promotions affect museums.

³⁰ Utpal M. Dholakia, "How Businesses Fare with Daily Deals: A Multi-Site Analysis of Groupon, LivingSocial, OpenTable, Travelzoo, and BuyWithMe Promotions," academic paper, Rice University (June 13, 2011) 3, <http://dx.doi.org/10.2139/ssrn.1863466>.

³¹ Dholakia, "How Businesses Fare," 7. (Groupon=150, LivingSocial=115, OpenTable=12, Travelzoo=28, BuyWithMe=19.)

³² Ibid, 11.

³³ Ibid.

³⁴ Utpal M. Dholakia, "How Businesses Fare with Daily Deals as They Gain Experience: A Multi-Time Period Study of Daily Deal Performance," Rice University (June 25, 2012) 15, <http://dx.doi.org/10.2139/ssrn.2091655>.

Another research project, led by V. Kumar and Bharath Rajan found that the design of a coupon campaign is detrimental to a business's profit margin.³⁵ The results of this study, "The Perils of Social Coupon Campaigns," found that social coupons are not currently set up to create long-term customers and increase business profits.³⁶ To combat this, Kumar and Rajan suggest that businesses craft the deal so they are not giving too much away and losing profit. One suggestion they make is businesses discount "distressed inventory," or any products not selling well. Another suggestion from Kumar and Rajan is that businesses place strict time limits on when the discount can be redeemed, thus controlling when those customers come in. They argue this will help the businesses create more incentives during that time to turn these discount shoppers into long-term customers. Based on the studies led by Dholakia, Kumar and Rajan it is evident that there are mixed results regarding using social couponing sites in the for-profit business field. The following are select profiles of some businesses that ran daily deal promotions with mixed results.

Reports of Success and Failure with Social Couponing Promotions

There have been many news articles and blog posts about businesses that have run daily deals with varied results. Brad Tuttle, writer for *Time Moneyland* wrote in his January 2012 article, "Groupon Remorse? Most Merchants Won't Run Daily Deals over Next Six Months," about merchants who regretted their deals and are unlikely to work with social couponing companies again. Tuttle's investigation found that out of four

³⁵ V. Kumar and Bharath Rajan, "The Perils of Social Coupon Campaigns," *MIT Sloan Management Review* 53 (2012) 13, <http://sloanreview.mit.edu/the-magazine/2012-summer/53404/the-perils-of-social-coupon-campaigns/>.

³⁶ Ibid.

hundred businesses that offered deals through Groupon, LivingSocial, and other sites, fifty-two percent would not run another daily deal in the next six months.³⁷ Some of the businesses expressed that one of the main reasons is because daily deals are too costly, with only slightly more than half of all deals run making money once the discount is fulfilled and the deal site takes its cut.³⁸ Another drawback the businesses found is that when they were making a nice profit, they lost money and customers who would have paid at full price.³⁹ This article by Tuttle shows that not all daily deal promotions are profitable for businesses.

Brad Tuttle also wrote a blog post for *TIME*, titled “How Groupon Saved a Zoo and Ruined a Waffle Restaurant,” that chronicled how these two businesses were affected by Groupon promotions. According to the post, ZOOMARS Petting Zoo, located in Orange County, offered a deal through Groupon because it was suffering from low visitation and was in danger of closing its doors. Although Tuttle believes the staff exaggerated how much Groupon saved the zoo, the promotion did help by increasing their weekly visitors from two hundred to around two thousand.⁴⁰ In contrast to the success reported by ZOOMARS, is the out-of-business waffle restaurant, Back Alley Waffles. This D.C. restaurant closed in 2012 and blamed Groupon, claiming it withheld some of the profits and its cut of purchased deals so great that the waffle business could not afford to fulfill them. Tuttle concludes that although the restaurant claims that

³⁷ Brad Tuttle, “Groupon Remorse? Most Merchants Won’t Run Daily Deals Over Next Six Months,” *TIME*, January 4, 2012, <http://moneyland.time.com/2012/01/04/groupon-remorse-most-merchants-wont-run-daily-deals-over-next-six-months/>.

³⁸ Ibid.

³⁹ Ibid

⁴⁰ Tuttle, Brad, “How Groupon Saved a Zoo and Ruined a Waffle Restaurant,” *TIME*, July 26, 2012, <http://business.time.com/2012/07/26/how-groupon-saved-a-zoo-and-ruined-a-waffle-restaurant/>.

Groupon caused the failure, the restaurant needs to consider the possibility that discounting their services to such an extent harmed their profits.⁴¹

Numerous other articles have been published regarding unsuccessful or frustrating deals run through Groupon and LivingSocial. Romil Patel, Chicago-based entrepreneur and writer for *CNN Money* ran a Groupon and LivingSocial deal to determine which was a better company. Groupon seemed willing to work with Patel at first, but then the customer service relationship became difficult when customers started redeeming the deal. According to Patel, customers returned the discounted product, thus costing Patel's business money and Groupon had promised Patel help with bad customers, but after a month of back and forth, nothing was done by the company to correct the issue. In addition, Groupon refused to give Patel access to the coupon, which a representative had promised him initially.⁴² Patel's experience with a LivingSocial deal was much more positive and beneficial because he was given all the buyer's contact information, was not charged extra fees, and the customer service representatives were much more helpful.⁴³ This article shows that businesses have mixed reactions to the promotions of Groupon and LivingSocial. There are very few discussions about the economic impact of promotions led by museums, although professionals in the non-profit arts field is starting to do more analysis of the impacts of social couponing on arts organizations.

⁴¹ Tuttle, "How Groupon Saved a Zoo."

⁴² Patel, Romil, "My Terrible Groupon Experience (and great LivingSocial deal)," *CNN Money*, April 26, 2011, http://money.cnn.com/2011/04/26/technology/groupon_vs_livingsocial/index.htm.

⁴³ Ibid.

Discussions in the Non-profit Arts Field

Non-profit arts professionals, including museum professionals, are discussing social couponing deals, as they relate to individual organizations. One of the earliest museums to openly discuss their use of social couponing is the Brooklyn Museum. In 2009, former Membership Manager Will Cary posted on the museum's blog about their decision to use Groupon for a membership discount. According to Cary, he wanted the blog post to start a transparent and honest discussion about the membership offer.⁴⁴ Cary openly stated his dislike of discount sites, specifically because the museum tries to make their membership affordable and worth its monetary value. However, the Brooklyn Museum was looking for ways to appeal to a wider audience, and Groupon's focus on getting people to support local community organizations aligned with the museum's mission.⁴⁵ Cary wrote this particular blog post to tell members of the Brooklyn Museum that the membership Groupon deal was an experiment and they wanted to see what would happen when it is discounted. He also wanted to reassure current members that their renewal rate would be priced accordingly, to reduce any sense of being cheated for paying full price for their membership originally.⁴⁶ The Brooklyn Museum did not have a follow-up post to share their results and reactions to the deal, but their openness to discuss the deal is an example of an individual institution sharing its goals and motivations for offering a deal on Groupon.

Another example of a museum sharing its reactions to creating a Groupon discount for membership is the Carnegie Museums of Pittsburgh. The Chronicle of

⁴⁴ Will Cary, "Groupon and Discounting Membership," *The Brooklyn Museum Community Blog*, October 20, 2009, <http://www.brooklynmuseum.org/community/blogosphere/2009/10/20/groupon-and-discounting-membership/>.

⁴⁵ Ibid.

⁴⁶ Ibid.

Philanthropy blogs about articles related to non-profit activities and philanthropic endeavors. One 2011 post written by Raymund Flandez, “Groupon Garners New Members and Cash for Museums,” discusses the Carnegie Museum’s membership deal. According to the post, the museum offered a 40 dollar, one-year individual membership to all Carnegie-owned museums in Pittsburgh with accompany special features and the option to upgrade the membership. At the end of the deal, their goal of selling five hundred new memberships through Groupon was surpassed; they sold one thousand and three hundred.⁴⁷ The membership team the museum monitored discussion boards and their emails for people who purchased the individual membership through Groupon, but wanted to upgrade their memberships. This post concluded that, in the short term, the Groupon deal was successful for membership sales by the Carnegie Museums, and it provides another example of individual museums beginning to talk about their social couponing experiences. However, it does not discuss the impact on the entire museum field.

Nina Simon, Executive Director of the Santa Cruz Museum of Art & History and a pioneer of the participatory museum structure, covered the growing trend of using Groupon, in her popular and well-respected museum blog, *Museum 2.0*. The October 2010 post “Museum 2.0 Discounts, Secret Deals, and Value: Learning from Groupon,” focuses on why the site’s discounts are different from others, and the psychology behind why people purchase deals. When it was posted Groupon was very new and there was not enough data about its usefulness for museums wanting to generate new audiences, said

⁴⁷ Raymund Flandez, “Groupon Garners New Members and Cash for Museums.” *The Chronicle of Philanthropy Prospecting Blog*, February 25, 2011, <http://philanthropy.com/blogs/prospecting/groupon-garners-new-members-and-cash-for-museums/28848>.

Simon.⁴⁸ With this in mind, Simon focused on the behavior of people who purchase discounts, arguing that people are not necessarily less engaged or interested in what the museum has to offer when they come on free or discounted days, or with a social coupon. She encouraged museums to consider Groupon because it can get people into the museum and because people like the thrill of being in on the “secret” of a special deal. Groupon can increase engagement between discount shoppers and museums. In addition, people who like the thrill of daily deals have the ability to share them with friends, ultimately leading to more people purchasing the deal, which benefits the museum.⁴⁹ Simon did not focus on the adverse effects on museums of the financial implications of the discounted deal, but rather on the psychological reasons why Groupon works and appeals to a wide audience. While she recognized the need for more investigation, Simon presented the issue to get the conversation started among museum professionals. This blog post is very valuable for understanding how professionals interpret Groupon and rationalize its use in the field.

Another valuable resource that debates whether or not museums should use Groupon is the July 2010 article published in the American Alliance for Museums’ *Museum* magazine, titled “Get Your Group On.” Written by Joelle Seligson, museum professional and writer, this article covers the Brooklyn Museum’s experience with Groupon, as well as the Columbus Museum of Art, the National Museum of Crime and Punishment, and the Jewish Museum in New York, among others.⁵⁰ All these institutions

⁴⁸ Nina Simon, “Museum 2.0 Discounts, Secret Deals, and Value: Learning from Groupon,” *Museum 2.0* (blog), October 5, 2010, <http://museumtwo.blogspot.com/2010/10/discounts-secret-deals-and-value.html>.

⁴⁹ Ibid.

⁵⁰ Joelle Seligson, “Get Your Group On,” *Museum*, July-August 2010, 35, <http://aamftp.aam-us.org/pubs/mn/groupon.cfm>.

utilized Groupon's services for different deals and had varying levels of success. Seligson found that these museum professionals were concerned about alienating their current audience and members, as well as having people expect similar deals and be less willing to pay full price for the museum experience.⁵¹ In addition, she discovered that some people who subscribed to Groupon said they would not have joined the museum or purchased admissions tickets, had it not been for the deal. For example, a Groupon subscriber, who purchased her membership to the Art Institute of Chicago through a daily deal email, said she might not have become more involved in the organization had it not been for the discount.⁵² "Get Your Group On" is extremely valuable for understanding how museums are using social couponing deals and how purchasers react to the discount. The limitation of this source is that it focused exclusively on Groupon.

Julie Rega, Seton Hall Masters Graduate, expanded the discussion of social couponing in her thesis "Museum Membership Programs: Innovation in a Troubled Economy," published in 2011. She looked at museums experimenting with ways to boost membership sales, and found that some used Groupon and LivingSocial discounts. Her thesis incorporates LivingSocial into the discussion, which had not been covered previously. Rega's research expands on the membership deals of the Art Institute of Chicago, The Carnegie Museums, the Brooklyn Museum, and the Jewish Museum in New York, the Los Angeles County Museum of Art (LACMA) and the Whitney Museum.⁵³ In a comparison of the Brooklyn Museum's deal and the Jewish Museum's discount, Rega argued that the Brooklyn Museum's deal was so successful because of

⁵¹ Seligson, "Get Your Group On", 35-36.

⁵² Ibid.

⁵³ Julie N. Rega, "Museum Membership Programs: Innovation in a Troubled Economy" (MA Thesis, Seton Hall University, 2011) <http://scholarship.shu.edu/theses/208>.

their robust social media presence. The Jewish Museum, according to Rega, did not have a successful deal because their membership is older and they did not have a strong social media outreach plan.⁵⁴ Despite finding various shortcomings with social couponing deals, Rega maintained that the social discounts are useful for generating membership sales and reaching a new audience, noting that museums are likely to attract a younger, more tech-savvy and online active audience.⁵⁵

One contribution Rega made to the discussion of social couponing is her evaluation of LivingSocial to Groupon. She compared LACMA's promotion on LivingSocial and found differences with the promotion offered on Groupon, but there was minimal difference in sales, leading Rega to conclude that the sites can generate similar results in sales, despite different deals and representation in the emails.⁵⁶ One valuable point Rega made was that the Philadelphia Museum of Art and the Museum of Modern Art chose not to use Groupon for memberships because the fifty percent discount is so deep and the institutions did not want to appear desperate to sell memberships or like their membership is less valuable.⁵⁷ This thesis continued the exploration into how museums use Groupon and LivingSocial to generate membership sales, but focuses on similar case studies as those covered in Seligson's article and does not talk about other discounts offered by museums. Rega's research reinforces why museums chose Groupon and Livings and others have not, but is only focused on membership.

A recent presentation demonstrated that museum professionals are discussing uses for online discounts, besides membership sales, and starting to determine some general

⁵⁴ Rega, "Museum Membership," 47.

⁵⁵ Ibid, 47-48.

⁵⁶ Ibid, 49.

⁵⁷ Ibid, 50.

strategies for using them. During March 2012, at the 40th Annual ALI-ABA Course of Study cosponsored by the Smithsonian Institution and the American Alliance for Museums, museum professional Eryn Starun led a discussion on online deals. Her lecture, titled “Coupon Culture and Contests: Lessons Learned from Online Offerings,” presented some recommendations for structuring a deal. One recommendation Starun provided is to draft the terms and conditions of the offer so it effectively communicates what the museum does with the subscribers receiving the offers.⁵⁸ She cautioned that when working with a third-party vendor museums need to be flexible, because the companies have their own methods for attracting subscribers and developing a deal. Starun provided some characteristics of working with Groupon, such as the large volume of visitors the deal can generate and the authority the company takes when creating the messaging of the deal.⁵⁹ However, Starun tended to assume that the companies will work with the museum so that the outcome is successful for both parties, which is not always the case as will be discussed later. Starun’s lecture is a good starting point for museums considering offering a deal but unsure what to expect or how to make one. In addition, the abovementioned sources highlight the positives of social couponing, with very little analysis of the drawbacks of discounting.

⁵⁸ Eryn Starun, *Coupon Culture and Contests: Lessons Learned from Online Offerings*. ALI-ABA Course of Study: Legal Issues in Museum Administration, San Francisco, California, March 19-21, 2012, 1.

⁵⁹ *Ibid*, 3.

Arts Professionals Discussing the Negatives of Social Couponing

As social couponing increased in popularity, so have discussions of the negatives and drawbacks of such discounts. Ron Evans, consumer behaviorist and principal consultant at Groupofminds Arts Marketing + Technology Consultants, studies the relationship between culture and technology.⁶⁰ In the blog he manages on the Groupofminds website, Evans published the post “Arts Discounting Ticketing Strategies: What to Avoid and Why Part 1 & 2,” In this post Evans argues that arts organizations are more focused on needing “butts-in-seats” and filling up a room rather than on individual experiences and repeat visitation, which can lead to discounting strategies that do more harm than good for the organization. Evans argues that discounting offers train patrons to wait until there is a special offer before purchasing a ticket, thus resulting in fewer ticket sales until right before the show opens.⁶¹ According to Evans, this strategy forces the organization to add more discounts, which only continues the cycle and does not result in patrons willing to paying full price. In the second part of the post, Evans talks about Groupon and LivingSocial, but his only suggestion for arts organizations is that they research terms of the deal and talk to others in the arts community to determine if the fifty percent social couponing discount is the best discount.⁶² He argues that the main benefit to Groupon and LivingSocial is the exposure online, however he does not go into great detail into benefits and drawbacks. One last point against discounting tickets is that

⁶⁰ About Us, Groupofminds, accessed October 10, 2012, <http://groupofminds.com/about-us/>.

⁶¹ Ron Evans, “Arts Discount Ticketing Strategies: What to Avoid and Why Part 1 & 2,” Groupofminds, *Arts Marketing Articles* (blog), February 21, 2012. <http://groupofminds.com/articles/arts-Discount-ticketing-strategies-what-to-avoid-and-why-part-1/1022>.

⁶² Ibid.

Evans believes discounting can lower the perceived value of the experience.⁶³ Evans is not the only professional in the arts community to dissuade arts organizations from discounting; others have stated their dislike of social couponing discounts.

Colleen Dilenschneider, who works with museums to develop community engagement through technology, manages a blog titled *Known Your Own Bone*. Her post “Why Offering discounts Through Social Media is Bad Business for Nonprofit Organizations,” outlines why Dilenschneider feels that offering discounts through social media ultimately harms the institution more than helps. According to her, discounts train visitors to wait until discounts are available, which does not promote repeat visitation.⁶⁴ In addition, she argues that when discounts are offered through social media, people are trained to rely only on those platforms for information and not visit the other websites of the organization. Another point she makes is that people might only look at your website and social media platforms for discounts, and not for the other information presented on those sites.⁶⁵ Dilenschneider’s discussion touches on the potential downfalls of discounting, specifically through social media platforms, but does not focus on social couponing sites. Dilenschneider is an arts community professional presenting the potential negative effects of social couponing. Business professionals and for-profit businesses have also explored the negative impacts of social couponing.

⁶³ Evans, “What to Avoid Part 1 & 2.”

⁶⁴ Colleen Dilenschneider, “Why Offering Discounts Through Social Media is Bad Business for Nonprofit Organizations,” *Know Your Own Bone* (blog), May 12, 2012, <http://colleendilen.com/2012/05/21/why-offering-discounts-through-social-media-is-bad-business-for-nonprofit-organizations/>.

⁶⁵ Ibid.

Conclusion: Role of Thesis

Since social couponing companies emerged, they have been analyzed and researched to determine their effectiveness for businesses offering goods and services. At the same time, non-profit arts organizations and museums have been exploring alternative pricing strategies to attract audiences. Subsequently, the field is beginning to study social couponing sites but without delving very deep into their uses by museums and the effectiveness of the promotions.

Chapter 2: Social Couponing

Social couponing is defined as “an online method of buying and receiving a “coupon” or voucher, that purchasers can print and use to save on a variety of products and services, including whitewater rafting, spa packages and restaurants.” The deals are sent out in daily emails to subscribers that can be purchased anytime between 1 and 6 days after the deal becomes active.⁶⁶ Deals are considered “active” after a certain number of people purchase it, increasing popularity and the amount of times deals are sent out. The social aspect of these daily discounts occurs when the deal is purchased by a group of people, sometimes resulting in a free deal for the first person to buy it. Group buying becomes more social when the purchase of the deal is shared on social media platforms, such as Facebook, Twitter and blogs. Deals are created with an expiration date and a timeline during which the deal has to be redeemed; the timeline is set up by the merchant and ranges between 3 and 6 months. In the event a deal expires or the product is no longer available, Groupon and LivingSocial give credit for the monetary value of the deal. Typically, the discount is about fifty percent off the original value and revenue generated from sales of the deal is split fifty/fifty between the merchant and social couponing company. An example of a deal breakdown is as follows:

⁶⁶ Social Couponing, NetLingo, accessed September 20, 2012, <http://www.netlingo.com/word/social-couponing.php>.



Figure 1. Breakdown of deal

The daily discount emails provide a variety of choices for deals to buy, such as restaurants, movies, spas, and recently for goods, such as speaker systems or watches. Groupon and LivingSocial are the two most widely used social couponing sites and will be profiled specifically. The following are profiles of some social couponing companies and a comparison of the main three discussed in this thesis: Groupon, LivingSocial and Philadelphia's local Funsavers program.

Groupon



Image 1. Groupon logos, April 2013

Former CEO Andrew Mason developed Groupon with the goal of creating a new ecosystem for local commerce. He never intended for Groupon to become one of the fastest growing companies but since it launched in 2008, over fifty million people have subscribed to receive daily discount emails. As of 2011, the company saved its subscribers an estimated nine hundred and eighty million dollar through deals and sold over twenty-two million promotional vouchers.⁶⁷ The name “Groupon” came out of the fundamental idea behind the site: group buying of coupons.⁶⁸ Mason marketed his company as a new way for merchants to lower prices and attract new customers for their goods and services. According to Sennett, “If [Groupon] was done right, both customers and merchants will benefit from the group-deal experience and Groupon could take a healthy cut as the market-making middleman that brought them all together.”⁶⁹ Groupon launched its first deal on October 21, 2008 based on this new marketplace structure. The simple offer was two pizzas for the price of one at Motel Bar, a local pizza place in Groupon’s headquarters building in Chicago.⁷⁰ Initially, Groupon struggled with

⁶⁷ Press, Groupon, accessed November 18, 2012, <http://www.groupon.com/press>.

⁶⁸ Frank Sennett, *Groupon’s Biggest Deal Ever* (New York: St. Martin’s Press, 2012), 54.

⁶⁹ Sennett, *Groupon’s Biggest Deal Ever*, 55.

⁷⁰ *Ibid*, 57.

generating enough subscribers to purchase and activate deals, but Mason encouraged his company to reach out to local excursion places so that subscribers were presented with deals of fun experiences in their neighborhood. The strategy proved successful and Groupon was able to open up locations in Boston, Philadelphia, and other cities around the country.⁷¹

According to a report by Dr. V Kumar and Bharath Rajan, both of Georgia State University, daily deals do not always work for small businesses because they struggle to recover from losses caused by the discounted promotion. Merchants are just not flocking to Groupon and its competitors like they used to.⁷² To improve their attraction Groupon created some new features, such as *Now! Deals*, which are immediate-use discounts, weekend and week-long *Getaways* sponsored by Expedia, and a *Goods Marketplace* to sell goods at deeply discounted prices, all to help expand their reach, in addition to their daily deal emails of promotions. Most recently they have created the *Gifts* section, giving subscribers access to holiday discounts. All of these are customizable by location, nationally and internationally.⁷³ Groupon is the leader in social couponing, but its future is unclear as its rival companies are improving and expanding their reach.

⁷¹ Sennett, *Groupon's Biggest Deal Ever*, 62.

⁷² Dominic Rushe, "Groupon: from dotcom star to just another coupon business," *The Guardian*, December 1, 2012, <http://www.guardian.co.uk/technology/2012/dec/02/groupon-dotcom-star-just-another-coupon-business>.

⁷³ About Us, Groupon. accessed November 18, 2012, <http://www.groupon.com/about>.



Image 2. LivingSocial logos, April 2013

LivingSocial co-founders Tim O'Shaughnessy, Eddie Frederick, Val Aleksenko and Aaron Batalion wanted to connect people with what they cared about online to what they did offline. The name "LivingSocial" came from the idea of exploring local attractions and sharing it with friends on social media. After purchasing a small company that allowed users to redeem drink vouchers at local bars, the men expanded the company to include vouchers redeemable at local merchants and attractions.⁷⁴ They launched their first deal in 2009; it was for a restaurant in Washington, D.C.'s Chinatown, named Zengo. Since then, it has branched into different endeavors: *LivingSocial Deals*, *Events and Experiences*, *Escapes*, *Shop* and *Takeout and Delivery*.⁷⁵ LivingSocial has locations throughout the United States, as well as in Canada, Europe and Australia.⁷⁶

LivingSocial Deals is similar to Groupon, offering discounted promotions from local merchants. Events and Experiences are presented as deals for exclusive concerts, classes, sporting events and other such activities at the local level.⁷⁷ According to the website, LivingSocial has sold one hundred and twenty three million discounted vouchers

⁷⁴ About Us, LivingSocial accessed November 18, 2012, <http://corporate.livingsocial.com/ourcompany>.

⁷⁵ Danny Schreiber, "LivingSocial co-founder talks about building viral products," *Silicon Prairie News*, August 23, 2010, <http://www.siliconprairienews.com/2010/08/livingsocial-co-founder-talks-about-building-viral-products>.

⁷⁶ LivingSocial, About Us.

⁷⁷ Ibid.

around the world and has over seventy million subscribers.⁷⁸ It is the top competitor for Groupon in the social couponing e-commerce marketplace.

Philadelphia-based Social Couponing Sites

Cultural institutions, restaurants and local merchants in the Philadelphia area have access to two local discount programs, in addition to Groupon and LivingSocial. The first is PhillyDealYo, a social couponing company operated by the *Philadelphia Inquirer*, the *Daily News*, Philly.com and its blog *Phrequency*. PhillyDealYo offers daily deals on products, destinations, events and activities specifically from merchants in and around Philadelphia.⁷⁹ In addition to the deals, the site offers the ability to print free coupons to receive discounts. Most of the deals on the site are discounted at least fifty percent, but some have been less than and greater than half off.⁸⁰

The Greater Philadelphia Cultural Alliance runs a discounting program specifically for art and cultural institutions in the city. Philadelphia Funsavers is their program that offers weekly emails with last minute offers for discounted tickets for upcoming entertainment events, organization subscriptions and memberships, and nightly performances.⁸¹ This program is a unique example of a non-profit organization's model for social couponing. According to Funsavers coordinator Sarah Gafgen, "The Cultural Alliance designed this program to increase attendance and participation in cultural events around the city and give greater accessibility to these events."⁸² Created about ten years

⁷⁸ By the Numbers, LivingSocial, accessed November 18, 2012, <http://corporate.livingsocial.com/bythenumbers>.

⁷⁹ DealYo.com, PhillyDealYo, accessed November 19, 2012, <http://phillydealyo.philly.com>.

⁸⁰ Ibid.

⁸¹ Funsavers Faq, The Greater Philadelphia Cultural Alliance, last modified October 27, 2011, <http://www.philaculture.org/programs/pfg-funsavers>.

⁸² Sarah Gafgen, Interview by Author, notes from phone conversation, February 1, 2013.

ago, prior to the social couponing phenomenon, Funsavers was designed to help the Cultural Alliance's *Engage 2020 Initiative*, which focuses on increasing cultural participation in the region.⁸³ Through research and analysis of the organizations using the program, interviews with people purchasing tickets, and Cultural Alliance data on the arts in Philadelphia, staff found that people are not just using Funsaver discounts to save money, but also to attend and participate with cultural organizations they otherwise might not visit.⁸⁴ Two of the main goals of the organizations that use Funsavers are, according to the program's website, the sell-out of tickets and the introduction of new consumers to the organization.⁸⁵

Funsavers works similar to Groupon and LivingSocial, in that it provides a fifty percent discount on these tickets, however one hundred percent of the revenue is returned to the cultural institution. The organizations are only required to report their numbers and sales to the Cultural Alliance afterwards.⁸⁶ Another difference is that Funsavers is limited to art and cultural organizations in the Philadelphia area. Funsavers works well for the arts organizations because of the timing of tickets. Discounts are set up for specific dates and times, which work well with plays, musicals, concerts, etc.⁸⁷ Overall, Funsavers provides an alternative for cultural organizations in the Philadelphia area that gives them more of the proceeds and targets culturally-minded visitors.

⁸³ Gafgen, Interview by Author.

⁸⁴ Ibid.

⁸⁵ Greater Philadelphia Cultural Alliance, Funsavers Faq.

⁸⁶ Ibid.

⁸⁷ Ibid.

Other Social Couponing Competitors

As soon as Groupon and LivingSocial began to gain momentum on the e-commerce market, so did similar social couponing companies. Travelzoo, BuyWithMe, Eversave, Woot and Tippr are among the competitors that market daily deals and local savings to their subscribers. While these coupon sites are structured similarly to Groupon and LivingSocial, they have not been able to compete on such a global scale. Facebook, Amazon, Google and AT&T launched daily deal branches of their companies in 2011, which could affect Groupon and LivingSocial's domination of the social couponing market.⁸⁸ The graphs below show that subscribers are drawn to Groupon and LivingSocial and there is little chance for competitors to attract the same amount of subscribers and compete against the big two. With this in mind, the primary focus of museums using social couponing sites will be on using LivingSocial, Groupon, and the local Funsavers program.

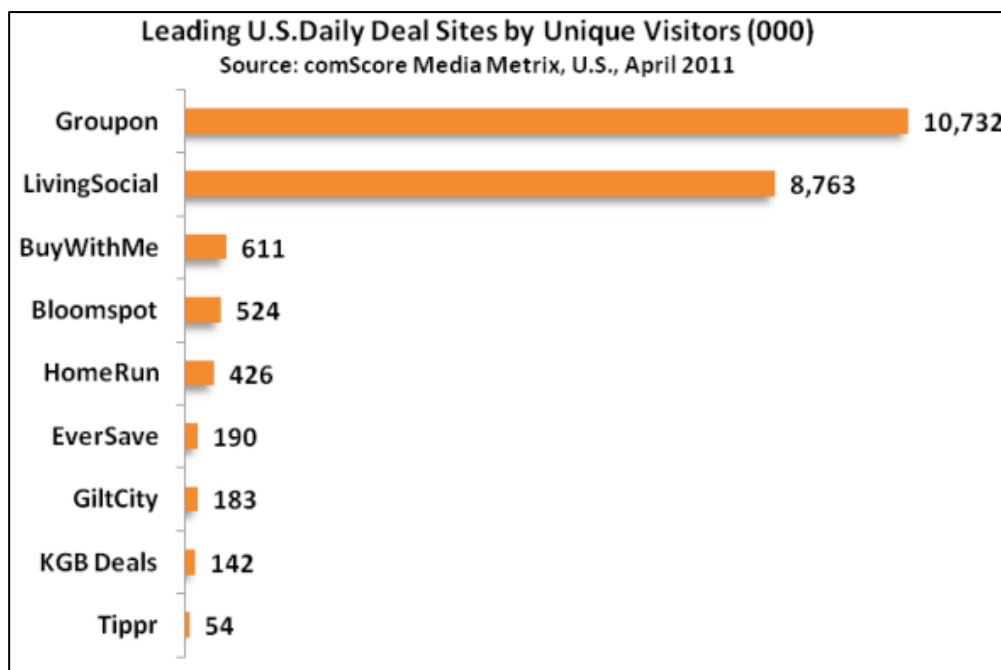


Figure 2. Leading U.S. Daily Deal Sites by Unique Visitors

⁸⁸ Dholakia, "How Businesses Fare with Daily Deals," 4.

Comparison of Groupon and LivingSocial

Despite the many social couponing sites promoting discounts, Groupon and LivingSocial remain the two most widely subscribed to companies. A comparison between the two reveals similarities and differences between their strategies, demographics, and successes. One striking difference between the two sites is their appeal based on geographic locations. The image below came from a study led by comScore, a company that researches the latest in technology and digital media. Their infographic breaks up the geographic profile of Groupon and LivingSocial, as of April 2011, showing that LivingSocial is more preferred on the east coast, while Groupon is the preference on the west coast. In addition, Groupon is bigger near Chicago, which is home to its headquarters. LivingSocial is based out of Washington, D.C. and in that region Groupon and LivingSocial are tied. Another major regional difference is the greater preference for LivingSocial in the New England area and the ties between the companies in the West and Mid Atlantic regions.⁸⁹

⁸⁹ Peter Elbaor, "Groupon, LivingSocial Grabbing Different Segments of the Daily Deal Marketplace," *comScore Insights* (blog), June 10, 2011, http://www.comscore.com/Insights/Blog/Groupon_LivingSocial_Grabbing_Different_Segments_of_the_Daily_Deal_Marketplace. AND Nielson Wire, "Deal Me In: Behind the Bargain-Hunting Audiences of Local Deal Sites," *NewsWire* (blog), April 26, 2011, <http://www.nielsen.com/us/en/newswire/2011/deal-me-in-behind-the-bargain-hunting-audiences-of-local-deal-sites.html>.

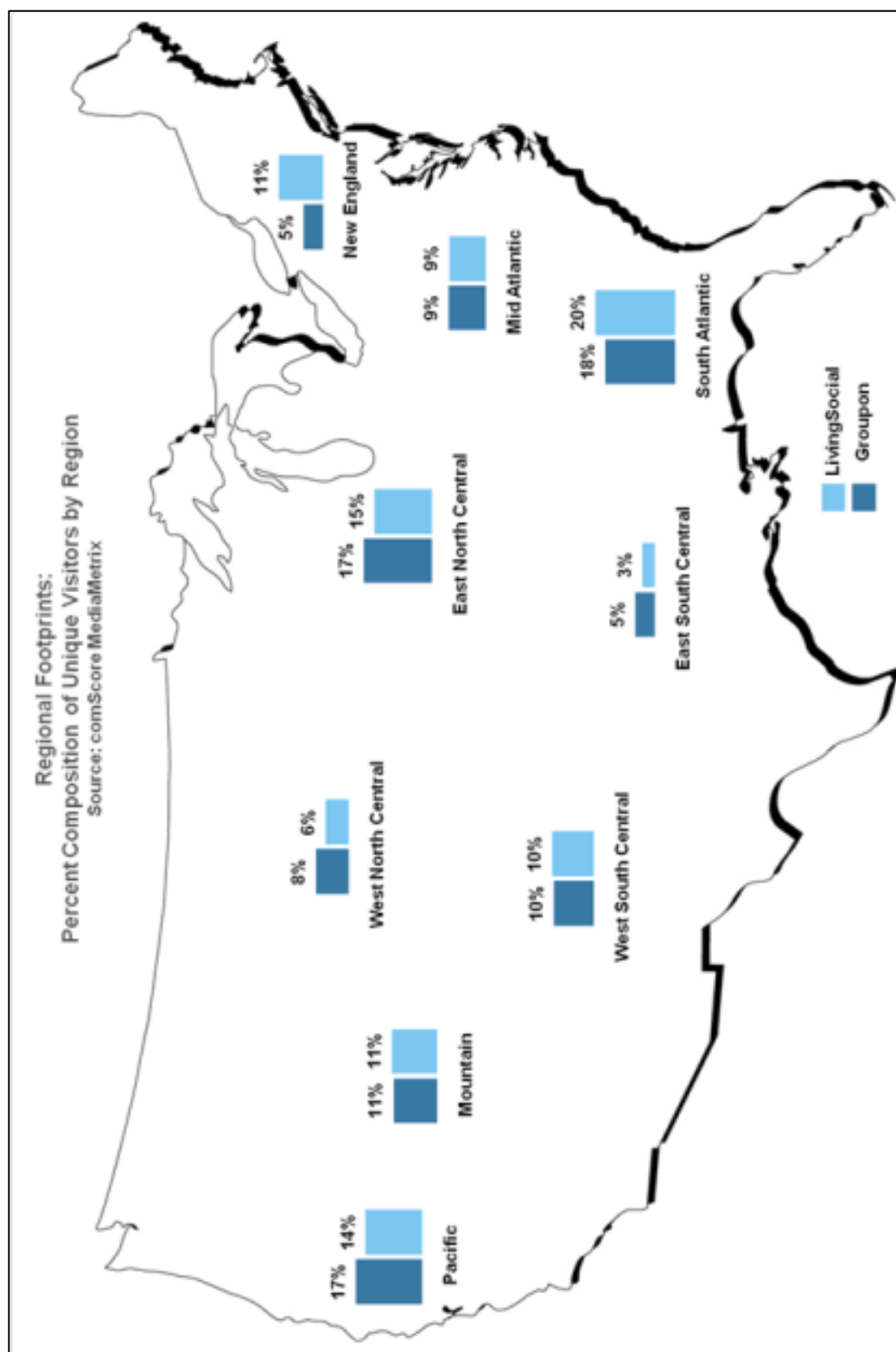


Figure 3. Regional Footprints: Percent Composition of Unique Visitors by Region

Another useful characteristic to determine which company might work for an individual organization is the study of each company's audience, based on age and gender. According to the same study, "Groupon's visitor base skews somewhat more towards younger users and females while LivingSocial's is more normally distributed around middle-age users and proportioned roughly equally between genders."⁹⁰ Based on age, the study found that Internet users under forty-five leaned toward Groupon, while those forty-five and older tended to subscribe to LivingSocial.⁹¹ Overall, more females use social couponing sites compared to males.

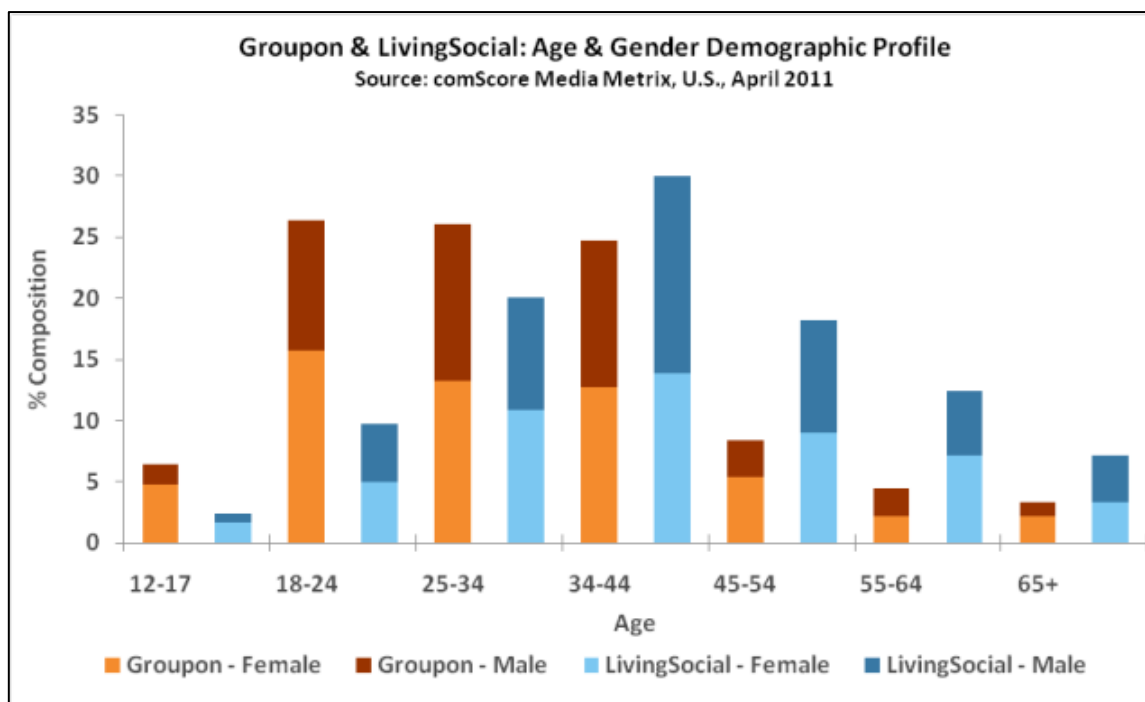


Figure 4. Groupon and LivingSocial: Age & Gender Demographic Profile

⁹⁰ Elbaor, "Groupon, LivingSocial."

⁹¹ "The Divergent Demographics of Groupon and LivingSocial," *e-Marketer*, accessed April 21, 2013. <http://www.emarketer.com/Article/Divergent-Demographics-of-Groupon-LivingSocial/1008454>.

In addition, subscribers to the social couponing sites, in general, are more affluent and tech-savvy than the average United States Internet user.⁹² They are also highly educated. Nielsen, a company similar to comScore conducted a comparative analysis of LivingSocial and Groupon in March 2011, and found that “Living Social’s visitors trend slightly more affluent and more educated than Groupon’s with forty-six percent having a Bachelor’s or Post-Graduate degree, compared to thirty-nine percent for Groupon (the national average for Internet users is twenty-five percent).”⁹³ In addition, LivingSocial’s subscribers are forty-nine percent more likely than the average American Internet user to make more than one hundred and fifty thousand dollars, while Groupon’s visitors are thirty percent more likely.⁹⁴

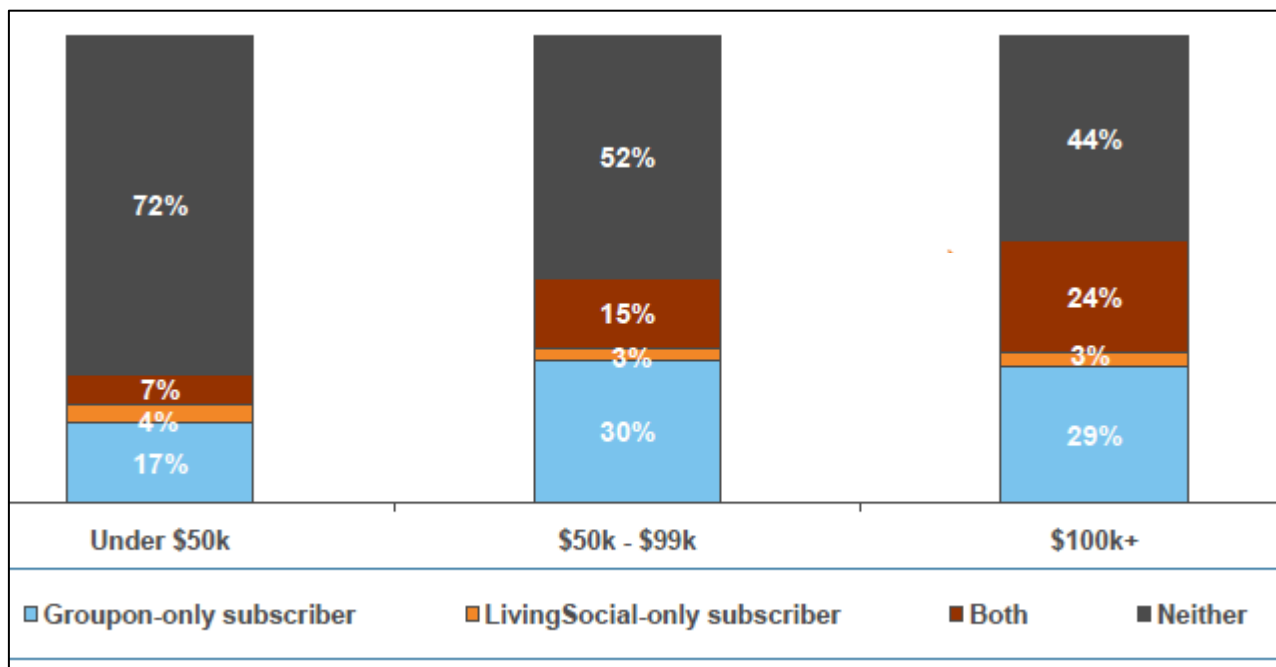


Figure 5. Groupon and LivingSocial: Age and Gender Demographic Profile

⁹² Nielsen Wire, “Deal Me In.”

⁹³ Ibid.

⁹⁴ Ibid.

Nielsen's study also analyzed the behavior of daily deal subscribers, finding that they often have multiple social networking site profiles and are significantly more likely to post links, websites, articles and videos. This is extremely beneficial for the social couponing sites and the subscribers, since the sites give rewards to subscribers who post links based on how many friends purchase through links. LivingSocial gives a free deal and Groupon gives monetary credit towards purchases.⁹⁵ Merchants are guaranteed not only exposure through the daily emails, but also through other social networking sites when purchasers share links to their recently purchased vouchers. This behavior can be especially useful to businesses and nonprofit arts organizations because their name is being spread through social media and word of mouth. The comScore study found that the primary way people buy deals is through the emails, showing that the emails are still the best way for merchants to access new audiences.⁹⁶ There are certain behaviors attributed to subscribers of Groupon and LivingSocial, and Nielsen, comScore, and others have studied the characteristics of these shoppers. These studies determine why so many people attracted to these sites in the first place.

⁹⁵ Nielson Wire, "Deal Me In."

⁹⁶ comScore, *State of the U.S. Online Retail Economy in Q1, 2011*, last modified May 17, 2011, http://www.comscore.com/Insights/Presentations_and_Whitepapers/2011/State_of_the_US_Online_Retail_Economy_in_Q1_2011.

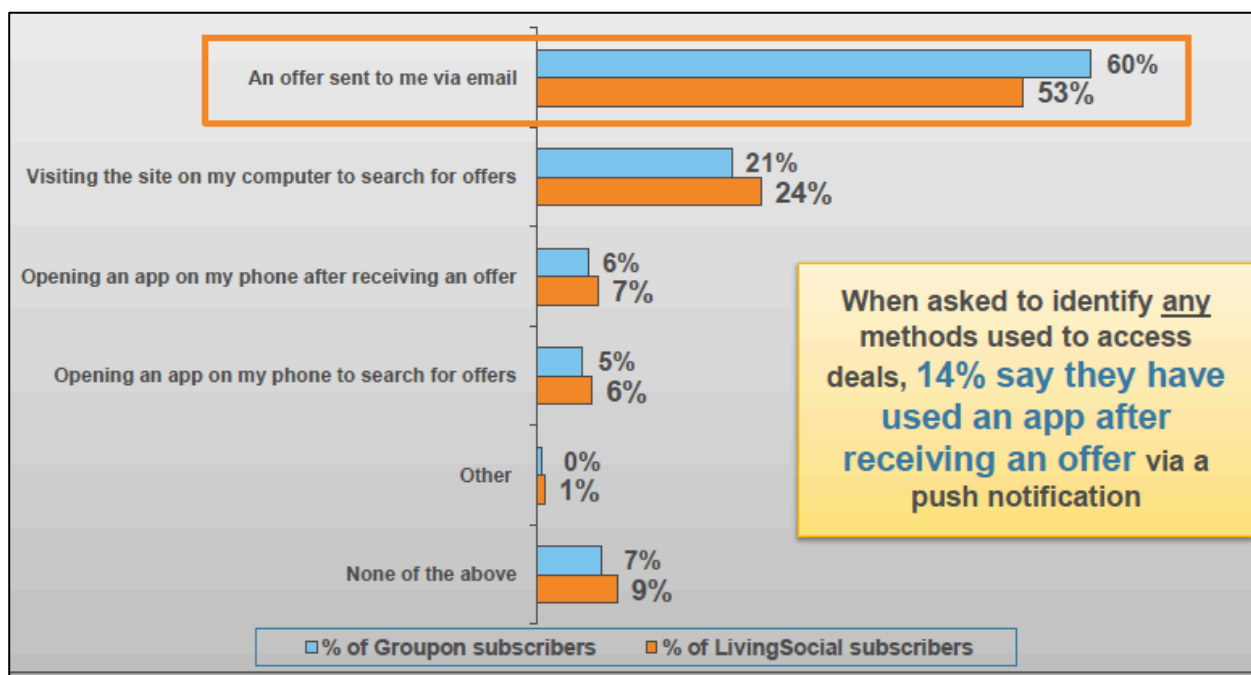


Figure 6. Primary method of Accessing Deals

Consumer Attraction to Daily Deals

People like to save money but still enjoy eating out, going on vacation, and visiting spas. Daily deals from Groupon and LivingSocial enable subscribers to save money while still doing the things they like most. It also gives the chance to try some new local places without committing to the full cost of the experience. People have become conditioned to not pay full price, with deals at stores, through mobile applications, giveaways, and other avenues of finding discounts. Professor Utpal Dholakia, of Rice University, found in his studies that most people who redeemed Groupon vouchers did not spend more than the coupon's value and did not repeatedly visit the merchants without a discount incentive. Bargain hunters are becoming increasingly more common and the likelihood of them paying full price for goods or

services is very low.⁹⁷ It appears that these promotions are reinforcing the bargain-hunting behavior of people. The thrill of getting a good deal keeps them returning to these sites.

People like getting a bargain and being able to share it with others. A Nielsen study found that people purchasing a good deal through LivingSocial or Groupon are more likely to share that deal and be the ones “in-the-know” of a good bargain.⁹⁸ For some, the important part of purchasing a deal through the sites is the ability to share this deal with others. Another typical behavior of deal site subscribers is that they have very little brand loyalty. These people are more likely to switch around companies and products because they are motivated by what is the better deal, rather than quality of and loyalty to a certain brand.⁹⁹

In a report released in 2011, conducted by Parago, a company that studies shopping behavior, titled *Shopper Trend Report: Values, Deals & How Far They’re Willing To Go To Get Them*, shoppers using coupons and hunting for bargains are being mindful of their budget and are less likely to splurge on full-priced items.¹⁰⁰ In addition, the report concludes that due to lack of loyalty to brands, companies and businesses need to work harder to create meaningful relationships with shoppers to create loyalty.¹⁰¹

There is no guarantee that because someone purchases a merchant’s Groupon or

⁹⁷ Dholakia, “How Effective are Groupon Promotions,” 5 and 11.

⁹⁸ Nielson Wire, “Deal Me In: Behind the Bargain-Hunting Audiences of Local Deal Sites,” *NewsWire* (blog), April 26, 2011, http://blog.nielsen.com/nielsenwire/online_mobile/deal-me-in-behind-the-bargain-hunting-audiences-of-local-deal-sites/.

⁹⁹ Vijay Sundaram, “The Secret Sauce Behind Social Coupons and Why It Works,” *Business Insider*, July 3, 2012, <http://www.businessinsider.com/the-secret-sauce-behind-social-coupons-and-why-it-works-2012-7>.

¹⁰⁰ Parago, *Shopper Trend Report: Values, Deals & How Far They’re Willing To Go To Get Them*, June 2011, <http://www.parago.com/marketing/pdfs/shopper-trend-report.pdf>.

¹⁰¹ Ibid.

LivingSocial voucher that they will return to the merchant without a coupon. Deals are driving shopping, with bargain-hunter shoppers increasing as more stores and websites use discounts to move merchandise. A summation of the deal-seeking behavior includes, but is not limited to:

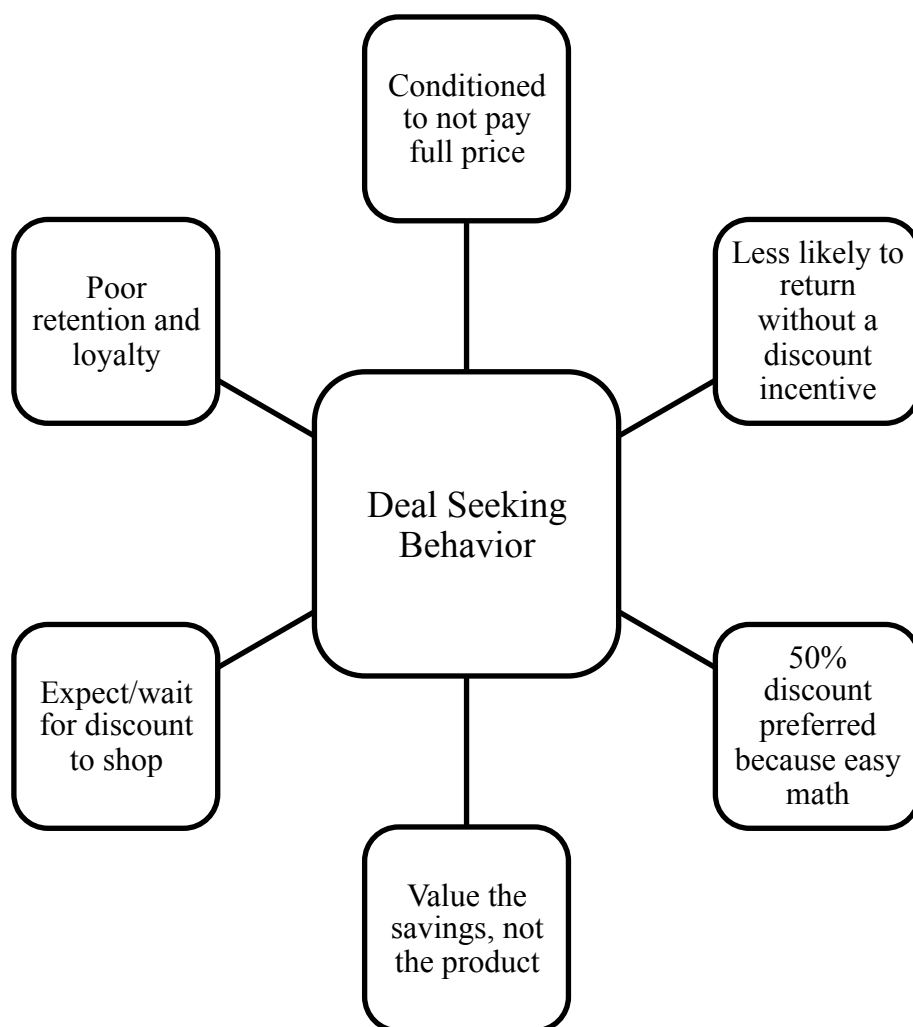


Figure 7. Diagram of Deal Seeking Consumer Behavior

Both comScore and Nielsen studied the types of deals purchased by Groupon and LivingSocial's subscribers. According to the comScore *State of the United States Online Retail Economy Quarter 1 Report*, released in May 2011, Groupon subscribers purchased significantly more vouchers for restaurants and dining experiences. LivingSocial's

subscribers tended to buy vouchers for books or magazine subscriptions.¹⁰² The following chart is from comScore's report and shows which goods and services sell best on the individual social couponing sites.

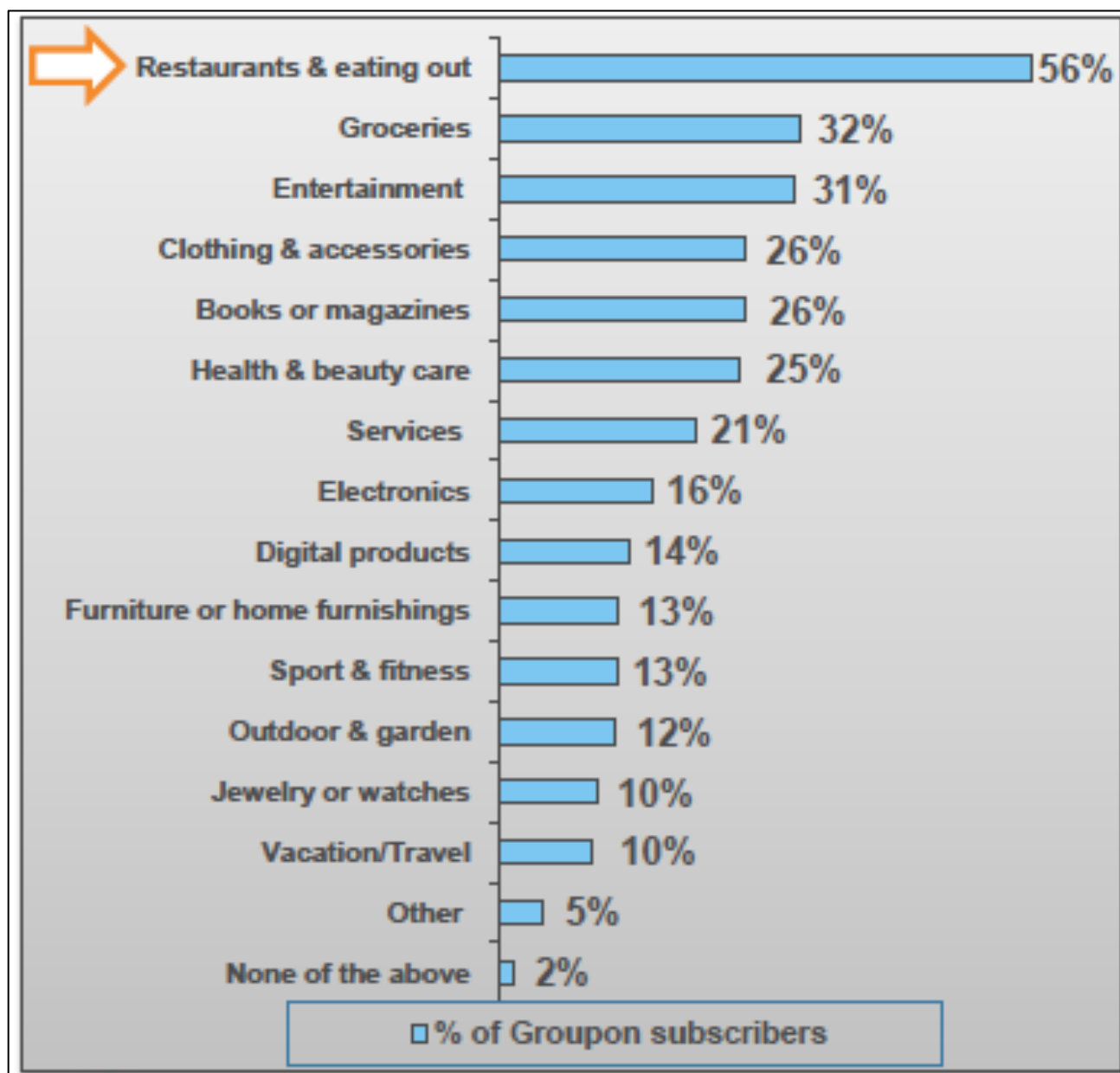


Figure 8. Deals sold on Groupon

¹⁰² comScore, *State of the U.S. Online Retail Economy in Q1, 2011*.

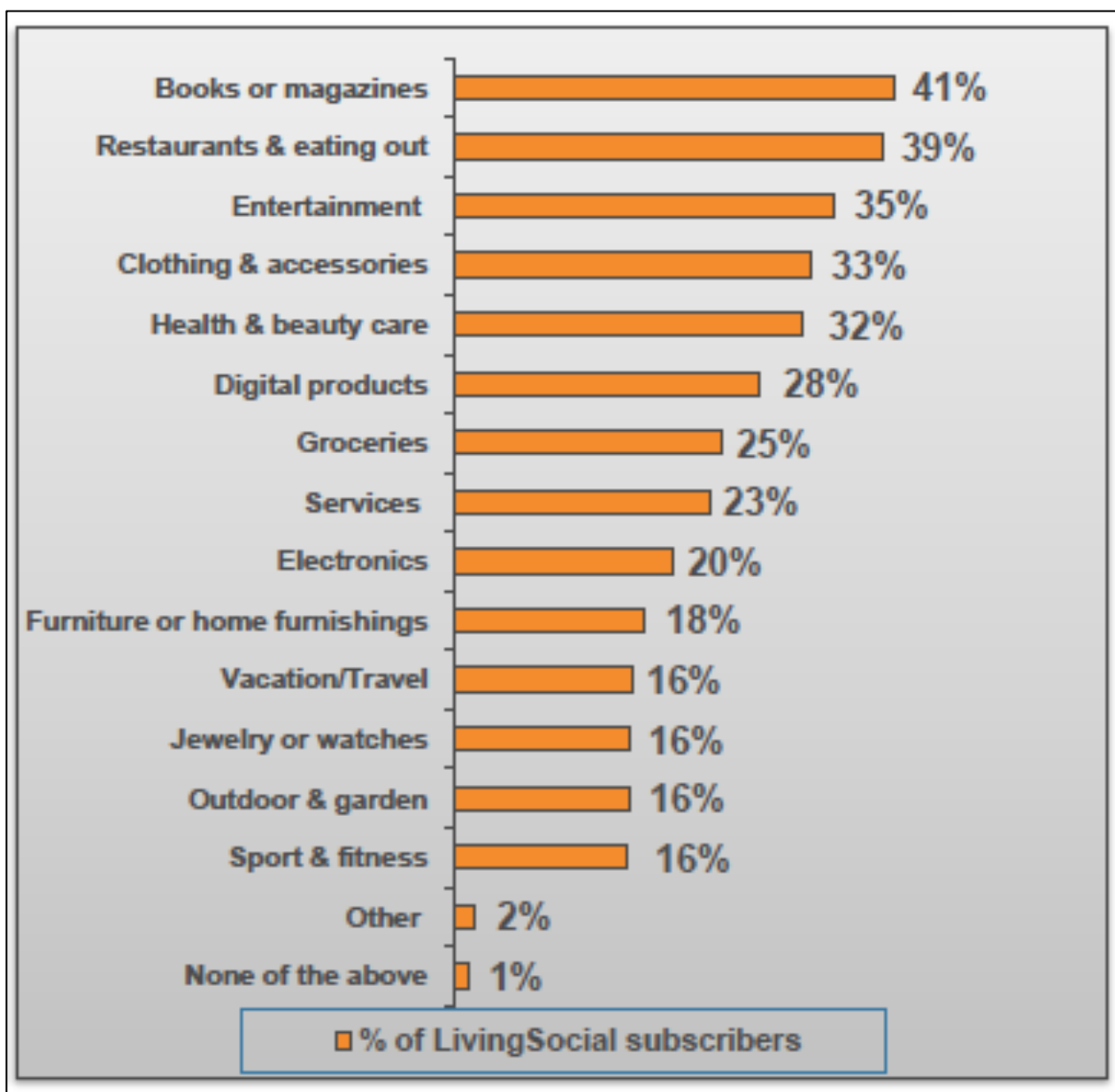


Figure 9. Deals sold on LivingSocial

Nielsen's April 2011 report also analyzed the types of deals selling well on coupon sites. Their statistics shows that "nearly half of social couponing subscribers are interested in gardening, while roughly one-third are interested in home repair/renovation, religious involvement and landscaping."¹⁰³ Another standout is that they are more likely

¹⁰³ Nielsen Wire, "Deal Me In."

to be knitters or interested in gourmet cooking.¹⁰⁴ The following chart summarizes Nielsen's findings and indicates what deals are most popular and the types of hobbies/behaviors of the discount shoppers.

Coupons/Rewards Site Visitors: Home and Lifestyle Interests		
Interest	% of Coupons/Rewards Site Visitors	Index
Gardening	46.5	109
Home Repair / Renovation	35.2	106
Religious Involvement	33.5	107
Landscaping	31.8	107
Playing Non-computer Video Games	29.6	98
Gourmet Cooking	29.0	118
Volunteer / Charity Work	29.0	117
Photography (as a hobby)	23.6	117
Crafts	20.7	118
Knitting / Sewing	20.1	119
Source: The Nielsen Company		
Read as: 47% of adults online who visited Coupons/Rewards sites are interested in gardening, 9% more likely than the average adult online		

Figure 10. Groupon/Rewards Site Visitors: Home and Lifestyle Interests

ComScore compared subscriber loyalty to Groupon and LivingSocial, another important statistic to know when determining use of a social couponing site. Their report shows that LivingSocial has a slightly higher rate of consumer loyalty and repeated use than Groupon, with twenty-two percent of LivingSocial subscribers returning for their deals

¹⁰⁴ Nielsen Wire, "Deal Me In."

and Groupon having eighteen percent of subscribers as repeat visitors.¹⁰⁵ All of these statistics and behavior analytics show that specific people are drawn to social couponing sites and the deals they offer.

Businesses' Motivations and Goals for Social Couponing Deals

Professor Dholakia extensively studied the nature of social couponing and the main reasons for merchants offering deals through the sites. These reasons have some similarities to how museums are using them, which will be explored later. One main motivator is the additional marketing visibility provided through emails, with merchants' picture and information front and center. The increased visibility is of relatively low cost to the businesses, and as Dholakia reports from his sample, small and medium sized businesses owners who did very little marketing throughout the year reported the daily deal promotions represent a significant portion of their marketing strategy.¹⁰⁶ The "exposure value" provided by the online impressions created through emails is a main motivator for businesses, finds Dholakia.¹⁰⁷ Another goal for the deals is the potential to reach new customers and audiences. Groupon and LivingSocial have millions of subscribers that might become shoppers to businesses because of an email featuring their information. However, Dholakia found that although close to eighty percent of redeemers were new customers; they are not likely to retain patronage to the business.¹⁰⁸ These sites offer a way for the businesses to move merchandise and services easily, as well as

¹⁰⁵ comScore, *State of the U.S. Online Retail Economy in Q1, 2011*.

¹⁰⁶ Dholakia, "How Businesses Fare with Daily Deals," 10 and 27.

¹⁰⁷ Utpal M. Dholakia, "A Startup's Experience with Running a Groupon Promotion," academic paper, Rice University (May 1, 2011) 15, <http://dx.doi.org/10.2139/ssrn.1828003>.

¹⁰⁸ Dholakia, "How Businesses Fare with Daily Deals," 11 and 12.

increase profits for merchants.¹⁰⁹ Attracting more customers increases a businesses' chance of making a profit on their goods or services, and make up for lost profit on unsold goods. Dholakia found that the more profitable the businesses perceived the deal to be, the greater likelihood they will run another deal in the future.¹¹⁰ Businesses want to make money and the deal sites are another way for them to do so.

Museum staffs are continually looking for ways to generate more visibility, income and visitation. Some of the motivations and goals museums had for social couponing deals align with business goals and motivations. However, there are some differences. The following section explores this further.

¹⁰⁹ Dholakia, "How Effective are Groupon's Promotions," 13.

¹¹⁰ Dholakia, "How Business Fare with Daily Deals," 12.

Chapter 3: Museums and Social Couponing

Since social couponing exploded the e-commerce market, nonprofit arts organizations have been utilizing these services for marketing, audience builders, to fill seats, reach attendance goals, and move unsold programs or merchandise. Theaters, galleries and museums are among the arts organizations across the country using social couponing, albeit with mixed reactions to the company's services and idea of discounting. Theaters, which offer tiered pricing, are using these sites to fill seats and generate an audience for shows that might not be as popular as others. In addition, the discounts promote accessibility and visibility of the organization.¹¹¹ Museums and galleries are using these sites to promote accessibility and increase their audiences, by offering discounted admissions, special exhibit tickets, memberships, and program discounts. Social couponing discounts are being incorporated into their pricing strategies, whether they are a "pay-what-you-want," "pay-as-you-go," audience-based discounts or free admission.

One of the earliest museums to experiment with a daily deal is the National Museum of Crime and Punishment. In July 2009, Groupon approached the museum to offer admissions tickets at fifty percent off. The offer, twenty-dollar tickets for ten dollars, needed to sell thirty vouchers to meet the goal set by Groupon and the museum; more than fifteen hundred were purchased. Chief Operating Officer Janine Vaccarello says, "In the beginning I had never heard of them, so I was a little bit hesitant," but ultimately the deal was successful for the museum and they expanded their future offers.

¹¹¹ Jeff Scott, "The Accessibility and Affordability of the Arts," *ARTSBlog*, August 2, 2011, <http://blog.artsusa.org/2011/08/02/the-accessibility-and-affordability-of-the-arts/>. And "To Discount or Not to Discount," *ARTSBlog*, March 9, 2012, <http://blog.artsusa.org/2012/03/09/to-discount-or-not-to-discount/>.

¹¹² Groupon began cultivating relationships with museums and others arts organizations as a result of this deal. With each new location it looked to diversify their offers to subscribers by mixing restaurant deals and spa discounts with vouchers for cultural and arts organizations. However, while restaurants and spas have goods and services to discount, arts organizations and museums provide experiences and the value of these experiences is less monetary and more experiential. How do these social couponing deals work for non-profit arts organizations? What is being discounted and what are staff reactions to the process and outcome?

Methodology

Understanding how museums and other arts organizations interact with social couponing sites takes many avenues. Primary and secondary research reveals the natures of social couponing discounts and their interaction with for-profit and non-profit vendors. In addition, five interviews with staff at local Philadelphia and out-of-state museums give professional perspectives of social discounts. Three interviews were conducted of people familiar with pricing, discounts and the non-profit arts field.

The primary case studies for this thesis are based in Philadelphia but have applicability to museums of all sizes elsewhere. In addition, the local discounting programs have been explored to compare with Groupon and LivingSocial. A survey, “Social Couponing Offers and Museums,” distributed to various LinkedIn groups provides limited quantifiable data on arts organizations and social couponing. The survey is a pilot that provides a starting point for studying social couponing, as well as general

¹¹² Seligson, “Get Your Group On,” 36.

indicators of the field's perceptions of discounting. Further study can expand upon the survey and its results. Groups that received a link to the survey were the American Alliance of Museums, National Arts Marketing Project, the Museum Council of Philadelphia and the Delaware Valley, Emerging Museum Professionals, Museum Marketing, Museum and Art Galleries, Rethinking the Museum, Small Museum Professionals, New England Museum Association and MuseumNext. These choices were made based on the group's subject matter, connections within that group and activity of group members. Fifteen responses were collected; the survey is still active and open. Although the sample size is considerably small, the results provide indicators of how museums are utilizing social couponing discounts.

A majority of the research about how coupons work and who is using them comes from first-hand experience watching the daily deal emails sent out by Groupon and LivingSocial. This thesis is a starting point for further, longitudinal studies into how museums are using social couponing sites and what their long-term experience is teaching staff. It is a tool-guide for museum professionals debating such discounts.

What is Discounted?

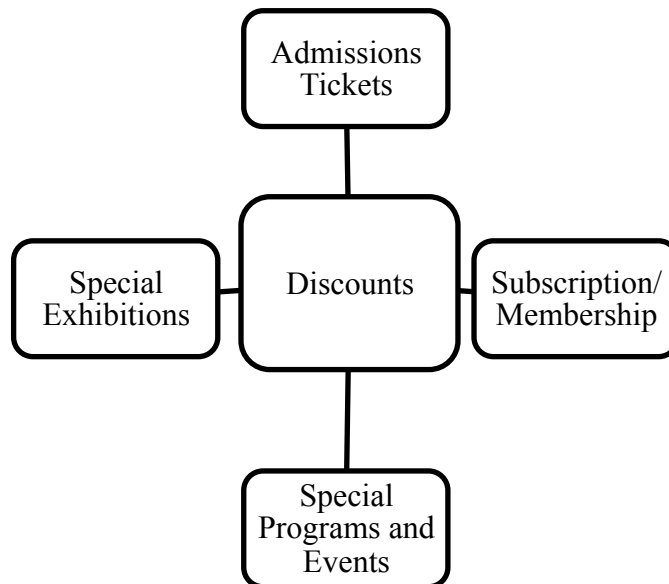


Figure 11. Diagram of What is Discounted in Museums

Admissions Tickets

The main product arts organizations offer are admissions tickets, either to plays, shows or exhibits, as is the case with museums. “Distressed inventory,” such as tickets to unpopular shows, for obstructed seats or at difficult performance times have been discounted by arts organizations through social couponing sites.¹¹³ Discounting these provide the incentive for people to come to a show, especially if they are unsure about the organization or performance. With costs of producing shows increasing, ticket prices are sold at higher prices, thus limiting attendance.¹¹⁴ Social couponing discounts and emails help arts organizations move tickets and increase attendance, as well as diversify price options.

Museums have taken the same route, offering regularly priced admissions tickets at the door and discounted ones on Groupon and LivingSocial. Admissions tickets, which

¹¹³ Evans, “What to Avoid Part 1 and 2.”

¹¹⁴ Scott, “The Accessibility and Affordability of the Arts.”

are an average cost of 7 dollars, are the most commonly discounted product.¹¹⁵ This is an incentive for people to try out the museum, as well eliminate potential economic barriers between museums and audiences. One example of discounting admissions is the Art Gallery of Ontario, which sold four thousand, two hundred and eighty five half-price admissions in one day.¹¹⁶ The Groupon deal discounted based on the institution's audience tiers. Student tickets, generally eleven dollars were discounted to five dollars; adult admissions are generally nineteen dollars and fifty cents and were discounted to nine dollars; senior tickets, sold at sixteen dollars were discounted to eight dollars.¹¹⁷ The Franklin Institute, located in Philadelphia, PA offered a discount to their blockbuster exhibit, *The Dead Sea Scrolls: Life and Faith in Ancient Times*, and the LivingSocial deal included general museum admission and a planetarium show, valued at thirty-one dollars and fifty cents, but discounted to fifteen dollars.¹¹⁸ The Franklin Institute also offered general admission tickets and membership discounts through these sites, showing that there are a wide variety of uses for social couponing sites in the arts world. While the conditions and restrictions differ, the outcome is still the same: admission to these organizations is discounted for their audience and subscribers to social couponing sites.

¹¹⁵ First-hand observation and Bell, "You Asked."

¹¹⁶ Simon, "Museum 2.0 Discounts."

¹¹⁷ Art Gallery of Ontario Deal of the Day, Groupon, accessed November 15, 2012, <http://www.groupon.com/deals/art-gallery-of-ontario-1>.

¹¹⁸ The Franklin Institute, LivingSocial, accessed November 20, 2012, http://www.livingsocial.com/cities/1747-philadelphia-citywide/deals/398832-dead-sea-scrolls-exhibition-and-general-admission?show_missed=true.

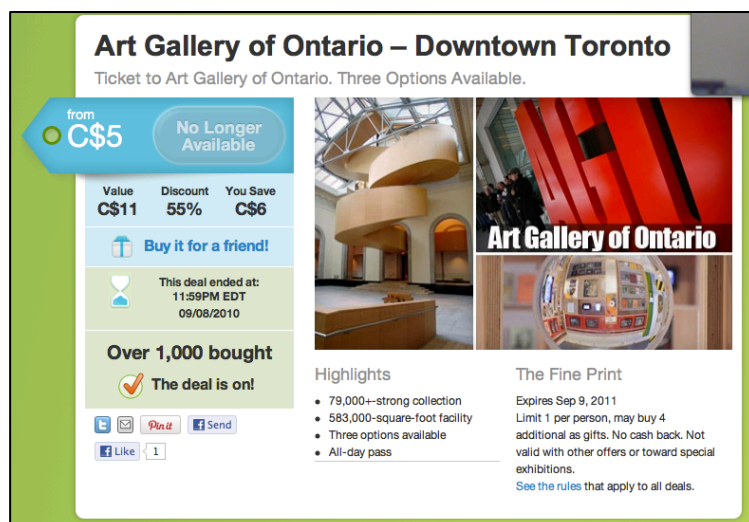


Image 3. Art Gallery of Ontario Groupon Deal

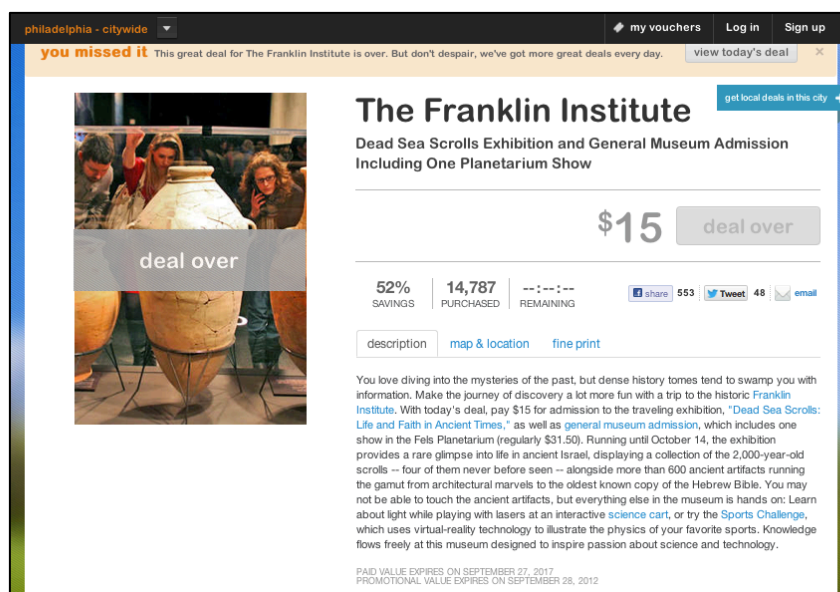


Image 4. Franklin Institute LivingSocial Deal

Subscription/Membership

In order to promote long-term visitation and support, arts organizations have created yearly subscriptions and memberships. These give members greater access to the organization, special discounts, preferred seating and admittance, as well as other perks related to the experience. The Joffrey Ballet, in Chicago, Illinois offered a subscription to their 2010 season via Groupon and saw a nearly fifty percent increase in their

membership numbers as a result.¹¹⁹ The subscriptions were actually sold at a sixty-one percent discount, greater than the typical fifty percent discount required by Groupon to sell vouchers.¹²⁰ The season featured various performances, appealing to different generations with shows to all types of music and dance styles. For the Joffrey Ballet, this type of discount improved their season's subscriptions.

Museums also offer tiered membership levels discounted on social couponing sites. The Carnegie Museums in Pittsburgh created a deal with Groupon in 2010 that sold individual memberships with special features, originally priced at one hundred and two dollars, for forty dollars, a discount of sixty-one percent.¹²¹ Membership gives people access to the Carnegie Museum of Art, Carnegie Museum of Natural History, Carnegie Science Center and the Warhol Museum. There was an option to upgrade from an individual membership to a family or premium membership for an additional fee.¹²² At the end of the week, when the deal closed, memberships to all four museums more than doubled, with thirteen hundred memberships purchased through Groupon. Of that thirteen hundred, over five hundred people upgraded their individual membership to one of the other levels.¹²³ Assistant Manager of Stewardship at the Carnegie Museums, Nikki Williams, said that "after the Groupons were purchased, the museum was quick to communicate with the new members, sending welcome packets and immediately proving the value of the membership through special tours and events, in an effort to get them to want to renew after their first membership expires."¹²⁴ According to Williams, most of

¹¹⁹ Jones, "Joffrey Ballet's win-win with Groupon."

¹²⁰ Ibid.

¹²¹ Flandez, "Groupon Garners New Members."

¹²² Ibid.

¹²³ Ibid.

¹²⁴ Ibid.

the purchasers were first time members, indicating that the Groupon deal was successful in attracting new people to the museums.¹²⁵

\$40 for a One-Year Individual Membership to All Four Carnegie Museums, Plus Special Gifts (\$102 Value)

\$40 No Longer Available

Value	Discount	You Save
\$102	61%	\$62

Buy it for a friend!

This deal ended at:
11:59PM
09/12/2010

1,300 bought

The deal is on!
Tipped at 8:17AM with 100 bought

Share: 13

The Fine Print
Expires Oct 13, 2010
May buy multiple as gifts. Must spend \$15 to get \$5 off at Warhol store, valid in-store only. Available for redemption beginning 9/13. Upgrade to 1-yr dual, family, or premium membership for additional fee.
[See the rules](#) that apply to all deals.

Highlights

- Admission to four museums
- Access to members-only benefits
- Bonus Warhol-event tickets
- Option to upgrade membership type after purchase

CARNEGIE MUSEUMS OF PITTSBURGH
Four distinctive museums.

Image 5. Carnegie Museums Groupon Membership Deal

The Franklin Institute, which has discounted general admissions and special exhibition tickets, offered a membership deal through LivingSocial. This indicates a wide variety of applicability in one institution. It also shows experimentation with how the deals work for getting people through the door. The Franklin Institute's membership deal is also an example of an organization using the Philadelphia-based company PhillyDealYo.

¹²⁵ Flandez, "Groupon Garners New Members."

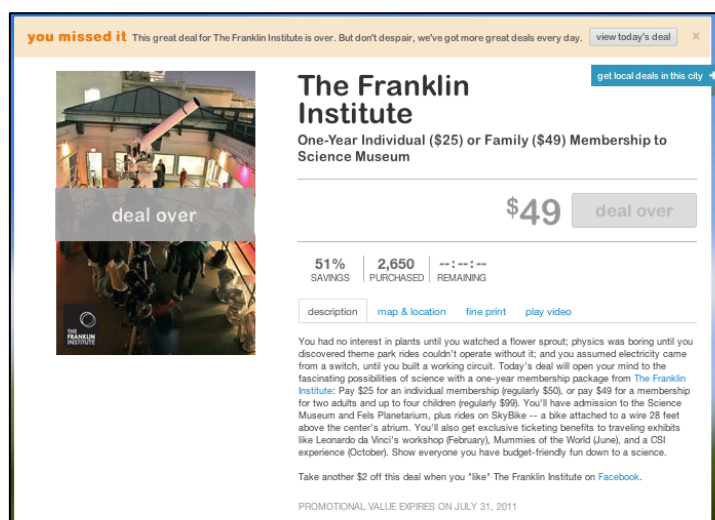


Image 6. Franklin Institute LivingSocial Membership Deal



Image 7. Franklin Institute PhillyDealYo Membership Deal

Special Programs and Events

Some institutions have chosen to discount special programs and “exclusive events.” The National Museum of Crime and Punishment, offered tickets to their Overnight Inauguration Party, a celebration of the 57th Presidential Inauguration held on Sunday, January 20, 2013. The LivingSocial deal gave people a fifty percent discount on

the tickets, which typically cost two hundred and eighty dollars but were sold for one hundred and forty dollars. This deal gave purchasers access to the all-night even celebration, included full museum access; drink tickets, appetizer and a special breakfast the next morning.¹²⁶ The museum chose not to sell tickets through its own box office; instead they only sold through LivingSocial. It is unclear as to whether members were also given access to this party or if it was reserved only for LivingSocial subscribers.

Crime Museum: Overnight Inauguration Party
 Sunday, January 20 • National Museum of Crime & Punishment • Washington, DC

what you get

- All-Night Event Includes:
 - Full Museum Access
 - CSI Interactive Programs
 - Dance Party
 - Two Drink Tickets to the Bar
 - Appetizers, Hot Chocolate, Continental Breakfast
 - Crime Movies

The 57th Presidential Inauguration will bring a weekend-long agenda of parties, parades, and pageantry to the District. This special overnight party at the [National Museum of Crime & Punishment](#), just four blocks from the Mall, will help you avoid the Inauguration traffic (and Metro) and keep you pumped up until the early hours of the morning. Pay \$140 and enjoy full access to the museum, a dance party, drinks, snacks, crime movies, and a "get your day started right" continental breakfast on the morning of the inauguration (a \$280 value).

The party kicks off at 9 p.m. on Sunday, January 20. Start the night by exploring the more than 100 interactive exhibits; get your hands dirty in the Crime Lab or indulge a bit of Cops and Robbers nostalgia as you suit up for a simulated shootout. Around midnight, make to the lower level for dance music, and use your two drink tickets at the bar. Sate your presidential hunger with mini-sandwiches, chips with salsa and guacamole, cheese, fruit, and cookies. Crime movies start showing around 2 a.m. on January 21, when a hot chocolate bar replaces the alcoholic libations. Come morning, enjoy a continental breakfast before heading back out into DC, just in time to grab a spot along Pennsylvania Avenue for the Inaugural Parade.

fine print

Each voucher is good for 1 person • Valid January 20, 2013 only • Dress code casual • A refund may only be collected within 24 hours of your purchase; no refunds permitted on day of event • Purchaser may change the name of the individual retrieving tickets up to 24 hours in advance of event via the LivingSocial website event details section; no name changes or alternate pick-ups permitted without notice at venue • Entire value must be used in a single visit

what you get

~~\$280~~ **\$140** [book now](#)

50% savings | 5 purchased

me +3 want this deal for free?
 Buy first, then share a special link. If three friends buy, yours is free!

[share](#) [tweet](#) [email](#)

venue

[Map](#) [Satellite](#)

National Museum of Crime & Punishment
 575 7th Street, NW
 Washington, DC 20004
 202-621-5567
[Get directions](#) | [crimemuseum.org/](#)

Image 8. Crime Museum: Overnight Inauguration Party LivingSocial Deal

Another example of a museum discounting special events and programs is the Sag Harbor Whaling and Historical Museum's special Haunted Whaling Museum tour, offered through LivingSocial. The deal was for two tickets, discounted from twenty dollars to ten dollars to visit the museum on a selected evening for a haunted tour. Forty-

¹²⁶ Crime Museum: Overnight Inauguration Party, LivingSocial, accessed January 10, 2013, <https://www.livingsocial.com/events/552318-crime-museum-overnight-inauguration-party> And image.

six were purchased through LivingSocial for this special program held by the Museum.¹²⁷

This deal was featured in the “Fun and Events” section of LivingSocial’s website.

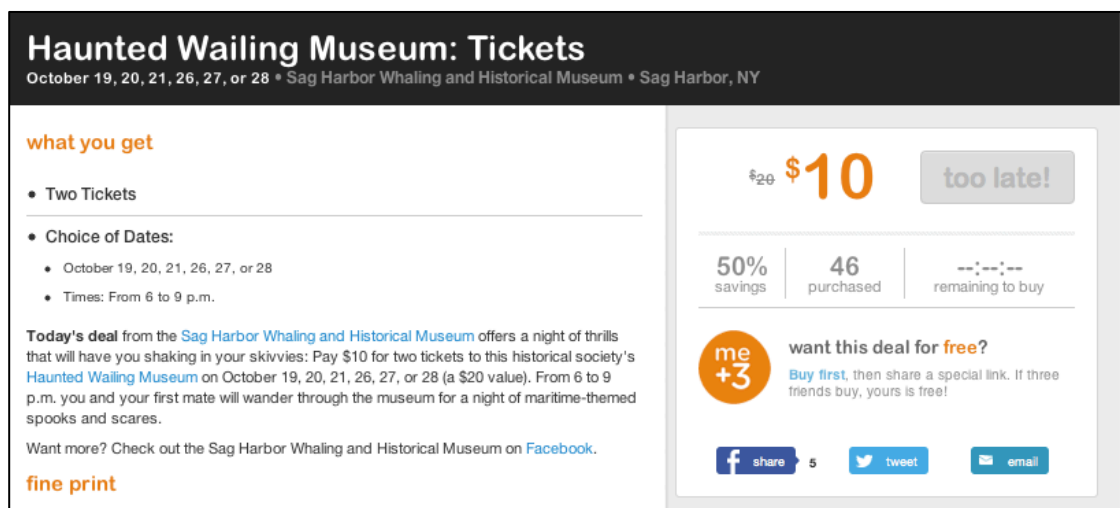


Image 9. Haunted Wailing Museum LivingSocial Ticket deal

The next part of understanding social couponing as it relates to museums is why museums have chosen to use these sites to discount their experiences. The following section presents some of the motivations for museums and arts organizations turning to LivingSocial and Groupon to craft a deal.

Motivations and Goals for Museums Discounting

There are multiple reasons for vendors to discount via social couponing, and many of these reasons overlap with the motivations of nonprofit arts organizations. Most social couponing sites require at least a fifty percent discount off the goods and services promoted through the deals. “This is an easy discount that people can mathematically

¹²⁷ Haunted Wailing Museum Tickets, LivingSocial, accessed January 10, 2013, <https://www.livingsocial.com/events/481352-haunted-wailing-museum-tickets>.

figure out,” says President of the Pricing Institute Steven Roth.¹²⁸ LivingSocial presents a numerical amount while Groupon works with percentages. The way the deal is crafted is different at each site, but the fundamental reasons behind offering deals through the sites are the same for nonprofit arts organizations as it is for for-profit businesses. Discounts give purchasers the chance to try something out or repeatedly visit a restaurant or spa, but what it does for the vendors who craft the deals is get their name out there and online in a new, more accessible avenue. The following is an analysis of the motivations for museums to craft daily deals.

This chart outlines the way museums have approached social couponing and the process taken to determine the motivations and goals for each deal.

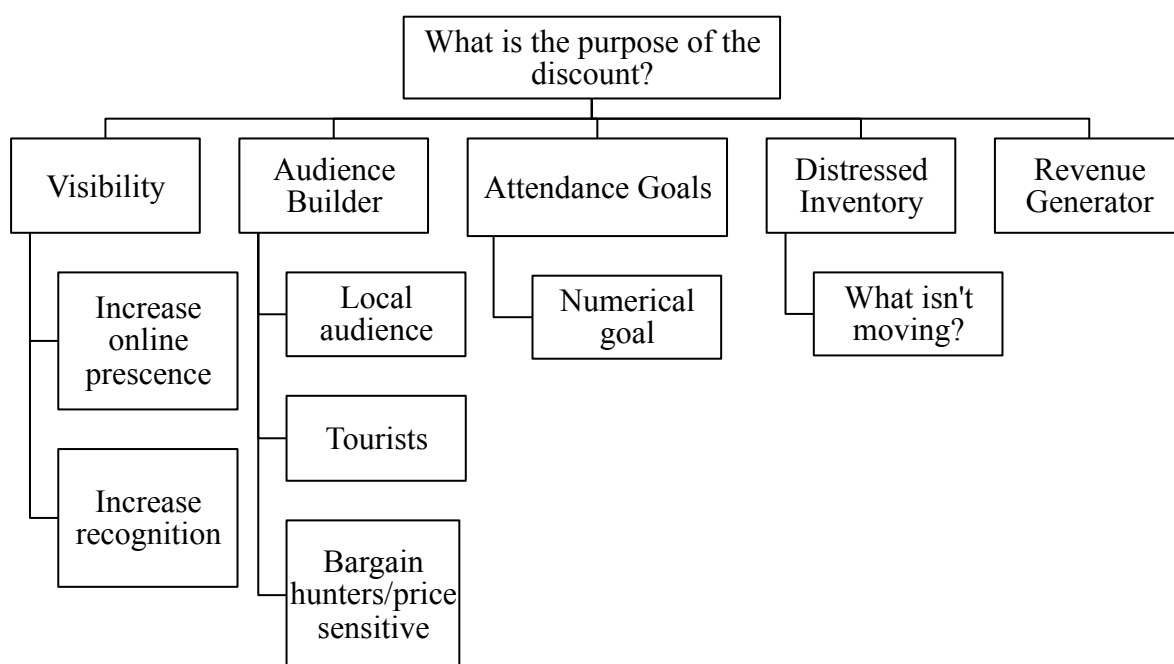


Figure 12. Diagram of Purpose of the Discount in Museums

¹²⁸ Steven Roth, Interview by Author, notes from phone conversation, February 1, 2013.

This funnel diagram outlines the main goals for social couponing, from the broadest to the most specific use. It is also ranked by most commonly used to least considered goal.

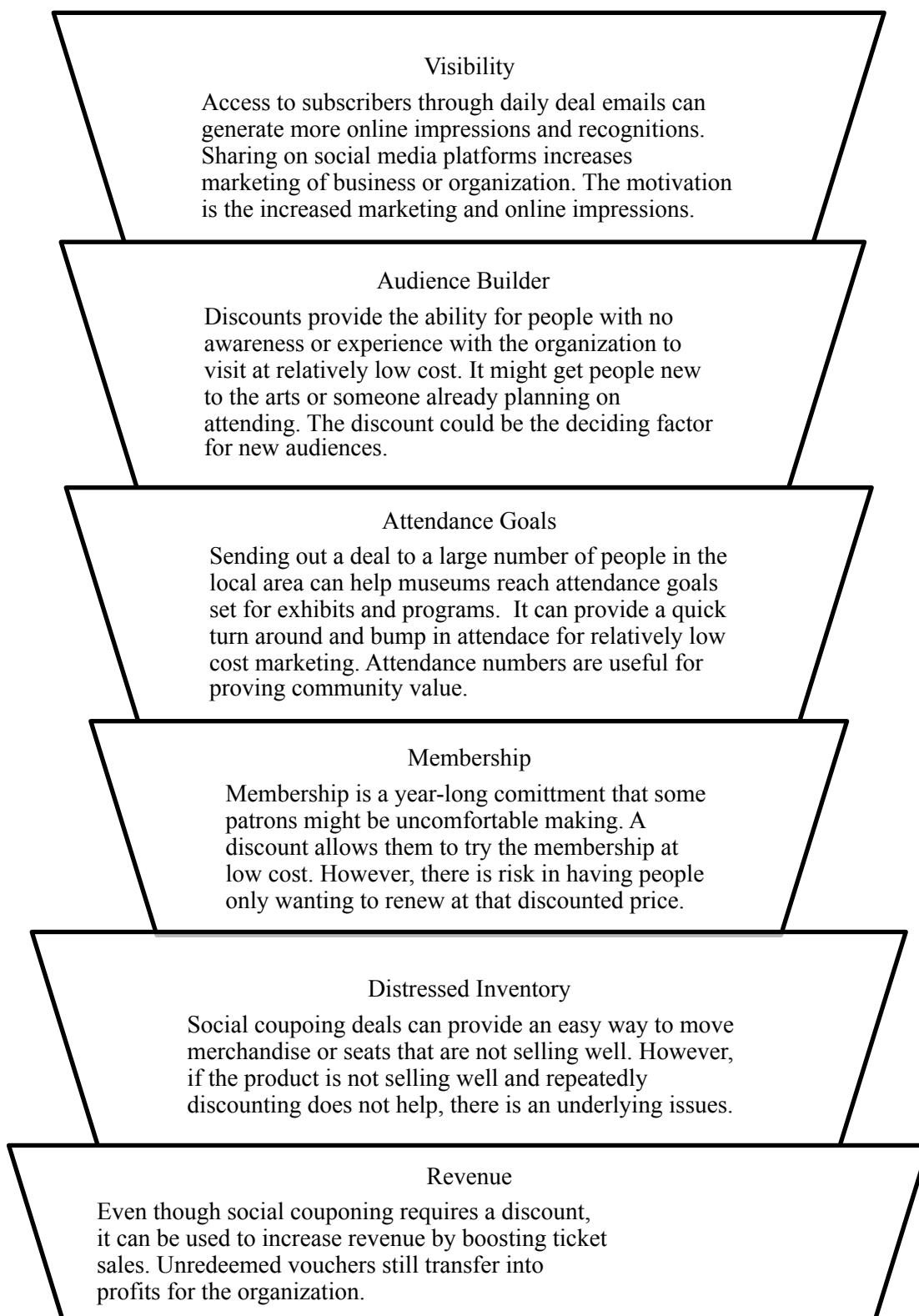


Figure 13. Funnel Diagram of Motivations/Goals in Museums

Survey Findings

The pilot survey findings provide some quantifiable data to help determine how museums are using social coupons and staff motivations for the deal. The following is a summary of the results.

Q1. Type of Institution

This question is open-ended and optional. The responses to this question reveal that there is no one type of museum using social couponing sites. Children's museum, art museum, historic site, and attraction consortium of sixty attractions and twelve museums were some of the more frequent museums that participated. This is evidence of all different subject and size museums utilizing the social couponing services. Location was not included because the survey wanted to understand who is using daily deals, not where they are located.

Q2. Department

This question is also open-ended and optional. It is included to understand who in the institutions has the primary responsibility for the deals. The results indicate that six of the respondents were in some sort of marketing, communications and public relations position, three were in a development and membership capacity, and the rest were in a senior administrator position, such as CEO or Manager. One interesting person responded that he or she is the Vice President on the Board of Directors. These results indicate that typically the person responsible for marketing and public relations manages the deal, although it does not indicate what other staff were involved in the process.

Q3. Website used for Social Coupon Deal

Based on the results, LivingSocial and Groupon are the most widely used.

Answers in the “Other” category included Philadelphia’s local Funsavers program through the Greater Philadelphia Cultural Alliance, Google deals, KGB deals, Wowcher, an Entertainment Book online, Goldstar and Plum Benefits. Not all of these sites attract the same subscribers or operate in the same e-market. While there are other options out there for daily deals, Groupon and LivingSocial continue to be the most popular.

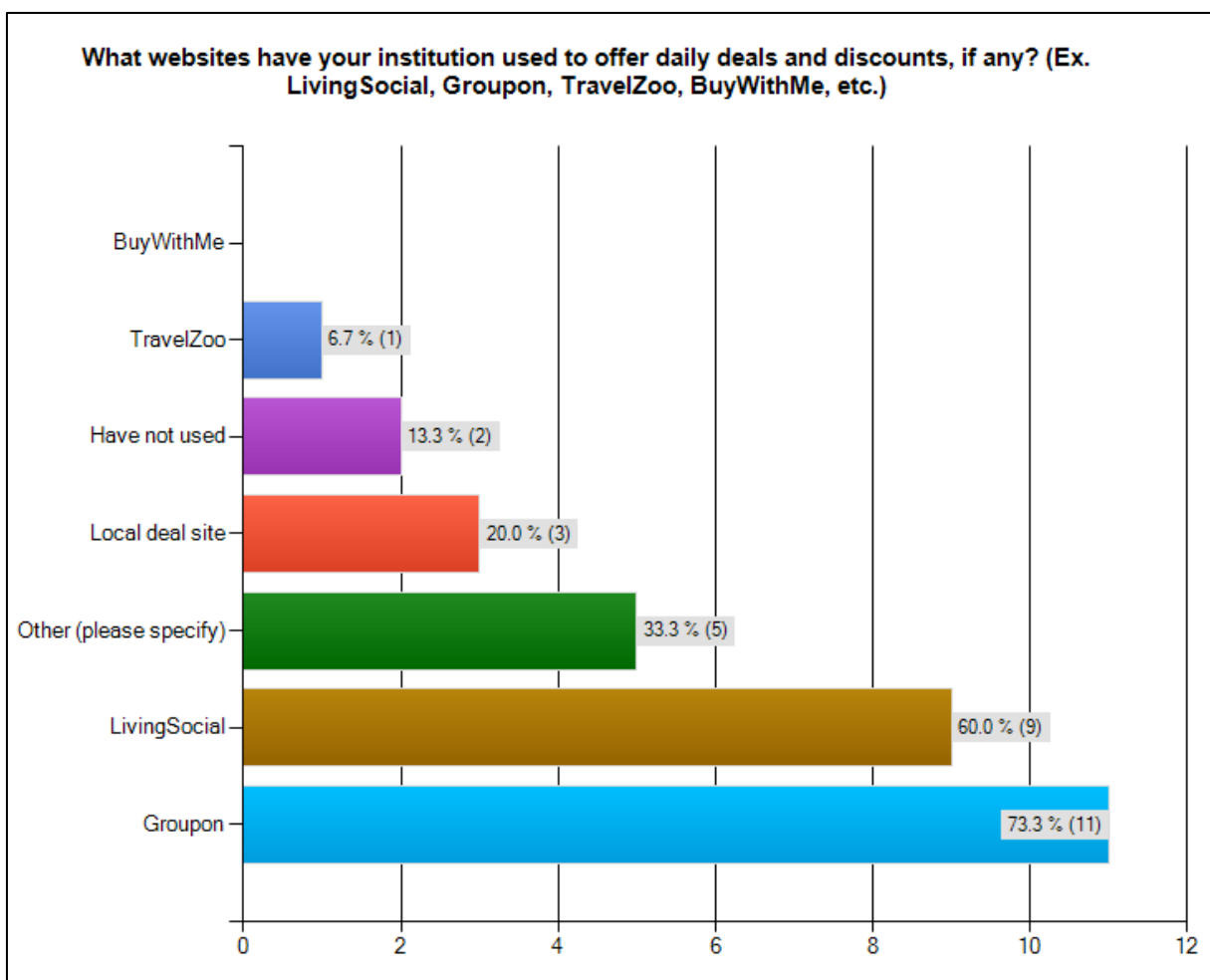


Figure 14. Website Used for Daily Deals

Q4. Describe the specifics of the daily deal offer

While the specifics of the deal varied by institution and exhibits, the responses indicate that typically Groupon and LivingSocial are used for general admissions tickets and membership discounts.

Q5. Motivational Reasons

This question is designed to understand some of the reasons for museums turning to social couponing sites. Respondents checked all that applied to their institution. The results indicate the main goals of couponing deals are as an audience builder, free marketing and online impressions, as well as the deal being something new to try. One of the other responses stated increasing exhibition attendance numbers as their primary goal. Another respondent says “Groupon made us an extremely generous profit sharing offer so it was worth trying.”¹²⁹ These responses reveal that museums are still figuring out how to use the deals and they currently have multiple applications in the field.

¹²⁹ Survey-see Appendix A .

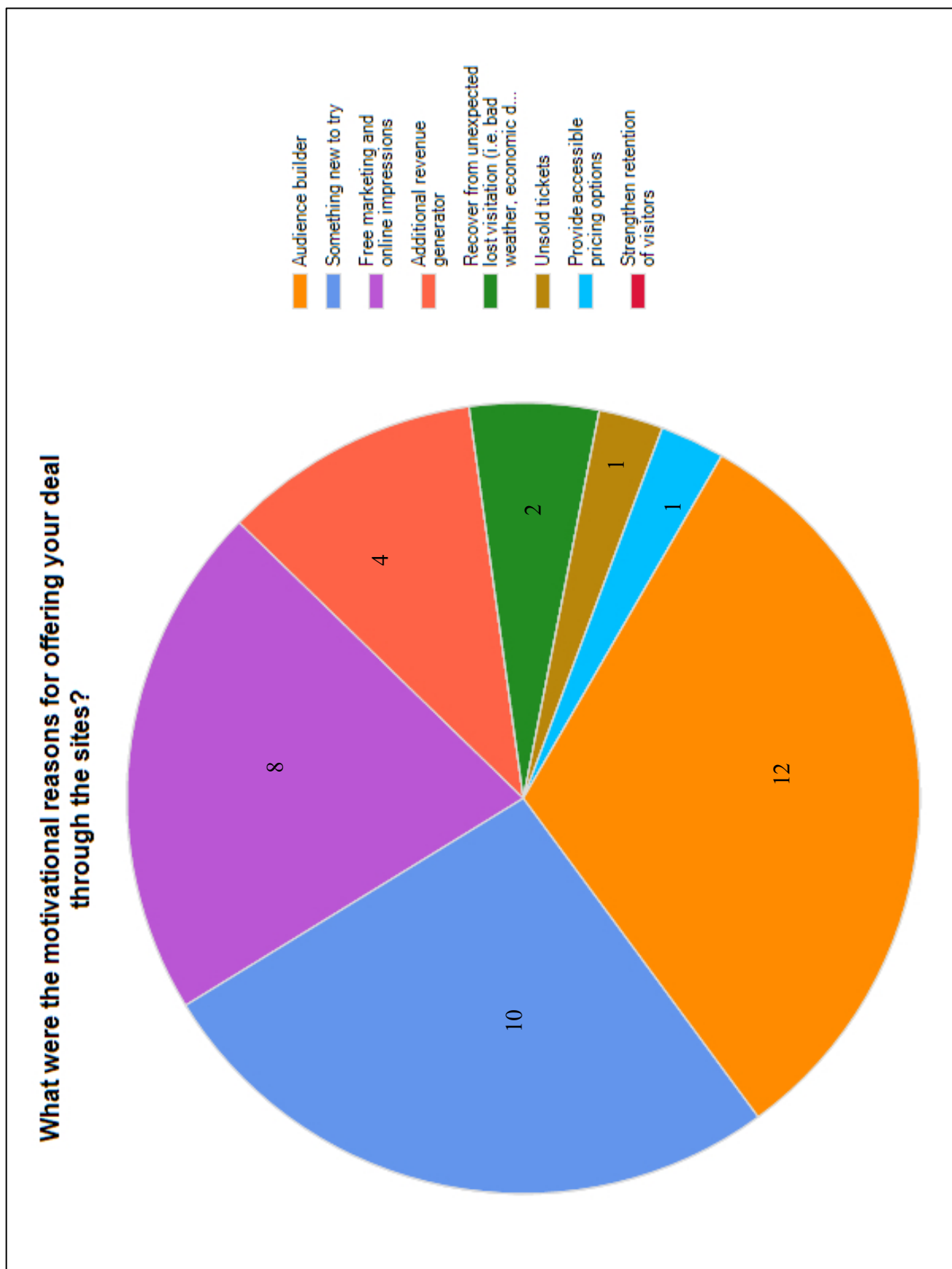


Figure 15. Motivational Reasons for Daily Deals

Q6. Site Preference and Q7. Which one

These two questions are designed to get a sense of if Groupon, LivingSocial or any of the other sites have grasped how to work with museums and other nonprofit arts organizations. Five people have a site preference, while ten did not.

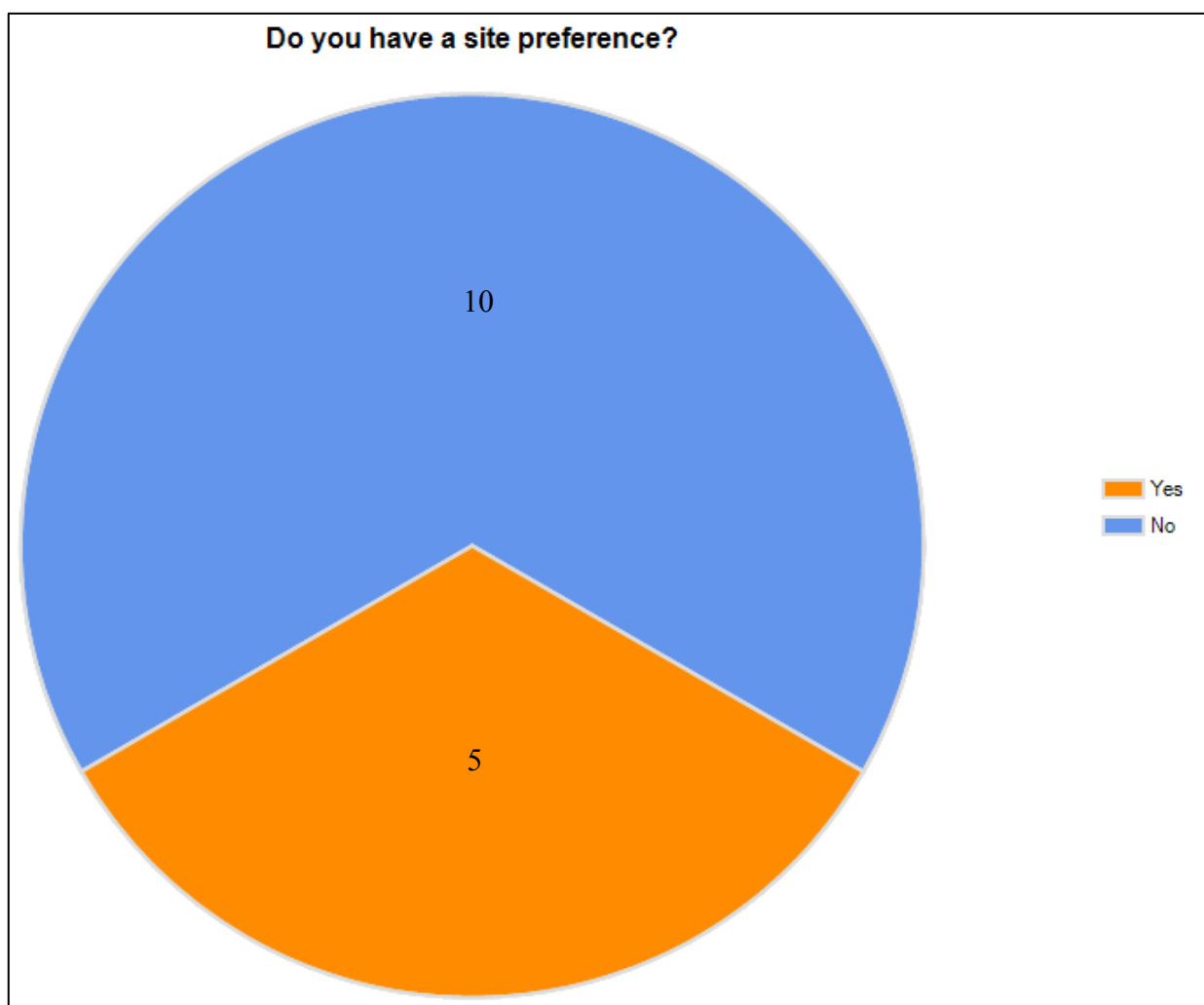


Figure 16. Site Preference

When asked which site they preferred to work with, there were not enough answers to get an accurate sense. The question was open-ended and not required. It is unclear which site(s) are preferred and why.

Q8. Likelihood of repeating

Of the options to gauge likelihood of daily deal site repetition, respondents were split fairly evenly between not likely and likely. No one checked that they are very likely to use the services again. Sixty percent of respondents, roughly nine out of the fifteen recorded that they are likely to repeat this strategy, while forty percent of respondents, roughly six out of the fifteen reported that they are not likely to repeat the strategy. This data does not present too much insight into how likely museums will be to repeat deals in the future, but they do present that it is possible museums will repeat them. While the accuracy and amount of times the deals are repeated is not determined, it can be predicted that daily deals will continue to be used by museums in some capacity.

Q9. Gathering Contact information

According to the survey, contact information of daily deal purchasers was gathered by eight of the institutions. The other respondents, seven of the fifteen, did not gather the information.¹³⁰ This question is placed on the survey to determine how museums are using the contacts made through offering deals, and if they are going beyond the Groupon and reaching out to the visitors in an effort to turn them into repeat visitors, without the deal.

Q10. Recommendations

This open-ended question is designed to gather tips and techniques from museum staff about how to craft daily deals, and use these recommendations to help museums determine if a daily deal through Groupon or LivingSocial is right for their institution, as well as how to craft a successful one.

¹³⁰ Survey-see Appendix A.

Some of the recommendations include:

- Upsell the product
- Pay close attention to expiration dates
- Be prepared for redemption influx close to expiration date
- Watch institution's calendar for an already discounted day or holiday
- Accept that the messaging used by companies might not match institution's brand
- Good for visibility and reaching a new audience
- People might expect the discount when they go to renew membership
- Deals should be used sparingly

These recommendations, which are explained in greater detail in Appendix A, will make up the strategy developed with this thesis project to help museums decide if a daily deal will benefit their institution.

Chapter 4: Museum Case Studies

In order to fully understand how social couponing sites are used by nonprofit museums, three institutions were chosen to study deeply. To develop a comprehensive understanding, the following differ in size, subject matter, budgets, internal structure and marketing strategies.

Historic Germantown (HG)

Located in the Germantown neighborhood of Philadelphia, Pennsylvania, this organization operates as a historical society, research library and resource center. Historic Germantown is the primary organization in the partnership of fifteen independent historic sites, destinations and museums, assisting in the sharing and leverage of resources.¹³¹ It is a very small organization, with a full time staff of one and a part-time staff of four. In conjunction with some of the other sites, Historic Germantown promotes tourism to the destinations, creates marketing material promoting all the sites and helps with sharing staff and resources.¹³² Most of the Historic Germantown sites are donation-based, as are the galleries at the headquarters.

The organization coordinates a summer camp program with local day camps and groups to visit one or two of the sites for activities, crafts and tours.¹³³ They also arrange school group visits and private tours, along with yearly Juneteenth and July 4th celebrations.¹³⁴ To promote tourism and visitation, Historic Germantown developed the

¹³¹ About Us, Historic Germantown, accessed January 10, 2013, <http://www.freedomsbackyard.com/about/>.

¹³² Ibid.

¹³³ First-person experience. And Summer Camp, Historic Germantown, accessed January 10, 2013, <http://www.freedomsbackyard.com/plan-your-visit/summer-camp/>.

¹³⁴ First-person experience.

HG Passport, a flat rate pass for individuals and families to all fifteen attractions.

Individual passes are fifteen dollars and family passes cost twenty-five dollars.¹³⁵ This eliminates people donating at the door or paying the set admissions costs for some of the sites.

HG offered the Passport through Groupon and LivingSocial, in July of 2012. For a discount of fifty-three percent, the individual's passport was sold for seven dollars and the family passport was sold for twelve dollars.¹³⁶ Executive Director Barbara Hogue estimated that at the end of the deal the organization had sold around five hundred passports.¹³⁷ The LivingSocial page for the deal claims to have sold around two hundred and thirty-three, while Groupon's page claims to have sold over one hundred and fifty.¹³⁸

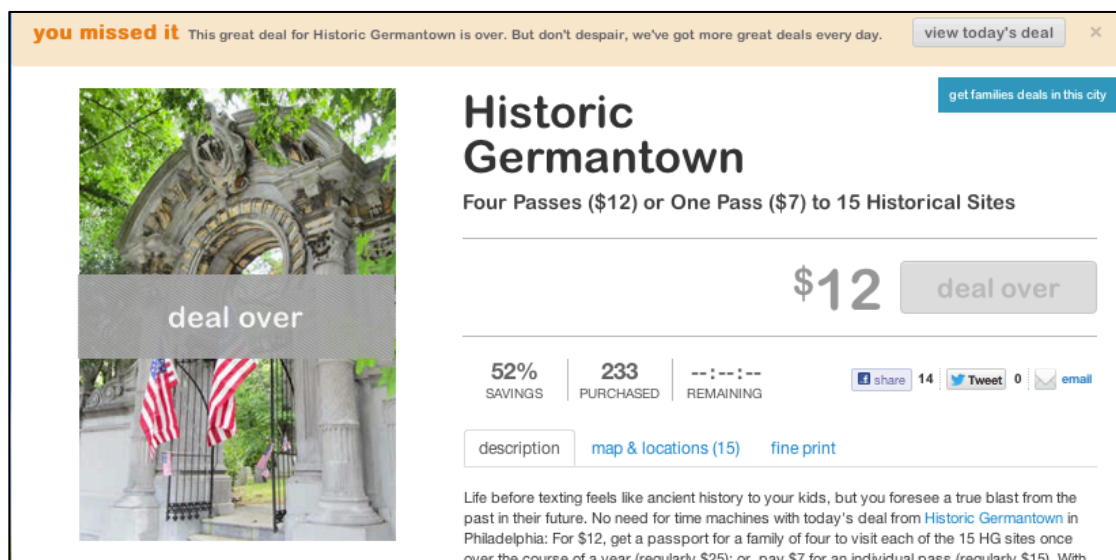


Image 10. Historic Germantown LivingSocial Passport Deal

¹³⁵ HG Passport, Historic Germantown, accessed January 10, 2013. <http://www.freedomsbackyard.com/plan-your-visit/hg-passport/>.

¹³⁶ Images-Groupon and LivingSocial. (links no longer active)

¹³⁷ Barbara Hogue and Carolyn Faris, interview by Author, tape recording, October 23, 2012.

¹³⁸ Images-Groupon and LivingSocial. (links no longer active)

Historic Germantown: Freedom's Backyard – East Germantown
 Historic-Site Passport for One or Four (Up to 53% Off)

from **\$7**
 No Longer Available

Value	Discount	You Save
\$15	53%	\$8

[Buy it for a friend!](#)

Over 140 bought
 Limited quantity available

[The deal is on!](#)

Want more deals like this? Click the hearts below.
[Cultural Pursuits](#) [Good for Kids](#)

In a Nutshell
 All-access passports grant guests entry to 15 historic sites marking Revolutionary War battles and the first Mennonite settlements

The Fine Print
 Expires Nov 14, 2012
 Limit 1 per person, may buy 1 additional as a gift. Limit 1 per visit. Must activate pass by expiration date on your Groupon, pass expires 1 year from activation date. Valid only for option purchased. Family pass option valid for up to 4 people. Not valid for special events.
[See the rules that apply to all deals.](#)

[How far is this from home?](#)
[Add Home](#)

Image 11. Historic Germantown Groupon Passport Deal

When asked why HG decided to sell passports this way, Hogue said, “It was a sense of try it and give it a shot... We offered the Passports [because] there is no cost associated with them. The cost is borne on the backs of the sites so that was a good way for Historic Germantown to do it because it was an experiment for us to play with the discounts.”¹³⁹ The Passports were valuable for the sites because it gives access to all fifteen sights and Hogue surmised that people redeeming them were most likely first-time visitors. Carolyn Faris, Program Director for HG, said that the Passport deal “Definitely brought people who I do not think will have necessarily come to Germantown otherwise. [I think] they are just on these sites and buy stuff and think it’s cool. Sometimes they redeem them and sometimes they don’t.”¹⁴⁰ Even though not all of the Passports were redeemed, Hogue and Faris were pleased with the deal because it attracted a new

¹³⁹ Hogue and Faris, interview by Author.

¹⁴⁰ Ibid.

audience that might otherwise not see the attractions in Germantown. The Passport is a great and effective way to get people into the area and give incentive to visit all fifteen sites, which can only improve the sites and their visitation numbers. In addition, HG saw a slight bump in their revenue during the summer because of Passport sales. Even though not all vouchers were redeemed, HG still received money for the sales. In regards to revenue Faris said, “It’s a good way to get a little extra revenue, because people aren’t redeeming what they paid for. But if the point is to get people out there, then it isn’t really 100 percent doing what we wanted it to.”¹⁴¹

This organization’s experience is an example of having a tiered set of motivations and goals for a social couponing deal. The main attraction for a LivingSocial and Groupon deal was the visibility and access to people not on HG’s mailing list. While some of the sites expressed concern over the potential burden greater visitation places on small historic sites and museums, Historic Germantown made the argument that the more people in, the better your visitation numbers are, and the potential for more donations.¹⁴² A secondary motivation and goal was the potential increase in attendance for the sites. Faris thought that even though some of the sites expressed concern about handling these new visitors, they benefited from increased visitation, which is helpful for grants and organizational growth.¹⁴³ The third motivation for the Passport deal was the potential for an increase in revenue from the sales, although this was not heavily weighted in the decision to make a deal. Overall, Hogue was pleased with the results and felt her goals were met with the deal.

¹⁴¹ Hogue and Faris, interview by Author.

¹⁴² Ibid.

¹⁴³ Ibid.

Initially, Hogue created the deal with a “lets try it and see if it works for us” approach. Despite being satisfied with the results, she is less likely to repeat the process with another deal. In her opinion, daily deal sites are fading in popularity and it is too expensive to split revenue fifty/fifty with the companies, potentially jeopardizing running programs and events.¹⁴⁴ The one time deal was helpful in getting new visitors to the historic sites and expanding Historic Germantown’s visibility. However, the deals might not be as useful for similar organizations or a single historic site. Looking at another case study presents other strategies for social couponing deals.

Rosenbach Museum and Library (Rosenbach)

The Rosenbach Museum and Library, situated on Delancey Place in Philadelphia, Pennsylvania, was the home of Dr. A.S.W. Rosenbach and his brother Philip, famous dealers in books, manuscripts and fine art. The townhouse preserves the brothers’ personal collection and includes some notable literary papers and drawings, such as notes from the author of *Dracula* and Maurice Sendak’s drawings. The Rosenbach “seeks to inspire curiosity, inquiry and creativity by engaging broad audiences in exhibitions, programs and research based on its remarkable and expanding collections.”¹⁴⁵ According to the press kit, “programs are designed to eliminate barriers between the visitor and the collection,” and encourage people to make personal connections with the collection and relate its historical significance to contemporary issues.¹⁴⁶

¹⁴⁴ Hogue and Faris, interview by Author.

¹⁴⁵ Mission and History, The Rosenbach Museum and Library, accessed November 15, 2012. <http://www.rosenbach.org/mission-history>.

¹⁴⁶ Press Kit, The Rosenbach Museum and Library, accessed November 15, 2012. <http://www.rosenbach.org/press-kit>.

Currently, the Rosenbach charges admission, which includes exhibitions and guided tours of the Rosenbach house. Adult admission is ten dollars, senior admission is eight dollars, students and children cost five dollars, and children under five are admitted free. Members receive free admittance to the exhibits and special programs. Their pricing structure is largely centered on audience-based pricing and discounts. This eclectic museum has offered discounts and deals in various capacities, through both social couponing sites and the local Funsavers program. They present an interesting case study because of the diverse nature of their uses for social coupons and because of the size and scope of the institution. Their interaction with social couponing can be a model for other museums and libraries interested in how deals might work for their collections and visitors.

Groupon approached Elyse Poinsett, former Marketing and Special Events Associate for the Rosenbach, in 2010 to craft a deal. Groupon had recently launched its Philadelphia market and was looking to create relationships with local cultural institutions, but could not provide Elyse with an example of another arts organization using them, at least in the Philadelphia area.¹⁴⁷ Despite their inability to provide a concrete example, Poinsett decided to go ahead and give a Groupon deal a try. The primary motivation for the initial deal was the access to Groupon's subscribers.¹⁴⁸ For the first deal, the Rosenbach offered general admissions, typically ten dollars for five dollars. According to Poinsett, "We were making money [on the deal] by getting the word out that we existed to a demographic that can be hard for the Rosenbach to reach," which

¹⁴⁷ Elyse Poinsett, interview by Author, tape recording, November 20, 2012.

¹⁴⁸ Ibid.

shows that initially, the motivation was access to Groupon subscribers.¹⁴⁹ After the first deal launched, similar sites approached Poinsett to do promotions. She decided to be judicious about her use though, and waited to see how the first Groupon worked out before crafting another deal on a competitor's site. The benefit to working with multiple sites, Poinsett pointed out, is the access to new subscribers that might not be on the other sites.¹⁵⁰

For the second deal Poinsett worked with LivingSocial, which again offered discounted general admissions. This time, she was motivated to create the deal as a reactionary tool for lost visitation from a snowed-out event. The Rosenbach's annual Dracula Festival, which celebrates the iconic Dracula character created by author Bram Stoker, was estimated to attract hundreds of people, but attendance was low because of weather conditions. Poinsett was worried about meeting attendance goals and turned to LivingSocial because it was an easy way to boost ticket sales in a short amount of time.¹⁵¹ Poinsett explained that the Rosenbach used the coupon as a reactionary tool for lost visitation because reaching attendance goals and showing steady visitation on grant applications is more important than generating revenue at the door.¹⁵² Motivations for the Rosenbach differed for the second deal.

¹⁴⁹ Poinsett, interview by Author.

¹⁵⁰ Ibid.

¹⁵¹ Ibid.

¹⁵² Ibid.



Image 12. Rosenbach Museum and Library LivingSocial Deal

The Rosenbach offered a third discounted deal through the Greater Philadelphia Cultural Alliance's Funsavers program. Membership to the institution was discounted by fifty percent and from this, Poinsett estimated a couple dozen new memberships were sold each time the deal ran. Current members also used the Funsavers discount to renew, which did cause the museum to lose a portion of the revenue generated through renewals, but Poinsett pointed out, they were still selling membership.¹⁵³ The goal for this third deal was to sell membership and attract the Funsavers audience. This shows that with each deal, comes different motivations and desired goals.

Poinsett learned more about dealing with social couponing sites with each deal. Overall, she thought they worked well for the goals set, but does cautioned against repeated use for discounting general admissions because "It could become a leaky bucket approach to marketing. If I get used to having that bump of five hundred people every year and then we miss a year...are we going to see a drop in our visitation? Is that drop okay because we've reached new people? I'm not sure yet."¹⁵⁴ Another recommendation

¹⁵³ Poinsett, interview by Author.

¹⁵⁴ Ibid.

Poinsett shared based on her experiences is to have a short timeline in which the subscribers need to redeem the deal, so staff can predict and prepare for a potential influx of visitors. She also advised that staff know their organization's limits. For example, at the Rosenbach Poinsett knew she could sell two thousand social couponing deals without needing extra staff or tour hours, and knowing that was very useful so as not to overwhelm staff or overburden the institution's resources.¹⁵⁵ In addition, Elyse found that it a struggle to get the social couponing companies to word the email text in a way that she liked. While the Rosenbach used the deals multiple times, Poinsett did not work the daily discounts into her marketing plan. They were used sparingly and on an as-needed basis for the abovementioned goals. For a mid-sized museum, such as the Rosenbach Museum and Library, there are potentially more uses for daily deals than in a small historic sites, but need to be strategically planned and not place extra burden on institutional resources. Looking at a larger institution in the city of Philadelphia provides additional insight into how museums are using social couponing, as well as what motivates an art-specific institution to use social couponing.

Philadelphia Museum of Art (PMA)

The Philadelphia Museum of Art, located on the Benjamin Franklin Parkway, is Philadelphia's largest art museum, with a collection of over 227,000 works of art and programs for a variety of audiences.¹⁵⁶ The mission of the PMA is, according to their website, to "preserve, enhance, interpret and extend the reach of its great collection in particular, and the visual arts in general, to an increasingly diverse audience as a source

¹⁵⁵ Poinsett, interview by Author.

¹⁵⁶ "Plan your Visit," Philadelphia Museum of Art, accessed October 27, 2012, <http://www.philamuseum.org/visit/12-270.html>.

the deal. In addition, the primary goals for all their deals were met.¹⁵⁸ For the three deals that Ginsberg directly worked with, the primary goal was meeting visitation and attendance goals for special exhibitions. All tickets to their special exhibitions include general admissions. The first LivingSocial deal was for the special exhibition *Rembrandt and the Face of Jesus*, on view from August 2011 through October 2011.¹⁵⁹ Tickets were sold for twenty-five dollars through the museum's ticket service, but were discounted to twelve dollars for the social coupon. The second deal was for the special *Zoe Strauss: Ten Years* exhibition, on view from January 2012 through April 2012.¹⁶⁰ Tickets for this exhibit and general admission were discounted from sixteen to eight dollars. The most recent exhibit discounted was *Gauguin, Cézanne, Matisse: Visions of Arcadia*, on view from June 2012 through September 2012.¹⁶¹ Tickets were again discounted to twelve dollars, originally costing twenty-five dollars.



Image 14. Philadelphia Museum of Art LivingSocial Deal

¹⁵⁸ Jennifer Ginsberg, interview by Author, notes from phone conversation, December 7, 2012.

¹⁵⁹ Exhibitions: *Rembrandt and the Face of Jesus*, Philadelphia Museum of Art, accessed December 10, 2012. <http://www.philamuseum.org/exhibitions/409.html>.

¹⁶⁰ Exhibitions: *Zoe Strauss: Ten Years*, Philadelphia Museum of Art, accessed December 10, 2012. <http://www.philamuseum.org/exhibitions/745.html>.

¹⁶¹ Exhibitions: *Gauguin, Cézanne, Matisse: Visions of Arcadia*, Philadelphia Museum of Art, accessed December 10, 2012. <http://www.philamuseum.org/exhibitions/753.html>.

Ginsberg and other staff at the Museum extensively discussed if offering a LivingSocial deal for these exhibitions was in the best interest of the institution, and in the end they felt the daily deals were a good way to meet the attendance goals of the special exhibitions. “The primary goal for the deals were met,” said Ginsberg, “The deals really helped move tickets and meet the visitation projections for the three exhibits.”¹⁶² The museum relied solely on LivingSocial to market the deals, they did not do any additional marketing through their social media or website; Ginsberg expressed concern that over-promotion of the deal can lead to a sense of cheapening the deal.¹⁶³ Instead, the PMA followed up with redeemers, as did LivingSocial.

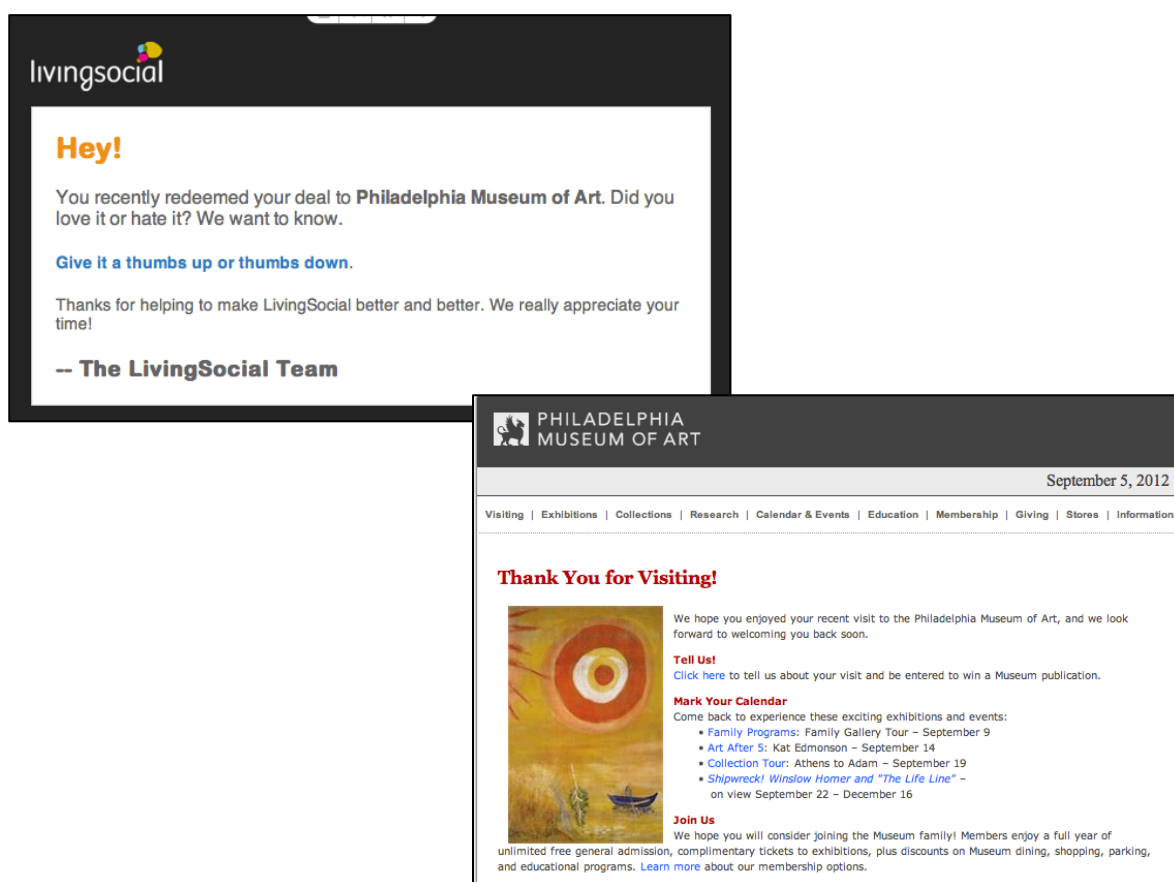


Image 15. LivingSocial and Philadelphia Museum of Art Follow-up Emails

¹⁶² Ginsberg, interview by Author.

¹⁶³ Ibid.

The Marketing department at the PMA had a very successful relationship with LivingSocial and was pleased with the attendance generated by the deals, but going forward chose to do less of the steep discounting that the social couponing site requires. According to Ginsberg, “It was an institutional decision to focus efforts away from steep discounts and into cross-promotional opportunities.”¹⁶⁴ One recommendation from Ginsberg based on her experience is that social couponing is great for meeting attendance goals and generating some free marketing, but is not useful for revenue.¹⁶⁵ This is a similar recommendation from the Rosenbach Museum and Library’s experience. The Philadelphia Museum of Art is an example of a large institution using these discounts to meet attendance goals by deeply discounting special exhibits.

The three case studies above seem to have similar goals for their discounts: visibility, new audience development and attendance goals. They were all pleased with the experience, even if they are not likely to use them again. However, some museums have opted not to use social couponing sites.

Some Comments Against Social Couponing

Lauri Cielo, Director of Programs and Communications for the Historical Society of Pennsylvania, located in Philadelphia, said the Historical Society has only ever offered discounts through the Greater Philadelphia Cultural Alliance’s Funsavers program. After six successful discounts she prefers Funsavers because they see one hundred percent of the profits and the program is really user-friendly. Her opinion of Groupon and LivingSocial is that they take such a huge portion of the profits and appeal to such a wide

¹⁶⁴ Ginsberg, interview by Author.

¹⁶⁵ Ibid.

audience, that the Historical Society might not be able to support the throngs of people that might purchase deals.¹⁶⁶ While she admits to not having done extensive research into LivingSocial or Groupon, she does not see them being too useful for the institution.¹⁶⁷ This is an example of really understanding the capacity of your individual organization and making the decision not to use social couponing sites. They are not “one size fits all.”

The Mystic Arts Center in Mystic, Connecticut has yet to offer any sort of Groupon deal but the Director of Education, Dawn Salerno, is continually seeing if there is a potential connection with their programs. Currently, the small arts center with a small full time staff is free to visitors but has a membership program. The programs and art classes offered have a small fee, but as Salerno says, “Our art classes are already so low-priced that if I cut my income to just twenty-five percent on these programs, I risk being under budget and overwhelmed with the logistics of booking a program from the Groupon.” She does, however also feel that she will consider a Groupon if they could find a solution to the logistical challenges.¹⁶⁸ Membership to the Mystic Arts Center was considered as a potential deal, but at forty dollars, the Center will only see about ten dollars from every sale and the staff decided it was not worth it, since membership is actually priced to be valuable to the patron and is already costly to the institution.¹⁶⁹ While social couponing might not work for the Mystic Arts Center, they are considering the potential for a deal in the future. With these differing opinions and approaches to social couponing in mind, the following chapter provides a tool kit for museums and other non-profit arts organizations debating a daily deal.

¹⁶⁶ Lauri Cielo, interview by Author, notes from phone conversation, October 9, 2012.

¹⁶⁷ Ibid.

¹⁶⁸ Dawn Salerno, interview by Author, email, December 7, 2012.

¹⁶⁹ Ibid.

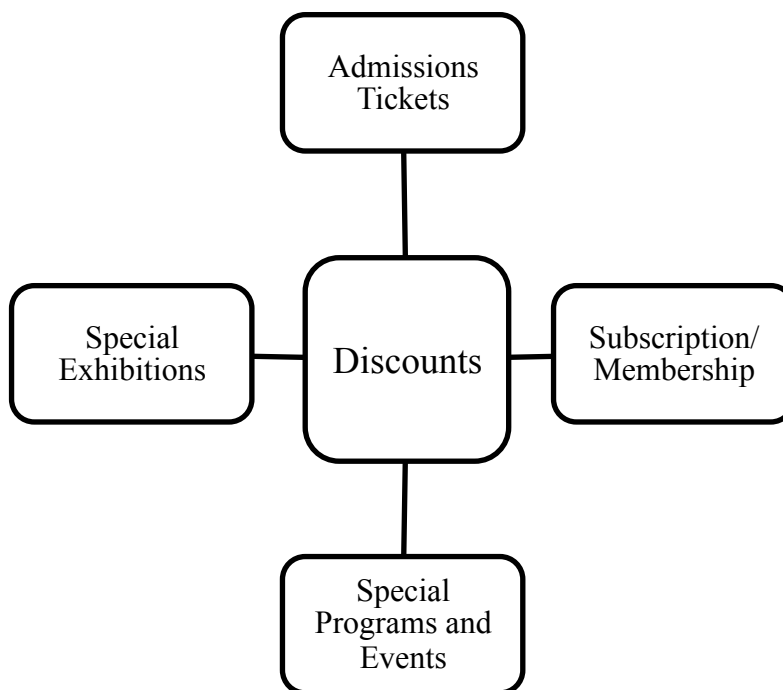
Chapter 5: How to Approach Social Couponing-A Toolkit

Breakdown of a deal: the math

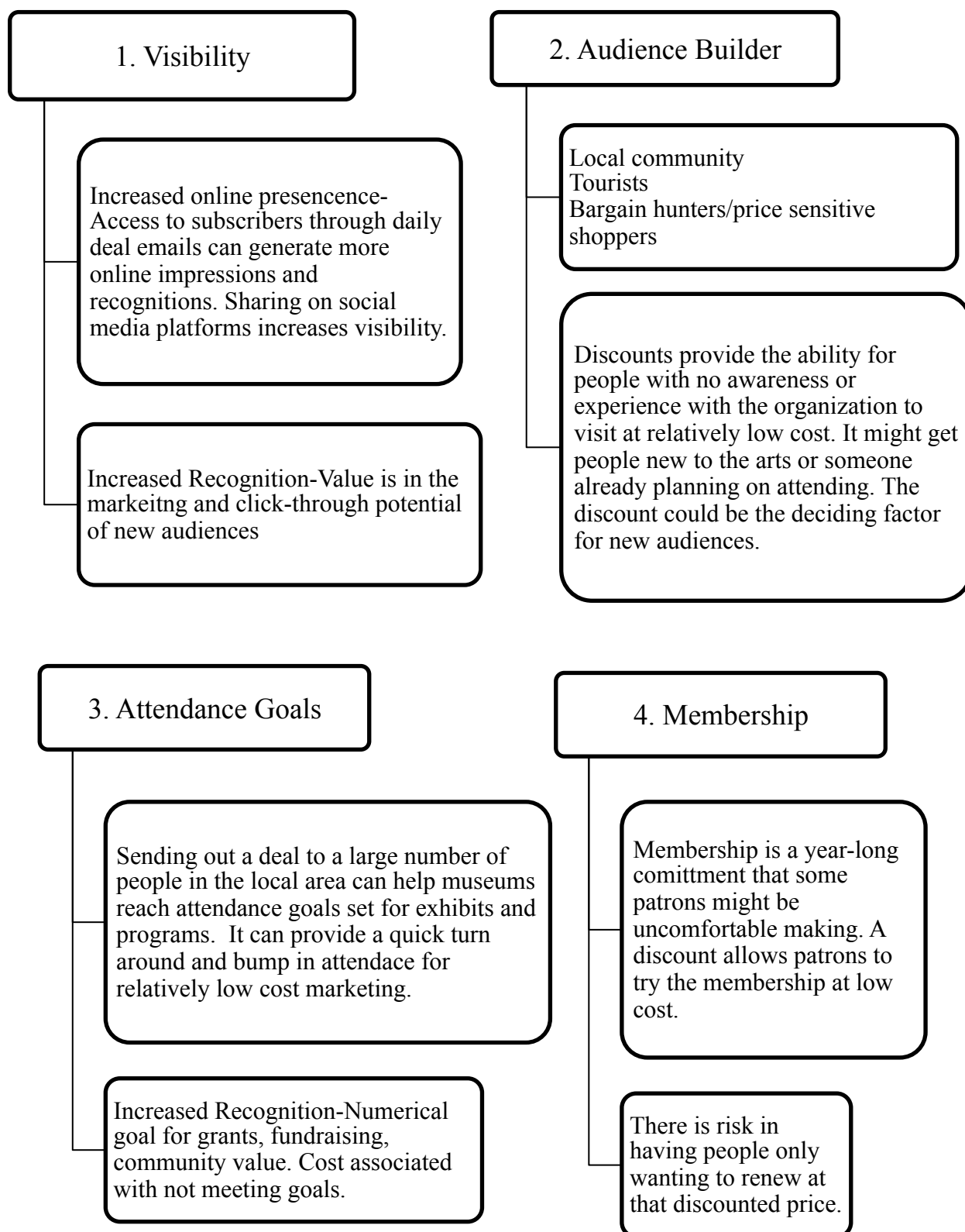


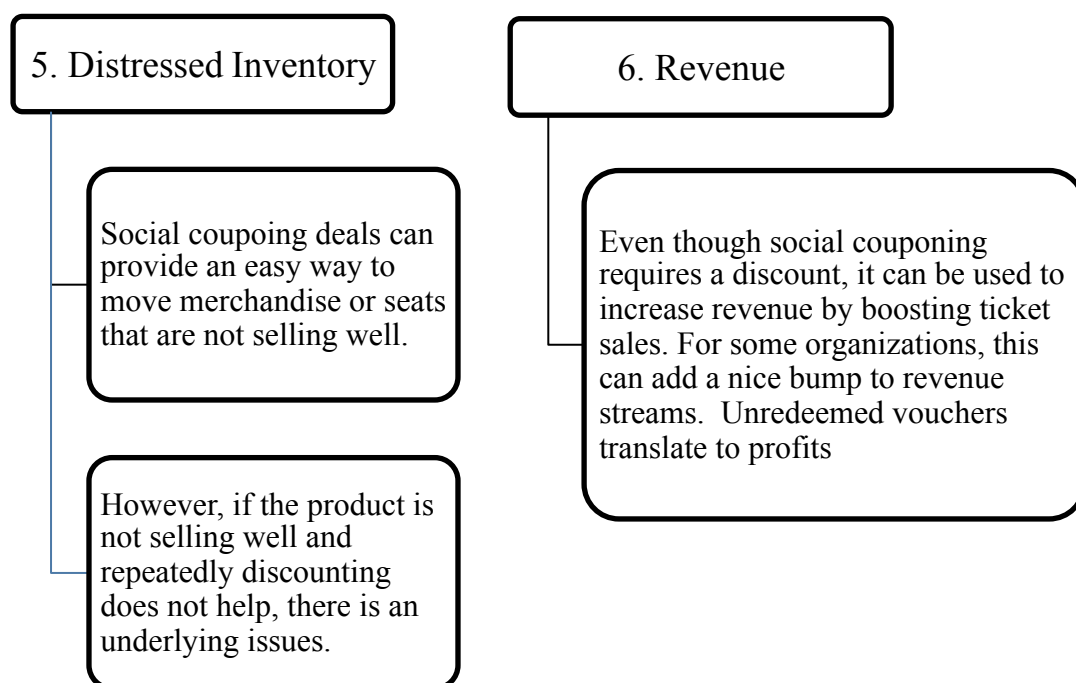
Step by Step Social Couponing Strategy

When planning for a social couponing discount it is important to remember that the deal should work for the organization, not the patron. The first step in strategizing for a social couponing deal is to determine what to discount. Museums and non-profit arts organizations have chosen to discount:



The next step is to determine the primary goal for the discount. Secondary and tertiary goals might not present themselves until after the deal has launched, so it is good to be aware of what might happen. Some of the goals and motivations from other museum deals include:





The third step is to determine which site(s) will be best to work with, based on location and demographics. One consideration is local couponing sites, similar to the Alliance's Funsavers program.

Groupon

- Over 50 million subscribers
- Geographic areas: East North Central, East South Central, West North Central and Pacific
- Demographics: younger than 45, female, affluent and educated
- Top 3 types of deals: restaurants & eating out, groceries, entertainment

LivingSocial

- Over 70 million subscribers
- Geographic areas: New England, South Atlantic (tied with Groupon in the Mid Atlantic, West South Central and Mountain)
- Demographics: middle-aged and equal between genders, affluent with at least 150,000 dollar yearly salary
- Top 3 types of deals: books or magazines, restaurants & eating out, entertainment

Knowing the individual demographics of social couponing sites can help determine who is attracted to deals and who might be coming to the institution with the deal. In addition, knowing which deals work better on the sites can help when deciding what to discount.

The fourth step is to be clear about the terms and conditions for the deal. Prepare for difficulty in the messaging and imaging of the daily deal emails by developing what the institution wants to be said beforehand. One thing to consider is a way to track and monitor how the organization changes during and after the deal. Museums should assess their institution's demographics and statistics before offering the deal, monitor how it changes during the deal, and reevaluate after it concludes. Monitoring attendance, membership and revenue will help determine if or how the deal helped. In addition, most couponing sites will not share contact information; developing a way to gather that from redeemers might assist in retention and create repeat visitors. Contact information for the new audience is useful and should not be wasted. It is important to be strategic with the timing of a discount as well. Knowing which events and special days are on the calendar, as well as when the museum can handle the potentially large influx of visitors will help the deal work better for the institution.

Arguments In Favor of Social Couponing

- Good for visibility and marketing
- Potential new audiences and members: new arts and culture person, tourist, local, or repeat visitor
- Accessibility to price sensitive people or those with limited budgets to spend on museum visits
- Quick turnaround for attendance goals
- Potential revenue generator

Risks of Social Couponing

There are certain risks associated with social couponing discounts that should factor into a museum's decision to create a deal.

Price Devaluation

Once price devaluation occurs, and consumers believe that the good or service is worth less than it was previously, it is very hard to move off it. If patrons are only coming in on a deal, and become accustomed to that price, an organization runs the risk of needing to either permanently decrease its price or continually offer deals to attract people. When considering a discount, there needs to be an incentive for people to come back at full price. Upselling can be useful for adding an extra incentive for people to repeat patronage, decreasing some risk of price devaluation. For example, someone who purchased an individual membership on a discount might be encouraged to increase his or her membership to a higher donor level. Making them want to return at full price is the task of staff and the institution.

Why not just cut prices?

Some businesses have found they needed to offer between 6 and 7 deals before they reported a real improvement in marketing, audience development and revenue. If this is the case with a museum, then discounting does not make sense. Running too many deals to improve marketing, audience development and revenue does not make sense. It would be better to just cut prices and stop discounting.

Cheapening, Desperation, and Reliance

Some negative connotations are associated with merchants and organizations offering deeply discounted deals. One is that experience at a particular spa or museum might be a cheap one. If thousands of subscribers purchase the same deal, people might not find the experience unique and worth it. In addition, discounting can give the appearance of being desperate for visitors. Another risk is that an organization might become reliant on the discounts for extra visitation, visibility and sales. Reliance reveals some deeper issues with the organization that need to be addressed before continuing with discounting.

Loss of Revenue

Discounting by 50 percent or more is very steep for a museum admission's ticket, which costs an average of seven dollars. In some situations, museums will only receive one or two dollars on each coupon sale. If the institution relies heavily on its general admissions for revenue, it runs the risk of losing valuable resources because of the discount. Membership sales and renewal revenue can also decrease because of a discount. For some museums, this loss in revenue can be great and needs to be considered before offering a deal.

Arguments Against Social Couponing
<ul style="list-style-type: none"> • Price devaluation • Public and field perceptions of discounting • 50 percent a steep discount and can result in lost revenue • Differing marketing and branding representation on the couponing site and in emails • Deal seeker subscribers more interested in savings than the actual product or service • Risk getting people already willing to pay full price now paying less

Alternatives to Social Couponing

Social couponing sites are not the only option for discounting. The following are some of these alternatives.

Selective Discounting

Selective discounting is a strategy that discounts for less than 50 percent and gives the organization more control because it is typically created in-house. The deal can

be offered at the door, on a museum's website and social media platforms or given to attendees of a particular program or event.

Options for distribution: local tourism centers, hotels, schools, on brochures and pamphlets, at special events and programs, local convention centers, etc. Diversifying where the in-house coupons are distributed increases chances for developing new audiences.

Partnership Discounting

One option for creating a discount, either in-house or with social couponing sites, is to partner with another organization. Combining resources and marketing strategies can achieve similar goals as with social couponing sites. In addition, partnering with a cultural or art organization can open up an institution to new audiences and patrons already involved in the arts. They might be more inclined to become repeat visitors or bring friends. Sharing the deal will help with the costs associated with discounting.

Cut Prices

There is some risk reliance on discounting to improve the organization. One alternative to discounting is to decrease prices and eliminate discounts altogether. While this does not help with marketing and visibility, it can help with audience development. It should be considered if an organization finds itself continually discounting.

Conclusion

This tool kit is designed to be a guide for museum staff considering daily deal discounts. Each museum is unique, so the motivations and outcomes will be different based on the institution. The tool kit is to aid in making a informed and strategic decision. For best results, museums should implement a plan to measure and evaluate the outcomes of their deals, so that future deals are enhanced and beneficial. Deals are not "one-size-fits-all," so the decision to use them needs to be carefully planned and considered.

Chapter 6: Recommendations for Future Research

As the e-commerce and social couponing markets change, so will the ways non-profits and for-profits interact with them. Future research should evaluate the way markets change and how that affects what types of organizations use social couponing deals. In addition, evaluating changes in pricing strategies of non-profits and for-profits will provide a better understanding of how social couponing can be a tool for the organizations. A third recommendation for future research is to analyze what is being discounted in the future and how what is offered changes, if at all.

Social couponing has a variety of applicability to museums and non-profit arts organizations. This thesis is a starting point for further study of the long-term affects and applicability of social couponing in the museum field. One aspect of this research that can be taken further is a longitudinal study with more survey respondents. Results from a larger study may support, enhance or challenge this research. It will also reflect any changes in how museum professionals work with social couponing companies. A larger and longer study that analyzes deals from beginning to end will strengthen understanding of how social couponing deals affect museums. Another recommendation is to develop a way of measuring the success or failure of social couponing deals. This will provide a better understanding of how the deals can help or hurt institutions.

For museums, specifically, future research should look at the long-term effects of discounting membership. This will show if social couponing has helped or hurt renewal rates and first-time membership purchases. Future analysis should examine the discounting of blockbuster exhibitions as well, to see if and how social couponing helps or perpetuates a museum's need to create blockbuster exhibitions. Lastly, changes in

social couponing subscribers in relationship to museum audiences needs to be reviewed. This will provide a better demographic picture of the companies and museums, and how social couponing discounts change audiences.

Another recommendation for future research is to work with Groupon, LivingSocial, and other social couponing companies to create better relationships with museums and non-profit arts organizations. One recommendation is to develop a strategy for the companies so that museums are more inclined to use them for social couponing discounts. In addition, future research should include other discounting and benefit sites, such as Goldstar and Plum benefits. Due to the time and nature of this research, these discounting and benefit companies were not included, but should factor into future research into social couponing. Overall, this thesis has created a foundation for further investigation into how museums are using social couponing discounts. It will help organizations answer the question, deal or no deal?

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Appendix A: Survey Results

Social Couponing Offers and Museums SurveyMonkey

Question 1: Type of Institution		
Answer Options	Response Count	
	14	
<i>answered question</i>	14	
<i>skipped question</i>	1	
Number		Response Text
1		Museum - private, not-for-profit
2		Historic Site
3		Museum and Library
4		Art Museum
5		Children's museum
6		Museum
7		Museum
8		Nonprofit Children's Museum
9		Attractions consortium (60 attractions inc 12 museums)
10		Art museum
11		Seasonal Historical Society
12		Art museum
13		Historical Home
14		Museum

Question 2: Department/Position		
Answer Options	Response Count	
	14	
<i>answered question</i>	14	
<i>skipped question</i>	1	
Number		Response Text
1		Administrator
2		Marketing
3		Marketing
4		Communications/ Advertising and Promotions Coordinator
5		CEO
6		Manager
7		Communications
8		Marketing and Development Coordinator
9		Campaign Manager
10		Membership/Membership Manager
11		Board of Directors, VP
12		Public relations
13		Visitor Engagement
14		Development (Membership & Annual Fund)

Question 3: What websites have your institution used to offer daily deals and discounts, if any? (Ex. LivingSocial, Groupon, TravelZoo, BuyWithMe, etc.)		
Answer Options	Response Percent	Response Count
LivingSocial	60.0%	9
Groupon	73.3%	11
TravelZoo	6.7%	1
BuyWithMe	0.0%	0
Local deal site	20.0%	3
Have not used	13.3%	2
Other (please specify)	33.3%	5
<i>answered question</i>		15
<i>skipped question</i>		0
Number		Other (please specify)
1		Funsavers
2		Google
3		KGB and Wowcher
4		Entertainment Book Online
5		May have used others, inc. Goldstar & Plum Benefits

Question 4: Please describe the specifics of your daily deal offer.		
Answer Options		Response Count
		14
<i>answered question</i>		14
<i>skipped question</i>		1
Number		Response Text
1		2 for 1 admission (\$5 for \$10 of adult admission) 50% off family membership
2		We used one for daytime prison tours and once for Terror Behind the Walls nighttime haunted house.
3		50% off general admission
4		Half price special exhibition tickets
5		They vary, but typically 50% off or bogo
6		Up to 50% discount on family entry
7		Generally 50% off or 2 for 1
8		We've offered 50% off of our annual membership twice through Groupon and we offered a 50% off 2 adult/2 child admission package through Living Social.
9		Approx. 50% off admissions and 1-year family memberships.
10		Usually a family visit for a discounted price eg. £10
11		Purchase a Sponsor (\$180 retail) level membership for \$99
12		Our museum is uniquely located, so this wouldn't work for us, but it is an interesting proposition. The general theory of these discounting programs is to offer a discounted service to get them in the door, make sure they have a positive first time experience and then ADD on to their bill so that money is made from the original discounted transaction. Museums could offer 2 for one admission or discounted memberships without compromising overhead- the lights have to be on anyway. Depending on the museum & target demographics, at worst you could get a one time customer and some buzz.
13		Buy 1, Get 1 admission promotion
14		1/2 price tickets through Groupon - I believe that we used the same discount on LivingSocial.

Question 5: What were the motivational reasons for offering your deal through the sites?			
Answer Options	Response Percent	Response Count	
Audience builder	80.0%	12	
Unsold tickets	6.7%	1	
Free marketing and online impressions	53.3%	8	
Provide accessible pricing options	6.7%	1	
Additional revenue generator	26.7%	4	
Strengthen retention of visitors	0.0%	0	
Recover from unexpected lost visitation (i.e. bad weather, economic downturn, etc.)	13.3%	2	
Something new to try	66.7%	10	
Other (please specify)		4	
<i>answered question</i>		15	
<i>skipped question</i>		0	
Number		Other (please specify)	
1		Increase exhibition attendance numbers	
2		Groupon made us an extremely generous profit sharing offer so it was worth trying.	
3		If I could try this, these are the reasons I would.	
4		Have not used yet, but is currently considering	

Question 6: Do you have a site preference?		
Answer Options	Response Percent	Response Count
Yes	33.3%	5
No	66.7%	10
<i>answered question</i>		15
<i>skipped question</i>		0

Question 7: If yes, which one did you prefer and why?		
Answer Options		Response Count
		5
	<i>answered question</i>	5
	<i>skipped question</i>	10
Number		
1	Living Social- they have the most users	
2	Groupon	
3	Widest audience in our area	
4	From a consumer perspective, I think Groupon is easier to use and the copy is catchier. From a retailer perspective, I would CAREFULLY read all the financial commitments- Groupon has been known to take companies to the mat on cost.	
5	Goldstar and Plum Benefits are the sites I prefer. They do not have a kind of negative connotation (like, we need to sell tickets connotation) that sites like Groupon and Living Social do.	

Question 8: How likely are you to repeat using this strategy to offer a discount?		
Answer Options	Response Percent	Response Count
Not Likely	40.0%	6
Likely	60.0%	9
Very Likely	0.0%	0
<i>answered question</i>		15
<i>skipped question</i>		0

Question 9: Did your organization gather the contact information of deal purchasers?		
Answer Options	Response Percent	Response Count
Yes	53.3%	8
No	46.7%	7
<i>answered question</i>		15
<i>skipped question</i>		0

Question 10: Do you have any recommendations for museums that are considering using social couponing sites that send out daily discounts and deals?		
Answer Options	Response Count	
	15	
<i>answered question</i>	15	
<i>skipped question</i>	0	
Number		Response Text
1		The value of the coupon never expires so even if the deal is over, the purchaser can still use the value of the coupon towards something. This is true with Groupon, but not sure of others. As we are a small museum, this wasn't a problem for us as our admission is only \$5 and we didn't sell hundreds of them. I heard at a recent Museum conference from larger institutions who sold thousands of Groupons and they are now worried about the unused coupons out there because there are potentially a few hundred people who could use the dollar value of it.
2		Make sure you can handle the redemptions, especially close to the expiration date.
3		Read the fine print. Be prepared to let go of messaging. Pay careful attention to the expiration date of the offer.
4		Do not expect large revenues, but it is worth it to spread the word about an exhibition to a large group of people.
5		Our concern was that people would decline membership and full price visitation to wait for the deals. This did happen somewhat though its hard to tell. Our biggest negative was the huge cut that the sites take, with the audience not even realizing it. We won't do them again unless that ratio changes. It was 50% of th revenue, plus the discount loss.
6		Be careful. Not only do you have to give 50% or more... An amount had to living social. By reducing our ticket to \$10 meant \$5 received to us.
7		Use it for the extra exposure, but don't do it too much.

8		<p>Positives: We found it to be very good exposure to a broad and new audience and we did gain new regular members and visitors. Negatives: By discounting our membership, we found that a handful of members expected the discount to run again when it was time for their renewal and were hesitant to renew because they didn't want to miss another possible deal. With the admission deal, we had a few customer service issues with patrons trying to use vouchers twice and probably unintentionally gave people the impression that we were a for profit organization, like the restaurants or clothing stores, etc. that also use the daily deal coupon programs.</p> <p>Positives: We found it to be very good exposure to a broad and new audience and we did gain new regular members and visitors. Negatives: By discounting our membership, we found that a handful of members expected the discount to run again when it was time for their renewal and were hesitant to renew because they didn't want to miss another possible deal. With the admission deal, we had a few customer service issues with patrons trying to use vouchers twice and probably unintentionally gave people the impression that we were a for profit organization, like the restaurants or clothing stores, etc. that also use the daily deal coupon programs.</p>
9		Track internal spending from those redeeming deals to see how much additional revenue was generated by providing trackable discounts to retail and F&B when visitors are checking in.
10		Upsell. Upsell and upsell!
11		Make sure the revenue you end up with covers your out of pocket costs since the retention rate of deal purchasers is extremely low
12		See above, gather analytics, follow-up with coupon visitors for feedback and to build relationships, do NOT rely exclusively on this strategy to build business. It is costly from an OOP and a Brand perspective. If the problems are that dire, there is something else that needs fixing.
13		Not yet
14		Be careful with your expiration dates. Our promotion began in February and ended in August, but there ended up being a neighborhood event that last weekend, so we offered free admission anyway. We had a lot of last-minute visitors looking to use their coupons that weekend.
15		No, thank you.

Appendix B: Interview Transcripts

Thesis Research Interview

Interviewer: Megan Olver	Date: October 16, 2012
Subject: Kendra Lawton, GPRCA	Location: Coffee Shop
Length: 60 minutes	Time: 4:00pm-5:00pm

Megan: Basically my thesis is about how museums use Groupon, LivingSocial, Funsavers is an option, PhillyDealYo is another for discounts. I want to know how they use that, what they use it for, their reactions to it? Is it something good, something bad? At the end I want to develop a strategy or guidelines for museums that want to get involved in this, but maybe don't know where to start or how to make it fit with their museums. So I am looking at case studies of small, medium, and large museums and how they use it and their reactions to it.

Kendra: Interesting, how did you get interested in the topic?

Megan: Through an internship at Historic Germantown. We sold Passports, which give access to all 15 sites on LivingSocial and Groupon. While there, I saw mixed reactions from the staff and the sites, as well as the people who purchased the deal. So what I am interested in now are your thoughts on social couponing and how it is used with nonprofits in general. What can museums teach others, what can they learn from other nonprofits?

Kendra: I think when I think about couponing, I think more about tactic and the overall approach of discount pricing. When you think about marketing there are 5 principles. Pricing is one of the main principles of marketing. Pricing is a difficult thing particularly in the nonprofit world and in general. You want to price according to value and also related to what people are willing to pay in terms of what they can get. For some people paying a premium is great, because they are used to it. For example, someone who is accustomed to going to the arts and has this experience, their risk level is very low. Price is less of a barrier to at least initiate the activity. Price comes into play with them in terms of how frequently they can do the activity. So if I am someone who loves theaters, love museums I don't need a discount but I do need a discount to go six times a year. I need an incentive to go repeatedly. I think for people who have no awareness or no experience whatsoever, a discount might lead them to say "well let me go check this out." It works for places like the Franklin Institute, who have brand recognition. The discount will make them say "I'll give it a try." For people who are middle of the road, have limited exposure and past experiences, discounts can be used strategically there to remind them about you.

Something for arts organizations to think about is:

1. What are the goals?
2. Realistically, is this the best way to go?

I think a lot of people have used these services, Funsavers included, for the wrong reasons. And/or they started something but didn't quite finish it. Offering just the discount is sort of a weak form; they need a way to capture that information. The patron should give you something in exchange for the discount, like contact information. It is on the institution to follow up with sort of outreach. The Franklin should be getting contact information and follow up, with 'was this your first time/?" what do you think? We'd love to have you back. Include another price incentive, another ticket discount, gift shop in that follow up. You don't want to build a habit of people relying on the discount. If they came once on the discount ticket and have a good time, then there is nothing to say they won't come back at full price. If you repeatedly offer multiple discounts you are sort of creating this behavior for them to expect a discount each time.

Megan: People get used to paying a deal.

Kendra: One of the key things with strategic pricing is you have to set boundaries and fences up. You have to be able to offer to a certain group of people. So, to first time patrons, or non-subscribers or come on a certain day. Use it in a strategic way so you aren't cannibalizing the price so you lose money. You can use criteria for the people who get it, but not on days that are popular, or already discounted. Please Touch Museum is an example: for every child that comes in, one parent gets in free.

I think social couponing is interesting. I think part of it is on who the institution is and their brand recognition with the community, it will determine the type of person who will respond to that. I think the goals of the institution and being realistic. Is it an awareness generator-are we writing it off as a marketing expenses? Use Groupon as free PR and it doesn't matter what we earn off it. I think that some institutions want both, marketing and make money, and the two aren't always connected. You need to know what the tool can do for you and set it up accordingly to do that for you. Theaters/performing arts in general have limited seats and they have urgency to put people in seats.

Megan: With museums there is not a huge sense of urgency. People assume they will always be there, even with blockbusters.

Kendra: Urgency factor is trickier for museums. That's when you have a slow day you can drive tickets through the discounts. Or with certain programs. If awareness is the goal, fine. But I think that customer service needs to really be there as well. If you are going to drive all these people to your institution, you have to prepare the visitor services for these people, who are first time visitors, so they do not know everything. So the visitor services can know what to expect with these people. Institutions need to be prepared to offer them extra. The underlying goal is you want them to come back. If you want them to come because you genuinely have something to offer them of value, you want them to come back and have a good experience.

I think many weren't ready when Groupon first came out; they weren't really ready for the repercussions. Marketing director might offer the deal, but not let visitor services/box office staff is not aware. It's risky business to treat people who come with a coupon or

discount as a second-class citizen. Institutions need to be bale to create a sort of a plan-where does this customer fit into our strategy? In theory the discount person will want to come back for full price, if they have a good time. If their goal is revenue, there is a whole other strategy in terms of using them to generate revenue. There should be ways to get groups inclined to go to come. I will not use them for my loyal patrons. I will use it to find people who are not inclined or somewhat inclined. And maybe for those not at all inclined to take a risk and try it. And price it out accordingly. I'd use it as an awareness tool, but also treat them as special guests vs. people who are cheap and hoping they like it. You have to work a little harder to make sure they have a good experience.

Megan: I have found that with the discounts there is no loyalty to restaurants/other services. They don't come back and turn into repeat visitors. Nonprofits want repeat visitors, to buy memberships etc. It has been a difficult in nonprofits with creating repeats. Some museums offer discounts on memberships and they received criticism for it. I've wondered about cheapening the membership by offering it at a discounted rate. Sometimes what is discounted is not viewed as valuable. And museums are trying to treat these patrons as special, but if not repeats...is it worth it?

Kendra: Customer loyalty is interesting. Having that data about how likely they are to return and become a lifelong patron is very valuable. When we first established the Funsavers program, we believed that there was this existing customer base of discounts shoppers; they liked to sample and get a deal. They like to try things. It was an omnivore approach and discounting is a great way to afford that. If they want to be active but not loyal the discounts is a good way for them to do that. I think that it's okay as long as institutions are okay with that behavior. Funsavers was a way for people to make money off unsold seats and fill them out that way. The expectation was for the sampler patron. I think organizations have an opportunity to set up policies to see about couponing and the patrons coming in that way. I think the expectation to go from first time visitor to a membership. That should not be the next offer, it is unrealistic. It is like a blind date to marriage proposal. It's not realistic or how humans behave.

People say "I am coming to you at a discount, I am trying your service." The first steps are 1. Did you have fun? Make sure your visitor services staff can identify these people. Many museums are not able to handle it and track that, and that is a missed opportunity. Putting other offers in that are less commitment level to bring them back after the first deal. Also, realize that people like to sample and try different things and use the discounts these ways. And minimize the discount but with something different to get another taste of the institution.

Megan: I know there is a disparity between information shared by LivingSocial and Groupon. The PMA is a good example of following up with patrons.

Kendra: For me I feel like the people are the best resource. I think the institutions need a system to get contact information, give them an option to redeem things with email. Force them to redeem in person and gather their contact information. There are lots of opportunities for control and getting info and not sure how many people are doing that.

Many visitor services misuse these LivingSocial/Groupon deals by not gathering the info. They are not taking full advantage of it.

Pricing and price strategy is very complex part of it too. Not using them as effectively as possible.

Megan: I've been watching the daily emails and noticed that a lot are using them now, as a summer influx, then died down, now more blockbusters opening. I get it, you are offering coupons. Sometimes it is too much too. There can be a sense of bombardment. Balance of using it and not.

Kendra: I'm not an active Groupon user, but you see a period of time when there are offers from cultural institutions. They look kind of desperate at that time?

Megan: Nothing but spas, retardants, groups it together. Influx when there is a blockbuster, peters out, then three months later, they generate the buzz again. Correlates with online ads, commercials. Another marketing push and Groupon is mixed in. Groupon gives one discount, LivingSocial is another. 2 different subscribers 2 different discounts. Groupon has to do 50% off, etc. Same product, but different pricing.

Kendra: I think a lot of people don't want to give 50% off, from the organizational perspective. It is expensive. Groupon likes 50% off because otherwise people aren't interested. Consumer perspective vs. marketing perspective. These are other tools in your marketing toolbox and these impressions might lead to an interaction with subscribers. You see a lot of resources marketing the museum to create a buzz. Word of mouth takes a while. I think that is true, that it can be used strategically. People of a younger generation have a higher distrust of marketing. They can see through it, especially when it is everywhere. It's interesting that it can be perceived as desperate from a consumer perspective. It's interesting for the institution to know who visits these sites and that younger generations are more skeptical of marketing techniques and that needs to inform perspective. Flag that area as possible for further study. Skepticism of marketing and adding one more message and one more thing to younger consumers.

Megan: Twitter, Facebook, and Groupon etc. we get bombarded by everything. Getting to the point where we are getting tired to everything. Everything is getting discounted too because of the economy. Next week, the discount will be greater.

Kendra: Don't need to act today, I will get another one tomorrow. There is a changing dynamic now. That is something we hear from nonprofit peoples. You are just training people to expect discounts and deals. If your organization is offering a discount every week, then you are training people to expect that. Funsavers, the control is with the institution. You can break that monotonous mold and don't do it all the time. If you need to do it to get people in, it is a much bigger problem.

Megan: Lauri Cielo at the Historical Society of Pennsylvania said that Funsavers gave them more control of what, how they offered. LS/Groupon has a requirement-minimum

of at least 50 of whatever, guaranteed to make a profit. Use it sporadically. Not for members only/exclusive. Problem with museums-getting in cheap with coupon but members get free. How much do you discount? Run the risk of alienation.

Kendra: Falls to institution to work twice as hard to promote membership. I think that is a difficulty of pricing strategy You have to have distinct enough pricing discounts to please all groups. I think a lot of organizations felt the pressure of the new shiny programs. You need to take a step back and see if it's a good thing for your organization. Can undermine your entire strategy. Maintaining control and differentiation helps pricing strategy.

Kendra: There are people who are out there who value the experience of finding the deal. There is a huge thrill there.

Gardens are interesting for museums. Funpacks with 48 Institutions that offered flexible subscriptions and memberships, etc. with list to look at to find more case studies. It can be a very effective and great tool, I think as long as you know why you are going there. It's a good engagement strategy and then you need to take it a step further and keep them engaged. Or is it just falling under as a marketing expense and you need to know that. Important to understand your goals and why you are using it and if it is for marketing or pricing/making money. You need to get something back, like information from the patrons. Need to understand your institution and where it fits in with subscribers and new audiences. You need to make sure people will think its worth the deal/discount. Thinking of yourself from the consumer perspective is very useful.

Megan: Great, thanks so much for your time.

Thesis Research Interview

Interviewer: Megan Olver
 Subject: Sarah Gafgen, Funsavers
 Coordinator for GPRCA
 Length: 30 minutes

Date: Thursday, February 21, 2013
 Location: Phone Interview
 Time: 1:00pm-1:30pm

Notes:

- Funsavers was created 10 years ago, prior to Groupon phenomenon
- Created as a part of the Greater Philadelphia Cultural Alliance's Engage 2020 program: goal was to double participation with cultural organizations by 2020.
- Offer ½ price discounts for arts and cultural organizations in the Greater Philadelphia region.
 - Up until 2013 event tickets were sold by producing organization but marketed through Funsavers email alerts, as of 2013 Funsavers partnered with Ticketleap to manage ticketing.
- Primary focus on engagement in arts and culture.
- Found in research and surveys that people are not using it just to save, but to attend more and participate with organizations they will not normally participate with
- Always a ½ price program-perhaps because of easy branding?
- Do not solicit offers-organizations come to Funsavers.
 - Send out reminder emails with dates and information about how to submit.
 - Auto generated email reminder to submit events, which goes to past participants in the Funsavers program.
- Mostly performing arts because of timed entrance aspect of the program
 - Offers are sent with specific dates and times rather than sent as a gift certificate for a certain value sold for half-price.
 - Museums offering entrance on certain day so timing is less their behavior than offering a certificate valid for entrance over the course of a few days.
- Annual subscriptions and membership promotions are run up to twice per year. These are either Memberships, Subscriptions, Classes or Camps. They are generally offered in the spring (April/May) and fall (September).
- Used to have the organizations submit results, now Funsavers manages sales through Ticketleap, which gives the Cultural Alliance direct access to buyer data.
- Generate through online submission form hosted on Phillyfunguide.com
- Do not write copy, but do minor editing and work with organization if initial deal does not align with program restrictions.
- Participation is a benefit of membership of GPRCA, a small placement fee is charged for non-members and all organizations pay a small percentage fee for credit card processing.

Thesis Research Interview

Interviewer: Megan Olver

Date: October 23, 2012

Subject: Barbara Hogue/Carolyn Faris

Location: Historic Germantown

Length: 30 minutes

Time: 10:00-11:00 am

00:12

Megan: My thesis project is more about social couponing sites, such as LivingSocial and Groupon, and I was sort of led to this topic after seeing how you handled the deals this past summer. Basically I want to get a sense of why you decided to go with G and LS, why you offered Passports, your experience, and your future interactions and goals with the promotion.

00:53

Barbara: Well, I think it was a sense of “try it to give it a shot.” At least from my perspective, most of the marketing we are doing is trial and error. So it was a try it and see if it works approach to doing Groupon and LivingSocial offers. We thought that if it’s about visibility, it can’t hurt. And the main point is to have more people visit a site. We looked at them as a potential tool to help us do it. Whether or not we will do it again, I don’t know. I sort of feel like those sites are a bit of a rip off.

02:06

Carolyn: Well one of the things that I found interesting about it, is that it definitely brought people who I don’t think will have necessarily come to Germantown otherwise. They are just on these sites and buy stuff and think it’s cool. Sometimes they redeem them and sometimes they don’t. Since we’ve sold them we have had various bursts of people being like “oh let me go redeem that.” So we had that initial burst right after we did it, and now we are getting closer to the time when it was supposed to be redeemed, and we are getting that last little burst of people wanting to get it before it expires.

02:53

Barbara: And I think that probably half the people haven’t redeemed them. So they buy on impulse because it seems like a good deal, but aren’t redeeming them. So we have something like 50-60 redeemed, but like 130 that were actually sold. They are still out there somewhere.

03:33

Carolyn: So it’s a good way to get a little extra revenue, because people aren’t redeeming what they paid for. But if the point is to get people out there, then it isn’t really 100% doing what we wanted it to.

03:51

Barbara: The Groupon people are great in a way. You can tell who they are because they sort of bounce around and aren’t really the typical museum people who are very curious and want to know things. They aren’t these very sophisticated, cultural people; they are

just sort of families looking for a deal. That can be really great and important, because that could be one of their only cultural activity for the year and we are getting that demographic, which is great. But, it's also not necessarily who will come and be a repeat visitor. I'm not sure, because we don't have data to back that up. But I will guess they aren't repeat visitors.

05:06

Megan: So you haven't taken it a step further to get their contact information?

05:11

Barbara: We have their contact information but we haven't surveyed them to see how their experience was.

05:21

Carolyn: Or how many people visited with the Passport, or was it even redeemed. One of the things we haven't looked into yet but mean to, is whether we got and sold more through LivingSocial rather than Groupon. I think we did better with Groupon, or at least we've been getting more of those redeemed as of late.

05:49

Barbara: For some reason we did not get as much money from Groupon. LivingSocial deposited something like \$900 into our account and we haven't gotten anywhere near that from Groupon.

06:03

Carolyn: It's interesting who is buying more of these and redeeming them, and which is better on the institutional end.

06:18

Barbara: I thought that in terms of consumer satisfaction I thought LivingSocial was better than the two. LivingSocial has a better payment thing, so they pay you sooner while Groupon sits on your money and the interest and pays you a few months down the line. LivingSocial payment schedule is a lot more business friendly.

06:59

Megan: So if you did it again do you think you will lean more towards LivingSocial because of satisfaction with their company versus Groupon?

07:04

Barbara: Well, I don't know if we'd do the same thing. When I was talking to the sales people on the phone they were like "If you do a ghost tour or any sort of walking tour, we can sell that out for you." In order to do that we'd have to price it in such a way that we'd only be selling it through Groupon because no one else will buy it. You'd have to price it at \$35 dollars, then offer it on Groupon for \$17, then you split the \$17 with them, so you are getting like 7.50 for each. You'd have to price it in advance so that you'd know you will at least get \$10 or something close to what you normally charge for it. They were

like “we can sell 500 tickets.” I don’t know about that, but they could probably move some tickets for us.

I will not use it again for the Passport, but I might use it for a ghost tour or special walking tour because I think that is a great way to reach people not on our mailing list. I also think our mailing list trends older and if we are trying to reach college students, we don’t have the mailing list. So I think for that Groupon can be really effective for reaching that audience, but you have to be kind of savvy about pricing so that you don’t lose too much. You read about places that don’t really understand how it works and, restaurants mostly, lose too much on the deals and end up going bankrupt. That is not ideal.

09:36

Megan: Did you find that it was more difficult for staff to handle the LivingSocial/Groupon people coming in to redeem it? I found that some places felt it created more work for staff and a greater burden for them.

10:08

Carolyn: Well I felt that the redeeming process was not that difficult for us, it was more things like figuring out which bar code number you needed to redeem things so we could send them the Passports. I think once they got here, it was fine. I think that it is easier for them to go through us, and I know that sometimes people went to other sites to redeem the Passports and the other sites did not fully understand how it all worked and what to do. That was more specific to age of guides and such.

11:01

Megan: Did you make all the sites aware that you were doing this deal? So they knew what to expect.

11:19

Barbara: We let them all know but they have so many different guides so sometimes the memo did not make it down to all of them. And I don’t think we have heard any complaints from staff at the sites about the deal.

11:32

Carolyn: We haven’t heard any complaints from the sites. For example at Cliveden, they were excited about how many we sold.

11:47

Barbara: Yeah, the attitudes at the sites are really important. Some sites, like Cliveden, are like great; more people through the door are going to help me. And they don’t see a downside. While other sites, their capacity to handle more people is limited. You sort of make more work for them, such as Maxwell Mansion and they are not getting any money from it, so it is an investment that they have to make. But my argument is you are getting more people in and you never know who will walk in, fall in love with the site and make a big donation for \$50,000. And the sites have access to these people’s information so

they can put them on their mailing lists. For me, I see it as an investment, but it's a small investment to build the mailing list and visibility.

13:22

Carolyn: And the more people that visit the sites the better. The sites can they say, well we had this much more visitation this year, which is helpful for grants, and benefits all the sites.

13:40

Barbara: Yeah, if you look at Upsala they were down to single digit visitation and it's hard to make a case for people to give you money when you have less than 10 people visiting you each year.

13:58

Megan: Right, so overall you thought it was good for promoting visibility for the sites. So it was a marketing tool?

14:08

Barbara: Right. We certainly did not make a lot of money on it and there were real costs associated with it, but at the end of the day it helped with visibility and really get people in the door. And it did give us a little bump with money. I think we made between \$1,000-\$1,200 from it.

14:41

Megan: That's good. So then is it something you think intuitions of your size should get into using or is it something that might not be so helpful for them?

14:57

Carolyn: I think it depends on what type of program you are using it for and where you are located. I think in an urban environment Groupon and LivingSocial are something that people use and actively do and are involved with. I'm not sure they will work so well in a suburban environment. Like Barbara said, it's sort of like throwing stuff at the wall and seeing what sticks. So it may work for some folks for various, specific programs. Try it once and see if it is worth your time.

15:38

Barbara: I also think it is important to use it judiciously. So I certainly will not want everyone to think that all you do is mark down your programs or that you can't sell your tickets at full price. It is something to use maybe once or twice a year. It is one tool; it is not the tool.

16:02

Carolyn: And that is sort of the other crux of the issue. In order to make whatever you need to make on the program, you have to mark up your ticket price a lot to do that. There are other options for discounting tickets, like Philly Fun Guide will do that and you will get as much back, if not more because they do not take anything. They are just

sending out an email and if people buy a ticket through you, you are selling it at half price but are keeping all the profits.

16:36

Barbara: You are not splitting it with them, so that is a better deal. But they have a smaller market of subscribers, but they are more culturally inclined and know more about the Philadelphia cultural scene. You have to know the Philly culture scene to know about Funsavers and there are multiple steps to get the email. The people you are reaching are more culturally motivated and go to lots of things.

17:19

Carolyn: And I think that goes back to whoever is using these sites needs to do their research to a certain extent. You sort of have to ask do you want to reach the culturally focused and have a smaller group but more inclined to align with your mission? Or do you want to reach outside the box and get people you would not necessarily get who might be somewhat culturally inclined? The demographics between the sites and Funsavers is so different.

17:56

Barbara: Right, people on Groupon and LivingSocial are going to spas and restaurants.

17:63

Megan: So it's very important to understand what audience you want to reach.

18:03

Megan: Was offering the Passports at a discount difficult because of the connection between price and value?

18:19

Barbara: That is actually why we offered the Passports, there is no cost associated with them. The cost is borne on the backs of the sites so that was a good way for HG to do it because it was an experiment for us to play with the discounts. Other than the cost of having the Passports printed there was little cost of us. And we don't have to give the tours or anything like that. We also have an agreement with all the sites that any Passports sold at the sites HG keeps the income 100% from the sales. So for us it was a good thing to tinker around with. We theoretically did not lose money.

19:18

Megan: Because there was such a little cost associated with the Passports to begin with.

19:20

Barbara: And I don't think the sites lost money either, because at the end of the day they had to employ a guide when the sites are open anyway, there were few additional costs. It's a good investment for them to make. They might have had to have an extra guide on some days and maybe the Groupon lent itself to that extra cost and making them busier, but in the long run it's a good investment to have when visitation increases.

19:57

Carolyn: And I think it also shows the sites sort of how they can stretch their capacity. It gives them the ability to say; we can see 20-30 people a day, which is more than walks through the door normally.

20:21

Megan: Were other factors involved with the visitation and crafting the deal? Such as the time of year when you offered the deal for the Passports? Did the fact that it was the summer and more going on play into the deal?

20:31

Barbara: Yeah, we held off offering it until we knew it was going to be a time when it will be bustling with activity. It will not make sense to offer it now, when it's the end of the season and less going on. We timed it so they will have the whole summer to visit HG. And that's a great time to visit because of all that is going on and a visitor will get a chance to see Juneteenth, July 4th and Revolutionary Germantown which were all going on in that short span of time. So, being able to promote the events to those people is still a good target market.

21:25

Megan: Were you happy with the customer service of the sites? Was it an easy process to put the Passports up?

21:47

Barbara: Well, they were sales people so they were kind of annoying. They were kind of annoying because they were trying to sell you stuff and were making promises of all kinds. They come from it from a corporate and sales point of view. It is not very understanding of how a nonprofit works.

25:08

Barbara: You have to think really specifically and carefully about how you want to use the deals. It's not a tool that you can just employ any time you want. You have to put a lot of thought into it and what you want to accomplish. If you are just trying to reach a mass audience and plan to sell thousands anyway it works. I don't think they are bad; they just have to be used wisely. Ours was just for people hanging around Groupon and LivingSocial, not members or anything like that.

Megan: Great, thank you so much for your time.

Thesis Research Interview

Interviewer: Megan Olver

Date: October 9, 2012

Subject: Laurie Cielo, Historical Society of Pennsylvania

Location: Phone interview

Length: 30 minutes

Time: 10:00am-11:00am

Notes

- Have not used any other couponing sites, except Funsavers, which was used 6 times between 2010 and 2012
- 2 times in 2010; 3 times in 2011; 1 time in 2012

2010-1st time HSP used Funsavers

- For 100th Anniversary of the Building-1910
- Many people do not know about existence of HSP in its current location-limited signage
- Purpose was to promote visibility
- For “Beyond the Bricks Tour”
 - Reach new audience and bring in a new crowd not familiar with HSP
 - Successful-sold 27 tickets through Funsavers and the event sold out
- Funsavers-reach 100,000 people that are not the normal crowd

2nd time-Halloween Tours

- Another event to appeal to not typical audience-which is genealogists, researchers, and scholars

2 Primary Goals that go hand-in-hand

1. Try to cast wider net for people to learn about events
 2. Pump up attendance to events
- HSP very cautious about overuse of Funsavers program
 - Want to make sure members know there are benefits to membership
 - Overuse could make events seem not special
 - Do not want Funsavers to be a crutch but it is a good and easy way to get in front of 100,000 people

Most recent event-Young Friends Event (ages 21-45)

- A Shaken and Stirred Evening: How the American Cocktail Went Global
- Young friends was, at that time, not a very strong board with the resources to promote event
- 2 weeks prior to event there were concerns about attendance
- Understandable, since it was a re-introduction of the event and program
- Funsavers offered right before event, 90 people total came to event
- Important to consider event and audience when promoting on Funsavers or similar sites

- Had not really investigated Living Social or Groupon too seriously
 - Huge cut of profits given to companies
- Funsavers-discount offer by ½ but get all the profits
 - Thought about membership offer-cannot really afford to discount this, profit margin is not there like it is at bigger institutions
 - Maybe in the future they will branch out
- Non-profit vs. For-profit
 - Membership-it's a donation and contribution to the organization
 - Hopefully people donate to make a difference and are not in it for a great deal-they want to pay full price
 - HSP offers promotions at certain times for membership-specifically around the holiday season, such as \$10 off membership
- Funsavers is very user-friendly
 - Just required to report results to GPRCA
 - It is a benefit of GPRCA membership
 - Good for event that appeal to big broad audience-not specific or scholarly events
 - They are not trying to get throngs in, they cannot support the size that might be reached by Living Social or Groupon

Thesis Research Interview

Interviewer: Megan Olver

Date: December 7, 2012

Subject: Dawn Salerno, Director of Education, Mystic Arts Center

Location: Email

Hi Megan,

We are a small arts center, staff of 10, but only 3 full time. We have a membership, but we are free to visit. We have programs, which have fees, so potentially; some of our programs or our membership could be up for a social media promotion.

So the deal was simply this – you make barely enough money off a promotion like this to even cover your costs. For businesses that keep their profit margins low to begin with, like us, I think you’d have to be willing to sacrifice more than just a profit for the sake of growing your audience or getting the exposure, which is the potential benefit, if not income. I’ll be interested to find out what you find out about the longer-term benefits of these promotions: do people come back? Do they join as members after they redeem their groupon? Etc.

For example – for us, the Living Social people recommended a membership deal. As you probably know, both promo places offer the product or service at a discount to begin with – usually half off. Then, they have to take their cut, which is another; half of what money is taken in. Take our membership fee: \$40 – we would make only \$10 off every membership, which we decided was not worth it given that everything we offer, including membership, has a certain hard cost to it.

As Director of Education, I’m still looking for a potential connection for our programs. But the ones that are most likely for Groupons – our art classes – are already so low-priced that if I cut my income to just 25% on these programs, I risk being under budget, and overwhelmed with the logistics of booking the programs from the groupon. I’d consider a groupon if I could answer these logistical challenges.

Our marketing director is also not a fan of “discount programs” in general though you’d have to talk to her about why.

Hope that’s helpful.

Dawn E. Salerno
Director of Education
Mystic Arts Center
9 Water Street
Mystic, CT 06355

Thesis Research Interview

Interviewer: Megan Olver

Date: December 7, 2012

Subject: Jennifer Ginsberg, Advertising and Promotions
Coordinator at the Philadelphia Museum of Art

Location: Phone interview

Length: 15 minutes

Time: 2:00pm-2:15pm

Notes

- Used LivingSocial 3 times in the past year and a half, prior to that used Groupon once
 - Special exhibits and general admission
 - *Gauguin, Cezanne, Matisse: Visions of Arcadia*
 - *Rembrandt and the Face of Jesus*
 - *Zoe Strauss: Ten Years*
- Experience was very positive
- Helped move tickets for special exhibits and the decision to offer was based on attendance goals for that special exhibition
- The decision to offer them was discussed very heavily by staff and the ultimate decision was that it is best for the museum to offer them
- Met objective with achieving the desired attendance goals for the special exhibits
- Most likely gathered the contact information of the people using vouchers and followed up with them via email newsletter
 - LivingSocial does not give out subscriber contact information
- Found that something like 78% of subscribers had already been to the museum and they were repeat visitors
- The PMA had a lot of involvement in the marketing message
 - LivingSocial more willing to work with them and their branding and image
- Recommendations depend entirely on the objectives of the institution
 - -Not helpful with revenue
 - -Good for attendance goals
 - -Additional, free marketing tool
- PMA made it a point not to advertise the deal elsewhere, there was a sense of cheapening it by over-advertising the deal
- LivingSocial reached out to the museum when they were launching in Philadelphia
- Somewhat unlikely they will do another LivingSocial deal in the future-not because we disliked the service (they were great to work with) but because of an institutional decision and director decision to not discount so steeply
- Refocused efforts in creating cross-promotional opportunities instead of discounting to get people in the door

Thesis Research Interview

Interviewer: Megan Olver

Date: Tuesday, November 30, 2012

Subject: Steven Roth, The Pricing Institute

Location: Phone Interview

Length: 30 minutes

Time: 2:00pm-2:30pm

Notes:

Pricing

- Works with performing and visual arts as well as museums with their pricing
- Pricing + Value-what the price value equation portion is making
- Museum world is very transactional when it comes to price and value
 - Have the philanthropic side with members who find value in doing good
- Performance price varied by:
 1. What's on stage and its value
 2. Day of the week
 3. Demand
- Museums
 - Applies to special exhibits
 - Fluctuation: not a lot of people attend in the beginning-the bulk come in the middle-and everyone else attends near the close
 - Consistent pattern with visitation and pricing
 - Vary price by time
 - Works with special exhibits and timed ticketing usually

Discounts in General

- There is a time for it
 - Audience discounts
 - Not popular on certain days
 - Discount in the beginning to attract people
- "Selective Discounting"-less than social discounts which are 50% typically and some are more comfortable with this strategy because they have more control
 - Clients usually present a 50/50 preference to selective discounting
- First question to ask: Why are you doing this?
 1. Bring people in who may not have been there before at a steep discount
 - Now ask does that person return?
 - Data gathering has shown that some are redeeming and returning but it is a less effective process for creating repeat visitors
 - Types of people you will get: A. New Arts Person or B. Might you be ending it to someone who was going anyway and is now going to go at a discount, even if they were initially willing to pay full price for the experience
 2. Are you devaluing the offer?
 - People won't go back without the discount now
 - Hard to move off price devaluation once it happens

- Example: go in for \$10, museum got your data, got you in for the discount and now want you to come back at \$20. Value of the experience was the discount based
- General thought: social discounting sites have not figured out the arts well, better for restaurants, spas, etc. that they have appealed to and worked for well.
- Experience of arts organizations hard to quantify
 - Examples: Ft. Worth Opera, Ballet Company in Canada-offered one performance all on Groupon
 - “Papering”-giving a free ticket. Groupon better for that so it’s all free.
 - So if the organization is happy to get anyone in-if it’s new for example, and then it works.
 - Telling people about yourself=worth it
 - Social Discount
 - Make them pay at a ladder and build up-does not work so well because it is all priced so low

Finances

- Recommend Craft a more strategic discount that is not 50% off
- Compare 3 Groupon sales and the revenue generated with 1 at full price
- Arts world seems stuck on 50% off
- “Deal seekers” just interested in the deal, not necessarily the cost of the discount so it does not have to be 50% off, but it is because in general, Americans are very bad at math and 50% off is easy to figure out. However, a more useful discount will be to have a \$ value off instead of a % off.
- Groupon good for the person and their company, not for the vendor
- It will be around for a long time so long as it continues to improve what it does for vendors
- The concept of it will remain

Goldstar

- Discounted entertainment offering
- On a list
- Curate your evening for 50% off
 - Contract with venue
 - Distressed inventory
 - Better than Groupon
 - Connect with businesses

Future

- Discounting will continue
- Internet and retailer discounts-very few sell anything at full price
- Trained to buy on discounts and bargain hunting

Thesis Research Interview

Interviewer: Megan Olver

Date: November 20, 2012

Subject: Elyse Poinsett

Location: Rosenbach Museum & Library

Length: 32 minutes

Time: 4:00pm-5:00pm

00:35

Megan: Thank you for meeting with me to discuss social couponing at the Rosenbach Museum and Library. My thesis project is about the different ways museums use social coupons, their reactions to them, the success or failure of offering a deal, etc. I was interested in the Rosenbach because it's a smaller institution and it tends to have very specific audiences so then I was surprised you started using Groupon and LivingSocial because they tend to have millions of subscribers. So I was interested in how it worked out for you and if it had desired results. And I was interested in your use of TravelZoo because that is a company I had never heard of another museum using. That's why I thought your institution might be very interesting to learn more about for my thesis project.

01:23

Elyse: Okay, who else have you talked too?

01:24

Megan: I've spoken with Historic Germantown and their Passport deal offered on Groupon and LivingSocial. I will be talking with Eastern State Penitentiary, and then either the Franklin or the PMA, which have used them for membership discounts. I had also spoken with Kendra Lawton at the Philadelphia Cultural Alliance and how Funsavers works. And the Historical Society of Pennsylvania, which solely uses Funsavers.

02:45

Megan: Just to clarify the social couponing sites you have used have been LivingSocial, Groupon, TravelZoo and the Philadelphia Funguide Funsavers. When did you start using these sites?

02:59

Elyse: When Groupon came to me it was 2010 and they couldn't even give me an example of another art organization that was using Groupon. The reason most businesses use social coupons is so different from the reason most nonprofits use social coupons. It's always interesting to get on the phone and talk with people who are trying to sell them to you. They have this totally weird perspective. For an organization the Rosenbach's size, frankly I will offer the tickets for free just to get the email list. You had talked about how the Rosenbach typically has these specialized of audiences we like to talk about, but that isn't necessarily how the marketing department or development wants the messaging or audience development to run. Part of serving everybody in the public is part of what we do. At the time the idea was that this is by far the most powerful tool to get a big list of

people who asked for such an email for free; in fact we were making money on getting the word out that we existed to a demographic that can be hard for the Rosenbach to reach. There was just no other free way of reaching this demographics as effectively, short of getting press for something relevant to their life specifically. What I was excited about was that I had access to a really big list and that was pretty much it. The first time around I was not worried about revenue, I was not worried about how many people actually bought the ticket or came to the Rosenbach. I was excited to have an email go out with our picture front and center with our name. Our website saw huge jumps the day the Groupon went out. So that was in the beginning when people did not know what this was going to become or what it will...or could... do. I quickly recognized that once you offer one group deal, every other site will call you that next week and want to get you to offer a deal with them. They are very aggressive about it. So my thought was, lets do one and see how it goes and maybe we can get on a schedule rotating to the other sites to reach their different audiences. And then the market exploded and there were 12 different sites you could use. It was overwhelming to figure out which ones were right for the Rosenbach and also just annoying. They are super aggressive. So we did one and then decided to wait at least 6 months before even talking to anybody else, just to see what the aftermath was. It worked, we sold 700 or something on our first Groupon-which at the time it was remarkable. We did a general admission offer so it had a low value. \$10 is the normal price and we offered it for \$5. The deals that tend to do better are in the \$20 to \$30 range because you can see more value and see more savings. We weren't losing that much money at all. Our thought was we could increase our general audience and reach a demographic. Bigger places like the PMA and Franklin are only going to do membership because they do not have the name recognition problem like the Rosenbach does; it is a completely different marketing game.

07:51

Megan: So it sounds like for the first time it was a "we'll try it and see what happens and the draw was the online impressions. When those people came did you develop a way to get their contact information once they got in the door or did you just use their receipt they bring in?

08:23

Elyse: This has changed. At the time we did not have a unique mechanism to get Groupon's information back to us. In fact, I was not that interested in getting them back again, but Groupon was pushing us towards retention. I was very focused on getting those online impressions I wasn't bothered with retention. Our normal retention strategies were in place such as gathering information at the visitor services desk. We just did not go above and beyond our normal, everyday procedures or treat them different from any other visitor.

09:13

Megan: I've noticed that some have had difficulty, just across the board, that businesses have trouble with retention of customers but since you have a strategy in place for that already it took care of itself.

09:29

Elyse: And the thing to remember about the Rosenbach is that we get about 15,000 visitors a year, we make no money at the door anyway. We've talked about having free admission sometimes because the \$10 does not cover the cost it is for the museum to have people come visit the Rosenbach. When you are a businesses you have the cost of material, staff, etc. and it's not the same model. Businesses worry about retention in a completely different way than nonprofits do because they have to recoup the money they just lost offering the Groupon. We have nothing to lose because our door was going to be open and we were going to be offering tours no matter what. If we were working at capacity and had to adjust staff because of the Groupon it will be a different conversation but we did not have to make any adjustments to our everyday procedures.

10:30

Megan: You had said LivingSocial had reached out to after the Groupon deal; do you have a preferred company to work with?

10:48

Elyse: With the exception of Funsavers, they are all equally difficult to work with. They tend to break promises and not good with timelines. They are working for companies who Groupon hires specifically to work one phone banking Philadelphia. They know very little. The customer service end is terrible but luckily they are not too difficult to execute. The thing that bothered me was that I had very little control over the messaging in the email. That was where the biggest back-and-forth with the couponing company came in, when they will just go on our website and start writing stuff about us for their blurb but they don't know what museums do or understand how they work. It was a struggle to get them to use words that made sense and weren't conflicting with what we are trying to say about ourselves.

11:56

Megan: Yes, that is one thing I've learned is that Groupon and LivingSocial will put tons of money into people to develop that promotional language but it does not always fit with the image the business or museum is trying to present.

12:17

Elyse: We were lucky because I came in right before I did the Groupon deal. My boss and I were in the middle of rethinking the voice of the institution. Our E-news has a dash of snark at a super casual vibe, which directly conflicts with the image of the audience you might think of that exists at the Rosenbach. That is sort of intentional, so the voice of the blurbs did not bother me that much because it kind of fit with what we were doing, just at a more extreme level. It was also a great fit because it was a great overlay with our social media audience (we did send out information via Facebook and Twitter that the offer was on) That was terrific because we had people thanking us. They were saying "Oh that's great I wanted to come back and now I can." People who we serve on social media seem to be well served by these social coupon deals as well.

13:32

Megan: That's great. That actually leads into my next question which was did you see a change in the audience after these deals or did it stay the same? Or were there any major differences and did it bring in the desired audience, like the social media connections?

13:57

Elyse: I don't know that I have enough information to track that. The other kicker is that even if I were to look at our demographics now compared to then, other efforts have contributed to audience changes. For example, the Colbert Report certainly lowered the average age of our visitors by 25 years. There are so many other things going on. Anecdotally, rather than statistically, it did bring in some younger people and our clout score has been increasing. (Clout Score-measurement of social media). I do think that the audience online did grow to a younger demographic.

15:07

Megan: You had kind of touched on this with other things. Is the social couponing just one little tool to have in your marketing toolkit, it's not something you will ever fully rely on?

15:26

Elyse: It's not something I will build in as part of our plan, at this point. It is something that I can look at our data coming in and I can make projections. For example the snow last year on Halloween. We have hundreds of people here for our DracFest and projecting forward I could see that I was not going to reach our admissions goals. A great solution was to do a LivingSocial deal because I could get 600-1,000 ticket sales in a very short amount of time and that probably 1/3-1/2 will show up so I could get a quick 200-300 people in the next four months to make up for the loss of DracFest. When you are working in an organization where the door revenue comprises a lot less of revenue than grants you need to show that your visitation is steady or, ideally, increasing, so even a drop in a few hundred visitors is not ideal. Group deals have helped us get a quick boost of visitors. So, it is a great reactionary tool but I don't plan to use it as part of the marketing plan. I would not say it's even a part of the toolkit, but rather in the closet next to your toolkit.

16:52

Megan: Okay, it's just something you can use when you need it. Did you have any kind of reactions from members when you offered these types of things? I have heard some kind of tricky balance between the membership who typically get in for free and then offering it discounted. There have been some cases where it has been a struggle between the two audiences of members and general public who see and purchase these deals.

17:26

Elyse: Well for the general admission, no. Something that is different from FI, Win, PMA there membership is calculated to be a little more than 2 visits so it is something that is very value hinged. At the Rosenbach membership is \$55 and it costs \$10 to come, so you have to come 5.5 times a year to get the value of the membership at the lowest level.

They are just not that worried about it and are giving for other reasons than value. Now, that being said, when we did the Funsavers we did the membership Funsaver deal and sold a couple dozen membership, probably 25-30 memberships each year we did it. We did have some issues with current members who we will send the renewal notice too with the full price and then they'd get the Funsaver deal and renew at the half-price membership. And that required just good customer service and we had to just let it slide. And that's unfortunate because when you get a \$500 member renewing for \$250 it's sort of a hit to your revenue stream, but at the same time they are renewing. That is really the only time we have had some trouble with our regular audience and Funsaver audience. But it was a good problem to have.

19:05

Megan: Right, because you still had an increase in membership. All right, so will you recommend these companies and social couponing deals to institutions of your size? Is it something you recommend they all try out or is not a one size fits all type of deal?

19:21

Elyse: Oh, I think everybody should try everything once. You never know what is going to hit or rock the world of your audience. I think the time people need to be careful is if their capacity to actually execute what they are promising is close. I knew I could sell 2,000 Groupon/LivingSocial whatever without having to bring in extra staff or extra tours and without having serious problems on site. But if you are a historic house museum with a 3-person staff, 600 visitors could be a real problem. The way our timelines stretched out we saw 1/3 of our audience in the first month and 1/3 of our audience in the last month, and then 1/3 in the 10 months in between. So there were two really powerful magnets at the beginning and end of the "claiming" timeline and for a smaller organization that could be really tough. When I do group deals the timeline is condensed so that I can more accurately predict when people will come. I started with a yearlong expiration date and now I am down to 3-4 months, to create that sense of urgency and so that I can predict when people will come in.

20:59

Megan: That makes sense. In terms of TravelZoo, how did that factor in? Groupon and LivingSocial are the big 2, so how did that company factor in to your deal strategy?

21:21

Elyse: So TravelZoo has a much more educated, on average, and much older and more female demographic than Groupon and LivingSocial. When I began to think more about the deals beyond the online impressions it made sense to me to try and target people we know are museum visitors. The bulk of their audience is middle aged rather than 20, so that appealed to me as a better fit for us as a museum and library, which is good for the middle aged crowd. TravelZoo was not as effective as Groupon and LivingSocial. They send out plain text emails, which at the time maybe they know their demographic but we sold around 60. The other part is they do a tier system you do an offer and depending on how well you do you get access to this next tier of emails. We did not achieve that but maybe for people who do it is much more beneficial.

22:53

Megan: So you said you had started doing this initially for the “try it effect” and online impressions. Have those goals changed at all since you started offering them? Has it become more of a revenue-generating tool or is it still to get your name out and fill up seats?

23:17

Elyse: I think the primary goal is still the impressions. We have a 1.3 million dollar budget so I do not get general marketing money; I get program-specific marketing money. Tools like this, we also partner with Yelp and Campus Philly, and those are the only ways we are generally getting the word out to that big audience. Other things have come into play, but online impressions are the main goal. I am very wary of getting into the habit of using them for general admission. It could become a leaky bucket approach to marketing. If I get used to having that bump of 500 people every year and then we miss a year... are we going to see a drop in our visitation? Is that drop ok because we've reached new people? I'm not sure. To be honest, I am sort of over the group deal thing. We just did one a month or two ago and I did that specifically because I knew we were going to be on the Colbert Report and if people saw us on that, and the audience overlaps for LivingSocial and Colbert Report basically 100%, it will be perfect if they saw us on July 17th and then got a LivingSocial that talked about our Steven Colbert exhibition 2 weeks later. I will not have done it this year without that good of a reason. The offer didn't go out till September, which was way too late to leverage on that audience but it was the way it worked out.

25:01

Megan: So you have just offered them on the general admission, and not for any special programs, correct? Will Dracula be considered a special program?

25:16

Elyse: The Dracula thing was because the festival got snowed out. I offered the deal to make up for that loss. It was not directly related. They are very reluctant to do anything too specific. More so than I am, I think. And the membership is tricky because we did not have great retention with the deals, we just did okay. I will not try to do this for a reading group-it's just not the right fit.

26:01

Megan: Okay, do you have any final thoughts on Groupon/LivingSocial? Do you think you'll stop it and try something different or keep them there as a possibility?

26:15

Elyse: What I think is that LivingSocial and Groupon in particular will continue to exist as long as there is a good enough market for them to exist. I can pretty much rely on them telling me when they are over, because they won't call me anymore. I will say that I don't

think that means just because this group tier might not be relevant, that doesn't mean they can't change their business model. I think they are already starting to do that, LivingSocial is offering more trips where they are partnering a winery with a lunch...

27:03

Megan: They have the goods store too.

27:05

Elyse: Yes, they are diversifying and I will not be opposed to partnering with them when they figure out what that next step is going to be. For example if there was a Jewish History in Philadelphia Pass with NMAJH and the Rosenbach with a LivingSocial Person busing them in between, or whatever, and we offered that and split the profits when it costs \$35-40. I can see us wanting to do that and partner/collaborate with other organizations with LivingSocial as the contractual body that orchestrated the agreement. It will change the dynamic of collaboration between 2 museums and I can see them packaging the Rosenbach with other organizations to make a nice activity. I will be excited to see that, and I think they might be heading there. They just haven't figured out how to package nonprofits as an experience but they have it down for businesses.

28:13

Megan: Do you have any final recommendations for institutions that are thinking of doing this sort of deal?

28:22

Elyse: I think you just have to know that it could become a "leaking bucket." You have to be prepared for your numbers to reflect that or adapt in some way to make sure that doesn't happen. The expiration and length of the offer is really important. A year is too long, 3 months is too short, but I am still experimenting. I think it is really important to expect that you can't really control the message or the timing. You have to be really open to their knowledge. As long as you are flexible and *just* trying to get the word out I don't think it will hurt.

29:03

Megan: Great, thank you very much for your time.

