

## MEMORANDUM

**To:** Andrew Mason, CEO  
Eric Lefkofsky, Executive Chairman  
Kal Raman, COO  
Ted Leonsis, Vice Chairman

**From:** Shannon Thompson, Vice President of Global Communications

**Date:** November 8, 2012

**Subject:** Immediate Communication Strategy, November-December 2012

Following the conference call this morning, the Communication department has worked diligently on the following strategy to combat the recent negative press. The purpose of this strategy will be to enhance the reputation of Groupon by fostering the public engagement of Groupon's target consumer, merchant and stakeholder audience that will lead to the increase in sales revenue in Q4.

### **Response to the Motley Fool article**

This article is indicative of a much larger issue that Groupon is facing in the press. Many articles criticize Groupon's accounting practices, business model, and stock value. The press does not currently view Groupon as a healthy and stable company. It's important to establish that Groupon is a reputable and respectable company.

In response to this article, a blog post outlining the following talking points will be developed. Andrew, this blog post should come from you and would ease the concerns of our shareholders. It would also show how our approach to business is different than our competitors.

- We apologize for the accounting errors that were made earlier this year. The errors stemmed from a lack of company-wide financial oversight. We have grown from this experience and are reevaluating our current financial structure.
- Our investment in a wide array of technology will be further developed and implemented by our merchants to make their businesses more efficient.
- This one-platform approach benefits the Groupon consumer and the Groupon merchant.

### **Groupon Hong Kong Incident**

After meeting with the legal team this morning, and due to the ongoing investigation and to avoid unnecessary liability, it was determined that the best way to respond to accident in Hong Kong was to issue a preliminary statement on Groupon's website. Groupon Hong Kong has also placed the statement on their website. The Communications team has been instructed to refer all media personnel to this statement and to indicate that the investigation is ongoing.

Please refer to ADDENDUM 3 to view the statement.

### **Response to the Reuters Article**

The best way that Groupon can respond to the previously discussed Reuters article is through a blog post aimed at:

## MEMORANDUM

- Groupon is committed to the success of small businesses.
- Groupon wants to help small business face the challenge that businesses face in retaining their customers.
- Groupon's technological investments will enhance the Groupon experience for merchants and customers.

The blog post does not directly reference the Reuters article but rather acts as a stand-alone piece. Once approved, the blog will be posted on the Groupon Blog, the Merchant Blog and sent in e-mail to all of Groupon's merchant partners.

Andrew, please review ADDENDUM 2 of this document that includes a draft version of this blog post. Please review the document and make any necessary changes by noon.

### **Groupon vs. Living Social**

The upcoming holiday season is crucial for Groupon for two reasons. First, there is a large opportunity for Groupon to increase revenues in Q4. Secondly, the Grouponicus Wintertime Celebration is an opportunity for Groupon to differentiate itself from its competitors.

Grouponicus Wintertime Celebration was designed to be a consumer oriented and social media driven campaign. Grouponicus places a strong emphasis on personalizing the gift giving experience of the holidays. This is best exemplified in the real-time gift suggestions consumers can receive using the #groupongifts hashtag, the Groupon Gift Finder and the Grouponcierge media tour. Living Social will not offer these types of services in their holiday promotions.

Living Social, like Groupon, has included charitable giving as part of their holiday promotions. They've partnered with Toys for Tots to match donations their consumers make. Grouponicus takes charitable giving one step further by participating in "The Big Give" holiday initiative and being a founding member of the #GivingTuesday movement which promotes charitable giving following Black Friday and Cyber Monday.

Considering that Groupon has a large social media following we expect that our consumer reach will be far greater than any of our competitors.

In order to outsell Living Social during the holiday and to promote Grouponicus, Groupon should:

- Develop a series of 30-second videos starring Tina Fey (who began her career in Chicago) acting as a Grouponcierge.
- Book the Grouponcierge on segments for the Today Show, The View, and Good Morning America. These segments should be designed to promote the #giftgiving hashtag and The Gift Guide with the Grouponcierge interacting with the members of the audience. Grouponcierge can use the Groupon mobile app to demonstrate its convenience and ease of use.
- Increase the visibility of Groupo the Bird and further develop his holiday story. He's a fun, festive, and colorful character that has become synonymous with Grouponicus.

Increasing his Twitter activity and featuring him in web advertisements will be unexpected and create buzz around Grouponicus.

## MEMORANDUM

### Kal Raman Media Event

Listed below are a list of reporters that should be invited to the one-day media event, a quick assessment of their coverage of Groupon and what types of questions they might ask.

- **Tom Taulli**, Contributor to Forbes.com, InvestorPlace Writer, and IPO Playbook Editor. He is a financial reporter and his coverage of Groupon has been fairly positive. He has discussed Groupon's IPO filing and recent technology acquisitions. He would most likely ask questions about Groupon's financial future and what these acquisitions mean for Groupon. This would be a great way for Kal to discuss how these acquisitions and investments in technology will help drive sales and what this means for investors.
- **Adrian Wooldridge**, Management Editor and Columnist of The Economist's Schumpter Column.  
The Schumpter column is primarily focused on business, finance and management. The previous coverage of Groupon has been balanced. The column has an international audience and offers an international perspective. Potential questions would most likely be geared towards Groupon's position in the international marketplace and how Kal plans on addressing international sales and operations.
- **Barbara Ortutay**, Technology Writer for the Associated Press.  
She has covered Groupon in the past and her coverage ranges from executive changes, stock performance, and Groupon's acquisitions. The Huffington Post and other organizations have picked up her articles. This is an opportunity to speak to a larger audience. The questions that would be asked would most likely be about Groupon's future in technology. This is where it would be imperative to show how Groupon plans to provide its merchants with tools to make their businesses more efficient (point-of-sale applications, appointment making software, etc.) and how this approach is different than our competitors.

To supplement the media event, it is recommended that Kal record a short YouTube video. Kal, this would a great opportunity to introduce yourself to Groupon's audiences, share your sales and operational philosophy and what your plans for Groupon.

### Conclusion

By following the aforementioned strategy, Groupon will be able to enhance its reputation and end Q4 on a high note. The key to this strategy is to position Groupon as a company that has acknowledged our mistakes, learned from them, and will work to perform better in the future. The Communications team is confident that we can approach these problems head on and prove to our critics that Groupon is a sustainable company that is here for the long-term.

On a positive note, Addendum 3 contains the draft annual letter to be included in the 2012 Annual Report. Please make any edits or changes by Dec. 1.

Thank you for your time and I look forward to hearing from you all soon.

Warm Regards,  
Shannon Thompson

## MEMORANDUM

### ADDENDUM 1

*Subject: Our Commitment to Small Business*

The first deal-of-the-day Groupon ever sold was for a half-price deal off a pizza place on the first floor of our old office building.

It's hard to believe that in four short years our merchant partner number has surpassed the half million mark and still the majority of our merchants continue to be small business owners.

We realize that we wouldn't be where we are today without our merchant partners. This is why we are constantly evaluating our business model and determining what works and what doesn't work. We've encountered a few bumps along the road but we're confident that we can continue to improve our relationship with our merchants. We never want to be a complacent company and that is why we always strive to do better.

I wanted to let you know of a few things Groupon is doing to better serve our merchants. We are motivated to get these enhancements rolled out to you in the early part of next year.

We've received important feedback that indicates that some of our merchants aren't able to retain their Groupon customers. Business retention is a challenge that all businesses, whether they are large or small, continually face. The difference is that large businesses can afford to allocate resources to solving this problem while small businesses just don't have the extra money to spend.

Groupon wants to help our small business merchants be successful in the marketplace. In addition to the consumer feedback and sales analytics/intelligence that is currently offered in the Merchant Dashboard, merchants will also be able to access tips on how to retain customers and strategies to maximize consumer spending (upselling and cross-promotion techniques). We are also in the process of rolling out quite a few pieces of software that will streamline processes and promote efficiency.

Members of our sales team will also be given the necessary resources and training to better assist our merchants in marketing and business decisions. We want the members of our Sales team to be viewed as trusted advisors by our merchant partners.

Ultimately, we want our merchants to succeed and we realize that we need to do more to help them do that.



## MEMORANDUM

### ADDENDUM 2

#### HONG KONG STATEMENT

Our thoughts and prayers are with the Groupon employee who was injured in an unfortunate accident in Hong Kong today. We wish them well and hope that they make a quick and full recovery.

Safety is our utmost priority and we are fully committed to ensuring that our employees remain safe and secure.

We are currently working with authorities to determine the cause of this tragic accident. Once those details are made available to us we will determine our next steps.

**ADDENDUM 3**

**Annual Letter by Andrew Mason, CEO**

Dear Stakeholders,

This year Groupon celebrated its fourth birthday. What began as a small business operating out of a small building in Chicago has transformed into a global business serving over 40 countries and 35 million registered users. Despite our global scale we have remained committed to our local merchants and providing the best deals for our customers.

When we look at 2012, we can see how Groupon has accomplished a tremendous amount of success, faced and overcame some serious challenges, and how our positive and energized attitude will shape our future.

**Our Accomplishments**

Our final numbers for 2012 are impressive and show that our customers and merchant partners are eager to use our services. Revenue grew from \$1.6 billion in 2011 to \$2.3 billion in 2012---a 45 percent increase. Our active customer count has surpassed the 41 million mark.

Nov. 2012 also saw the opening of Groupon's first brick and mortar store in Hong Kong. This store is the first of its kind and allows customers to buy and pick up their items in person. We have high hopes for this store site and we expect that it will continue to perform well.

Groupon has been primarily focused on acquiring technology driven companies this year. Some of our acquisitions include: Mercado, Uptake, FeeFighters and Breadcumb. The purpose of these acquisitions is to rectify our disparate systems and processes and to adapt these technologies into a system that our customers and merchant partners can use to enhance their own experiences. Our team is hard at work developing our new system and we hope to have it in production by next year.

**Our Learning Opportunities**

Our path to success has not come easily nor has it come without its challenges. It seems like we spent the better part of this year combating negative press attention and proving that we are a valuable and sustainable company.

This experience has caused us to reassess and make changes to our financial structure and processes. We have made a concerted and focused effort in becoming more transparent to renew your confidence in us.

**Our Future**

When I think about Groupon's future, I feel energized and excited for what is ahead.



## MEMORANDUM

Kal Raman's new role as Chief Operating Officer from his previous role as SVP of Sales and Operations is a welcome and well-deserving change. He's already taken an active role in his new position and we expect him to do great things in his new role.

Although we remain the world's largest and most profitable deal-of-the-day company, we see opportunities to diversify our business.

This is why Groupon has been hard at work at developing a platform solution for our local merchants. We see the value in continually investing into our merchant program and by doing so we provide an array of tools and resources that allow our merchants to be successful. The success of our merchant partners is of utmost importance to us. When our merchant partners are successful, Groupon is successful.

All of this work would not have been possible without our Board and the rest of our shareholders. Thank you for continued support.

Sincerely,

Andrew Mason