One day after its disappointing earnings report, Groupon Inc. ousted its Chief Executive Andrew Mason on Thursday. WSJ's Evelyn Rusli reports. (Photo: AP)

Groupon Inc. on Thursday fired its eccentric 32-year-old chief Andrew Mason a day after the daily-deals company reported a quarterly loss that missed expectations and heightened scrutiny about whether its business model is flawed.

During a board meeting Thursday morning, Groupon directors requested Mr. Mason exit the company immediately, said a person familiar with the board.

Before the board meeting, tensions had flared between Mr. Mason and Groupon co-founder and Chairman Eric Lefkofsky. In late 2012, Mr. Lefkofsky began agitating for change, people familiar with the matter have said. He urged Mr. Mason to be more vocal in
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Mason?
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Groupon Shares Dive 25% on Earnings Miss

defending Groupon, which was dealing with a precipitous stock-price decline, one person has said. Shares fell 24% Thursday to $4.53 after the disappointing earnings.

Over the past month, at least one Groupon director reached out to other tech executives to compile a list of possible CEO replacements, said another person involved in the situation. It was unclear if the board member was acting on behalf of the board or if the approaches were informal.

Mr. Mason didn't return calls for comment. In a memo to employees that was by turns tongue-in-cheek and rueful, he said, "After four and a half intense and wonderful years as CEO of Groupon, I've decided that I'd like to spend more time with my family. Just kidding—I was fired today."

Groupon on Thursday said it is beginning an official search for a permanent CEO. In the meantime, Mr. Lefkofsky and another director, former AOL Inc. executive Ted Leonsis, will serve as interim co-CEOs. Neither will be candidates to become permanent CEO, said a person familiar with the board.

Mr. Lefkofsky and another Groupon co-founder Brad Keywell own more than 23% of the company.

In a memo to the staff, Messrs. Lefkosky and Leonsis didn't detail why they asked Mr. Mason to step down. But they praised his "super-human service to Groupon," and his role in creating "one of the fastest-growing companies in history."

Groupon, based in Chicago, pioneered a business of offering daily coupon deals for local merchants on the Internet that has since been imitated by many others.

Mr. Mason's departure makes him the highest profile casualty of the latest Internet boom-and-bust cycle.

A crop of technology startups including Groupon and social-games maker Zynga Inc. rode a wave of hype in 2010 and 2011, styling themselves as new Internet players that could profit off trends such as social networking and local e-commerce. Many of the companies rapidly reaped multibillion-dollar valuations in private rounds of financing.

But after some of the Web companies went public in late 2011 and 2012, their initial promise didn't bear out. Zynga, led by CEO Mark Pincus, is dealing with consumers shifting to mobile games and away from its online games, among other challenges. Facebook Inc., which went public in May 2012, grappled with expectations of a $100 billion valuation and is now trying to grow its online advertising business to justify that price tag. It's now worth $71.4 billion, including
restricted stock units and options.

Groupon is among the Web companies that stumbled the most. Groupon faces slowing consumer interest in its online coupons, and has restated its financial results more than once. To rev up growth, the company has tried shifting its business into new areas including discounted online goods, software for small businesses and electronic payments.

Few of those efforts are quickly paying off. Groupon has reported just one quarter of profits since its November 2011 IPO. On Wednesday, Groupon said its net loss widened to $81.1 million as it recorded shrinking margins, declining cash flow and projected weaker-than-expected sales for the current quarter.

"After last night's [quarterly results] performance there was no doubt this [exit] was going to happen," said B. Riley & Co. analyst Sameet Sinha, adding that the lesson for private companies now considering an IPO is: "If we don't have a good handle on our business let's not do an IPO. Just stay private, because the public markets are brutal."

Mr. Mason always cut an unlikely figure as a CEO, even among the hoodie-and-sandal-loving culture of Internet startups. A musician by training, Mr. Mason co-founded his startup in 2008—for which Mr. Lefkofsky provided some seed capital—not as a would-be e-commerce giant, but rather as a site called ThePoint.com, which helped people work together to accomplish campaigns, including community projects.

Even after he refocused his efforts on commerce, Mr. Mason seemed determined to keep a quirky edge both in the company culture and his own image. For one April Fool's day, he filmed himself pretending to be a creepy guy named Greg who pitches a promotion called "Monkey for a Week." The video featured him dancing to Shania Twain's "That Don't Impress Me Much," in between shilling for a monkey-loaning business.

By 2011, as consumer Web IPO-mania grew in advance of the Facebook IPO, Mr. Mason began saying his goal was to make Groupon the Amazon.com Inc. of local commerce, bringing online the physical retail economy that other Web companies have tried to tap without success.

In a January 2012 interview, Mr. Mason argued he was mature enough to be a CEO. "To the degree I was weird, I was weird before we were a public company and managed to get it worth whatever it's worth," he said.

In recent weeks, Mr. Mason jam-packed his schedule with meetings, said a person close to Mr. Mason. Last month, he embarked on a 10-day trip, hitting about 10 countries including Japan and
Australia to oversee Groupon’s international business.

On Thursday, Groupon held a companywide meeting at its headquarters that was also streamed online to address employee concerns. The group praised Mr. Mason and broadly discussed why the leadership change happened. By the time the company publicly announced the CEO change, Mr. Mason had left the building.

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