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Groupon cuts sales numbers in half; COO leaves for Google

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Groupon, the Chicago daily-deals website that created a sensation in online bargain hunting, on Friday restated its 2010 revenue to less than half what it had first reported — to $312.9 million from $713.4 million.

For the first half of fiscal 2011, the change drops its revenue to $688 million from the previously reported $1.5 billion.

The revenue correction was a result of Groupon agreeing in August to use a new and less controversial method to account for the revenue it collects from its "groupons" — the daily-deal coupons. The new numbers omit payments that Groupon makes to merchants for their part of the deals.

Meanwhile, its heralded hire in late April, Chief Operating Officer Margo Georgiadis, is heading back to Google after only five months on the job.

Georgiadis will get a promotion and she gets to keep 300,000 shares of already vested Groupon stock out of the 1.1 million that she received when she was hired. She will return to Google as president of the search-engine company's Americas unit. Before she left, she was Google's vice president of global sales planning and technology.

Groupon CEO Andrew Mason revealed the news in a blog posting in which he said the company has added eight members to its executive team this year. In a statement, Georgiadis said that "it was a hard decision to leave" as Chicago-based Groupon "is on a terrific path," and that she had "complete confidence in the team's ability to realize its mission."

The news follows the Aug. 30 departure of Brad Williams, a Yahoo executive who had been hired as Groupon's vice president of global communications. Williams exited only a month after he was hired.

Though no reason was given, Williams' departure came after Mason sent a memo to employees during what was supposed to be a "quiet period" before the company issues its stock to the public. In the memo, which was leaked to the media on Aug. 25, Mason said, "The degree to which we're getting the s--- kicked out of us in the press had finally crossed the threshold from 'annoying' to 'hilarious.'"

He wrote that "we must patiently and silently endure a bit more public criticism as we prepare to birth this IPO baby — a breed for which there are no epidurals."

The U.S. Securities and Exchange Commission contacted Groupon's attorney about the memo, according to media reports.

The SEC contact followed Groupon Chairman Eric Lefkofsky's comments on June 3 in which he said the company would be "wildly profitable."

Groupon has filed two amended reports with the SEC, one in which it backtracked from Lefkofsky's statement and another in which it dropped the controversial accounting method that analysts had questioned.

Groupon has reportedly delayed the stock offering, originally slated for mid- to late September, because of market volatility and the SEC review, and canceled a tour to tout the stock offering to potential investors. The public stock offering is now expected later this fall.

Groupon's leaders must decide whether the company needs the capital badly enough to go for a public stock offering in a difficult stock market and with the added uncertainty that the revenue restatement and executive exit bring, said one analyst.

"Having a COO leave during an IPO process is never a good thing. It's unusual," said Marc Morgenstern, Managing Partner of Blue Mesa Partners, a San Francisco-based private investment firm. "You're trying to present to the public markets your stability and predictability."

If Groupon needs new capital, it could decide to seek it in the private markets or by taking on a line of credit, he said. If it goes public, it could cut costs internally.

"If Groupon sells only a small amount of the company, it may not care about the price" in a public offering, Morgenstern said. "The company could say, 'Hey, I will earn everyone's respect back by performing quarter after quarter. It may be more expensive than I'd like but I'm a long-term player.'

He added: "The goal of being public may be important — it's about building the brand, providing liquidity and attracting employees."

Groupon also has taken a legal hit recently. In September, a former sales representative sued Groupon for allegedly failing to pay the inside salespeople overtime from the company's founding three years ago until March — a wage-law violation. Other employees not involved in the lawsuit posted comments on-line complaining that changes in Groupon’s sales management team had changed the previously “fun” atmosphere to one in which they are pressured to make quotas. A Groupon spokeswoman has said that the wage lawsuit has no merit and that the company’s success speaks for itself, counting 83 million subscribers versus 152,203 two years ago.
