

MIS 580

Week 3 – Jan. 28, 2016

Chapter 2 Paper – Michael Thuresson

Groupon, like Zara in the clothing industry (as described in the *Pearlson* text), does not possess a special level of IT infrastructure. Nor does it possess a rare resource for creating advantage. The hardware and software tools it uses are widely available and are not proprietary. Its IT strength, which in the RBV sense sustains its competitive advantage, lies in the way it creates information from its information resources and uses it. It has translated its IS into a competitive IT capability that is very difficult to imitate.

Groupon's competitive advantage stems from the way it has used Information Resources to build up an information repository that includes both local retailers AND national retail chains, and cuts across a broad spectrum of retail. Other niche daily deal sites tend to either focus on a special retail segment such as restaurants or merchandise, and the "sleeping giants" have a consumer brand associated with other services and lack the name recognition that Groupon has in this special niche.

Since the national chains are a highly visible and finite group that competitors can easily access to offer daily coupon deals, Groupon has cleverly realized that there is great differentiation value in amassing information related to local retail markets. This is a highly liquid, changeable area that rewards mobility and dedication to the business of building "information repositories".

This is why Groupon made the two acquisitions it did: Hyperpublic, the local database company, and Kima Labs, the mobile payment specialist, a technology that can turn those local directories into transactions. The fact that Groupon is focusing on national coverage of all significant localities gives it its competitive lead, and forward-looking decisions such as marrying its local databases to GPS technology are why it continues to maintain this lead.

I would argue that in the retail market, the ability to fuse IT resources with business strategy is a more sustainable competitive advantage than some proprietary algorithm or piece of intellectual property. Groupon, similar to what Craigslist has done with local classified ads, has effectively blocked competitors by correctly isolating what is most valuable: amassing local information on a national scale.

It's too late for Amazon and potential giants to go back and make themselves a daily coupon specialist, and Groupon has set itself up to continue a path of growth that may very well end with a larger e-commerce retail company like Amazon acquiring it.