

In Modern Marketing, It's All About Location, Location, Location



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Destination CRM

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Location-based marketing, the practice of using a person's physical location to target him with just the right advertising message at just the right time, is certainly not new. Its roots might trace back to the first deli owner in New York to put his kid out on a street corner holding a sign proclaiming his bagels as the best in town.

It really started to flourish in the 1990s when the internet found its way into most people's homes. That allowed marketers to identify visitors to their websites based on their unique IP addresses, giving them a fairly accurate idea of where potential customers were down to the neighborhood or postal area.

Now, backed by recent advances in mobile phone technology, location-based marketing—also sometimes referred to as location-based advertising or proximity marketing—is one of the hottest trends in marketing, and it is only going to grow as mobile carriers roll out 5G cellular networks this year.

Already, nearly 97 percent of global companies use some location-based services, according to the Location-Based Marketing Association. A report from Factual/Lawless Research says that 90 percent of marketers use some location data in campaigns, and more than 60 percent of them use location data to drive personalization.

Additionally, almost nine in 10 marketers said location-based advertising and marketing resulted in higher sales, followed by growth in their customer base (86 percent) and higher customer engagement (84 percent).

The research also showed that marketers in 2019 spent \$26.5 billion on location-based ads, a figure that's expected to grow by more than 40 percent by 2022.

To further demonstrate the point, the Factual survey also revealed that 94 percent of marketers plan to use location data in their marketing and advertising campaigns, but other uses exist.

"With only 24 percent [of marketers] using location as a measurement tool, there is a huge, untapped opportunity for marketers to leverage location data for measurement, for offline conversion tracking, attribution, and insights," observes Brian Czarny, Factual's chief marketing officer, in the report.

“Marketers today are expected to be data-driven experts, and location data is able to help them through every step of the process, from understanding their audiences and engaging customers, to measuring results and attributing success.”

And the success of location-based marketing is attributable, according to Asif Khan, founder and president of the Location-Based Marketing Association. Location-based marketing, he says, is growing because businesses and consumers alike are seeing more value in it today than ever before.

Take, for example, Amplify Credit Union, which is based in Austin, Texas. It has used location-based marketing and geofencing to optimize the marketing for its mortgage and home equity lending. Location data provides the credit union with a more granular view of where its target audience might be. Instead of marketing to the entire city of Austin, the credit union tailors its offers to members and prospects based on their specific ZIP codes. The result has been a 400 percent boost in digital conversion rates, according to Felicia Morales, the financial institution’s digital marketing director.

Based on that success, Amplify will follow a similar strategy as it expands into the Dallas and Houston markets, Morales says.

Vendors also have a hand in the growing attention to location-based marketing. “App developers are doing a better job of communicating the value proposition,” Khan says. “People see the value in exchanging their location information. There’s a huge demand from the community. Overall, the market is strong.”

It wasn’t too long ago that people were uncomfortable sharing their location information. That has changed sharply, even if there’s no marketing offer attached to it.

Ride-sharing services like Uber and Lyft are big reasons for the growing consumer acceptance, as location data is critical for them, Khan points out.

Mobile apps that provide updated traffic information, such as Google Maps and Waze, have also acclimated consumers to readily sharing their location details.

Social media is another factor, as consumers have become comfortable with sharing their location on social media, checking in nearly everywhere they go, regardless of whether there is a benefit.

Customers know that sharing their locations not only will let friends and relatives know where to meet them, but some businesses might actually reward them for it.

THE LOCATION-BASED BASICS

Basic location-based marketing uses the internet, Wi-Fi, or beacons to determine the exact coordinates of a person—or, more accurately, the person's phone or other mobile device. This data is often collected in relation to business' brick-and-mortar sites, which they can then use to lure those people into those sites.

Location-based marketing also enables marketers to make specific offers to customers when they physically check in at a location or when they come within a certain distance of a business.

“Location-based marketing enables you to make more targeted offers,” says Hope Nieman, chief marketing officer at Tillster, a company that provides restaurant ordering solutions. “It makes ordering more convenient for customers.”

In addition to targeting specific customers with offers, more advanced techniques will use the location data to tailor the offers, Nieman adds. For example, a restaurant franchise might offer \$1 off soup to customers in Milwaukee and \$1 off a cold drink to customers in San Diego.

By using check-ins, geofencing, and geoconquesting, and combining location-based data with other customer information, marketers can better personalize their offers.

Check-ins: Yelp is by far the most common platform for consumers to check in to business locations. Companies commonly use the platform to offer rewards for first-time check-ins, with the idea that once a customer has checked in, he will be more engaged and therefore, more likely to visit again in the future.

Building loyalty after a customer's first visit to an establishment is very important, agrees Jeremy Jacobs, founder and CEO of Enlighten, which offers marketing and other technologies to the cannabis industry. Once a person checks in the first time, it's important to build the habit of frequenting the establishment rather than a competitor's, based on the customer's own purchasing tendencies (daily, weekly, monthly, etc.).

There is a risk, though, with check-ins. Customers could, theoretically, check into a location without actually being there, so other technology, such as geofencing, has to be in place to ensure that the consumer actually is where he says he is.

Geofencing: Geofencing uses Wi-Fi, beacons, or radio frequency identification technology to recognize when a customer crosses into a certain geographic boundary, which can be as small as a single building, or comes within a certain distance of an establishment. Once the person crosses the geofence, an alert is triggered, and the company can automatically push out a notification or specific promotion. Communications stop when the device exits the geofence boundary.

This type of activity often relies on the customer having installed the business's mobile app, but it is not always a requirement.

Geofencing is commonly used by restaurants, which often use this technique to build additional foot traffic.

Geofence boundaries can be altered to meet changing conditions.

In Mexico City, which notoriously has some of the worst traffic conditions in the world, Burger King franchises offered customers the "Traffic Jam Whopper," with free delivery via bicycle messenger to drivers stuck in traffic.

Burger King used a combination of Waze banner ads and outdoor signage to alert drivers of the offering, which they could order via the company's mobile app when they were within the geofenced area, which was designed to ensure the food would still be hot when it reached the stranded motorists.

The promotion was dynamic, able to shift locations depending on where the congestion was worst at given times.

According to Khan, participating restaurants saw a 63 percent jump in delivery orders, while downloads of the Burger King app rose significantly during the first week.

With the success of that program test, Burger King plans to roll out the program to other cities with excessive traffic congestion.

Geoconquesting: Geoconquesting acts in many ways as a “reverse geofence.” Rather than establishing a digital barrier around the company’s own stores, it geofences select competitors’ businesses. The idea is that the prospect is already looking to make a purchase, so the right compelling offer might entice him to leave the competitor and come into your store.

Here again, Burger King had huge success with this type of campaign. Some of the fast food chain’s locations offered Whoppers for hugely discounted prices to consumers who were within 600 feet of McDonald’s drive-through entrances. They typically had one hour to come into the nearest Burger King to redeem the offer before it was discontinued.

The program, which ran on the Tillster platform, was extremely successful, according to Khan.

Millions of customers downloaded the app in the first few days after the launch, which propelled it briefly to the top spot in Apple’s App Store and Google Play. Daily mobile orders per store grew by a factor of seven. And, outside of the demonstrable numbers, the promotion resulted in plenty of free mentions for Burger King on social media and other communications channels.

MAXIMIZING LOCATION-BASED BENEFITS

To get the most out location-based marketing, it’s not enough to merely track customer movements. Neiman recommends combining location information with segmentation and other customer data to improve the targeting of the offers.

“You can’t be pinging the phone with offers all of the time,” Neiman cautions. “You need to be more selective; if you’re too overt, customers are likely to unsubscribe.”

A coffee shop, for example, can probably send offers daily or weekly, while other establishments might be better served doing so less frequently, she says, pointing out that customers might stop in to the same coffee shop every day for their morning jolt but aren't likely to go to the same restaurant every day for lunch.

It also pays to be able to track campaign success. If, for example, a new customer redeems an initial offer and doesn't return, the establishment could attempt to increase the offer, as long as the customer retention cost doesn't outweigh the benefit to the business.

Nieman also cautions that location-based marketing needs to be used selectively. You don't want to send an offer to a customer who is coming to you anyway, she says, noting that a business gains little by offering 20 percent off when the customer was already going to buy the item for full price.

Businesses engaging consumers with location-based marketing campaigns also have to be aware of growing privacy concerns and tightening regulations around customer data.

While location-based data is readily available right now, companies' ability to use it could be facing some very strong headwinds in the not-too-distant future, according to Khan. Newer privacy laws, like the European Union's General Data Protection Regulation (GDPR) and the California Consumer Privacy Act (CCPA), have placed limits on how companies collect consumer information and what they can do with it. There is still some disagreement as to whether a person's location could be considered protected personal information, but businesses should prepare for that possibility just in case, experts advise.

Beyond the shifting privacy landscape, Khan and other experts expect location-based marketing to become more intertwined with other marketing techniques and technologies.

Chief among them will be 5G mobile networks, which are expected to explode in 2020. Because 5G can carry much greater volumes of information at much greater speeds and with far less latency, it will greatly expand the capabilities of location-based marketing, according to Khan. Companies could, for example, incorporate multimedia into location-based campaigns.

Connected cars will be a big area of growth for location-based marketing as well, Khan predicts.

Nieman expects marketers to continue refining their segmenting and targeting as well as their use of other customer data to continue to refine their location-based marketing efforts.

But in the end, location-based marketing shares one thing in common with all other forms of digital marketing: If the promotions are too generic or too frequent, customers will see them not as valuable offers but as a nuisance. Once that happens, they will be annoyed, will disengage, and could even be the source of some negative word of mouth.

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