

## The Future of the Daily Deal Industry

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By Boyan Josic, Founder &amp; CEO | September 27, 2011 |



Against the backdrop of Facebook exiting the daily deal space, Groupon being heavily criticized during their on-again, off-again, on-again IPO, Yelp cutting staff in half and drops in traffic on key sites, Dean DeBiase, named just this summer as Chairman and CEO of Entertainment.com, took the stage at our recent Daily Deal Media Forum as our kick-off keynote speaker.

And his message was exactly what all attendees and the daily deal industry at large needed to hear – that despite what pundits have been saying, the Golden Age of the daily deal is not over, in fact, it has not even begun.

Dean comes to Entertainment and the daily deal industry with a dynamic and innovative perspective on the where the industry is going.

An Internet pioneer, Dean has led numerous global organizations in the media, entertainment, advertising, retail, games, local/social/mobile commerce industries through expansion, M&A and IPO operating phases. He has been chief executive of more than a dozen private and public corporations and Fortune 500 subsidiaries, including CEO of TNS Media, where he orchestrated a roll-up of traditional and digital media groups that was subsequently acquired by WPP. He has also served as CEO of Autoweb, which he took public, built into one of the top web brands and merged with Autobytel, and CEO of The Imagination Network, a social media games company that was acquired by AOL.

This experience with varied platforms and with what at the time were burgeoning industries makes him not only ideally suited for Entertainment, but also affords him a very unique view into what is occurring in the daily deal industry.

As he stated, change is a normal operating procedure in any emerging industry. Certainly in the daily deal space, signs of that abound—he says he has never seen such a rush of people and companies into a sector like this before. But change is not a reason for alarm in any industry and should not be here, says Dean, because of the significant upside potential the category holds.

For example, he pointed out that local merchants have ample money to spend for marketing. While most of this is in the small budgets of individual merchants – mostly in the \$2,500 to \$5,000 range – this is not a problem for the industry and in fact is a benefit. That's because daily deals are one of the few promotion spaces where such small budgets could be used effectively.

Additionally, as Dean noted, these merchants are well accustomed to using the digital media to promote their business, but the great majority – over 80% – have not done so yet, indicating a huge market that providers have yet to tap.

Dean contends that much of the growing pains that the industry is going through currently come not from there being too many providers but from too little innovation. Most of the growth in providers, says Dean, is coming from imitators. And this, in his view, is a recipe that usually leads to an industry shakeout-consolidation phase. What we need, he said, is less imitation and more innovation – innovation in vertical categories, innovation in business models and innovation in merchant and consumer services.

Evidence of too many providers with little innovation can be seen in the fact that, as he pointed out, 40% of the available deals in the industry are coming from just two providers and that the median number of deals per source out there is 1.3. More striking is that only 4% of the major providers in the market (including Entertainment.com) offer deals in more than 25 markets – with the majority, some 70%, operating in the middle of the pack with only 2 to 9 markets.

In the middle of the pack, Dean contends, with the exception of unique/niche sites, there is little potential for driving repeat consumer engagements or for developing high value merchant programs and trusted brand relationships. Dean often tells his sales force, one of the largest in the industry, that when the merchant tells you he gets calls from dozens of deal vendors and isn't sure what to do, he says, tell them that when the time is right for you to launch a daily deal, do it with Living Social, Groupon or Entertainment, because these are the trusted brands that you can count on to impact your business and they will be here after the shakeout.

Dean remarked that upon his arrival at Entertainment this summer, he established an overriding strategy that the organization should optimize value to consumers and to retailers simultaneously. The mission of Entertainment, Dean says, is about constantly creating a platform of products that is highly valuable to the consumer but also provides a sound business model for merchants. It's easy to come up with a service that only helps a consumer or a merchant – but to do both at the same time is hard work. However he said, if you can do that, and achieve trusted brand status, you have created a very sustainable position that is easier to sell and defend in this competitive marketplace.

To make that vision a reality, Dean says Entertainment employs a “TraDigital” approach, a multi-media platform of traditional and digital offers that reach consumers who can access deals any way they want, wherever they are – from Entertainment's iconic “book” to keycards to online coupons to daily deals to anytime deals to mobile offers. Entertainment does this, he said, because TraDigital is the reality of where consumers work and entertain themselves and where advertisers place their bets every day. It's that degree of flexibility, Dean noted, that is missing from many existing models in the industry. For example, consumers demand complete flexibility in how to redeem offers – not how we tell them to. Offering the audience proof, he held up his phone and asked who always uses their smart phone to pass through airport security? When only a couple of us raised our hand, he concluded, welcome to the reality of the TraDigital world!

Besides platform flexibility, he stressed, you need to know your audiences. For example, if you want to target the 25+ prime spending mass-market as Entertainment does, you need broader market coverage with a wide footprint of locations. That's why they go beyond deals, overseeing a hyper-local offer network of over 70,000 local merchants, chains and regional outlets, national retailers and major brand advertisers that offer discounts in 150 markets and 500,000 locations. This network has allowed them to save consumers \$22 billion and generate over \$75 billion in sales for their merchant partners.

In Dean's view, the Golden Age of daily deals is yet to occur. But for that to happen, providers must take a look at developing innovation and new models that are based on better serving retailers, merchants and brands.

Be it a mass-market site or a niche vertical, develop uniqueness and be passionate about your own distribution channels, he offered, as Entertainment does, by not just selling through online, mobile and retail—but through youth marketing channels, where they sell through schools and community fundraisers—giving back over \$2.5 billion dollars of donations.

What's needed now, Dean concluded, are more innovative models that go beyond the deals and better deliver on what retailers need the most, and that's why they focus not only on consumer acquisition but retention and loyalty programs as well, that allow merchants to engage mass market consumers TraDigitally.

Lastly, with a future market sizing slide, showing intersecting multi-billion dollar markets ahead, he said, analysts are forecasting this to be a \$3 billion industry by 2014. Dean's view is that this far underestimates potential. He believes it is much broader than that. Analysts are just looking at the daily deal model forecast, he noted, and it's just the tip of the iceberg, with hundreds of billions of dollars of traditional and digital spending in and around these sectors being spent right now by both consumers and business.

Though it will not be a simple hill to climb, by focusing more on merchant lifecycle relationships with consumers, Dean says, the industry can seize their fair share of that multi-billion dollar market pie, ensuring that its best years are still ahead. That is not just exciting, he said, that it is where we are headed.

### About Entertainment

Entertainment Promotions™ (www.Entertainment.com) is a leader in providing the most recognized and purchased consumer discount and promotion products in communities throughout North America, Australia and New Zealand.

Entertainment® provides a mutually beneficial solution for consumers looking to spend less on the things they love to do, businesses seeking to increase sales and community partners searching for effective fundraising solutions.

Entertainment distributes a diverse suite of traditional and digital products and platforms including: Entertainment® Online, Entertainment® Daily Deals. Entertainment® Mobile and The Entertainment membership book; custom local discount products; co-branded online member discount sites; and specialized promotions designed for corporate clients, as well as consumer products such as Sally Foster®. For more information, visit [www.entertainment.com](http://www.entertainment.com) and [www.entertainment.com/fundraising](http://www.entertainment.com/fundraising).