

**VALUE PROPOSITION AND SOCIAL PROOF IN ONLINE DEALS:
HOW TO PREDICT SALES AND PICK WINNERS ON GROUPON**

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In this paper, we examine the role of value proposition and social proof on the success of localized online deals that are made available in coupon form. We develop a model to understand what factors affect coupon sales of a deal and conduct an empirical validation study on Groupon.com, the leading localized daily deal website. We find that both the value proposition and the level of social proof play an important role in demand generation for deals, and that our model can successfully predict future coupon sales. Based on our findings, we describe the implications of our prediction model which can be used as a decision support system for managers at social commerce firms. Our model allows managers to determine very early on which deals are most likely to succeed and which are likely to perform poorly, and take appropriate remedial action.

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