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Speaker: Kai-Lung Hui, Hong Kong University

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Location: VMH 2330

Title
When Discount Hurts Sales: The Case of Daily-Deal Markets

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Abstract:
Offering online daily deal has become a popular price promotion strategy for small-and medium-sized businesses. Here, we investigate whether the discounts offered by online daily deals help attract consumer purchases. By tracking the sales of 19,978 deals on Groupon.com and conducting a battery of identification and robustness tests, we find that deep discounts reduce sales. Specifically, a 1% increase in a deal's discount could decrease sales by 0.0352%. If the merchants offer 10% more discounts from the sample mean of 55.6%, the sales could reduce by 0.63 to 12.16%. This negative effect of discount is more prominent among credence goods and unpopular deals, and when the deals are offered to cities with higher income and better education. These findings indicate consumers are concerned about the quality of the deals, and excessive discounts could reduce sales immediately. We draw related managerial implications.

Bio:
Kai-Lung Hui is a visiting professor at UT Dallas, and a professor in the Department of Information Systems, Business Statistics, and Operations Management at the Hong Kong University of Science and Technology. His research interests include information privacy and security, information technology policies, and electronic commerce. His research has been published in scholarly journals including Management Science, Information Systems Research, MIS Quarterly, and Journal of MIS, among others. He has served on the editorial boards of various journals and conferences, and is currently a senior editor of Information Systems Research.
Dr. Hui has provided consulting services to various government and non-government organizations, including the Intellectual Property Department of the Hong Kong SAR Government, the World Intellectual Property Organization (WIPO), and the Ministry of Law of Singapore. He has taught courses in business strategy, privacy and security management, and technology management, among others. He obtained his BBA and PhD degrees from the Hong Kong University of Science and Technology.