Location-Based Marketing

NOW GOES FAR BEYOND THE IN-STORE OFFER
Retailers need to embrace location-based marketing or risk getting left behind. 84% of marketers currently use location data in their marketing and ad campaigns, and 94% plan to implement it in the future, according to a study by Factual. This versatile technology is more important than ever in a post-COVID-19 environment, offering retailers a near-limitless range of applications.

However, retailers that are just beginning to make use of location-based solutions should start by aligning them with existing personalization efforts, then using location tech to add data points and customer engagement opportunities.

“The thing that doesn’t change when you implement location-based marketing is the strong principles that you need to have with regards to segmentation, personalization and targeting,” said Phyllis Rothschild, Partner at McKinsey & Company in an interview with Retail TouchPoints. “You need to leverage those capabilities into location-based marketing. The same way that you’ve developed muscles with regards to personalization in terms of knowing who are the right segments, how you hit them with the right messages, at which time and through which medium — that is going to be just as important for location-based marketing.”

This Retail TouchPoints Tech Guide will provide insight into how retailers can deploy and support their location-based marketing efforts, keeping in mind best practices such as:

- **Be helpful, not creepy:** Delivering the right promotion at the right time can be a key conversion driver, but making shoppers feel like they’re always being watched is a surefire way to lose hard-earned loyalty;

- **Ensure (and communicate) privacy:** Location-based marketing collects and analyzes very personal data, so ensure that the safe handling of this information is both guaranteed and understood by shoppers;

- **Utilize geofencing to its fullest:** Location-based marketing can be used for applications including encouraging store visits, improving understanding of shopping habits and learning about competitors; and

- **Harness location to build on other efforts:** Location-based marketing is a perfect complement for other marketing communications, such as email and push notifications, and even loyalty-building exercises like loyalty programs.
LOCATION-BASED TECHNOLOGY CAN HELP REOPENING EFFORTS

Not all regions are reopening at the same pace or with the same enthusiasm, which can make post-COVID-19 marketing complicated. Retailers can utilize location-based systems to help them combat uncertainty, and to avoid either overspending in areas that are still experiencing low traffic or ceding market share in areas that are coming back faster than anticipated.

“You essentially have 50 different economic ecosystems today,” said Antonio Tomarchio, CEO of Cuebiq in an interview with Retail TouchPoints. “You even have differences intrastate because you have states that are applying a differentiated roadmap, like New York. If you’re a retailer, you must decide where to reopen and where to spend on marketing again, and if you don’t invest in marketing and lose market share, that will be a problem. You need absolutely real-time intelligence to understand where you stand in each state and in each county.”

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Proper use of location-based marketing tools is about striking a balance. A major benefit of this technology is its ability to target ads that go beyond traditional personalization efforts to be contextual in the moment. However, you don’t want customers to feel like they’re under Big Brother’s watchful eye during their visits. The key is to reach a level of targeting that feels comfortable without coming across as annoying or intrusive.

“There’s a general movement in our industry right now away from the super one-to-one targeted offer coupon or discount, the type of use of location data that was really prevalent five or six years ago,” said Asif Khan, Founder and President of the Location Based Marketing Association (LBMA) in an interview with Retail TouchPoints. “I’m not saying that’s all gone, but I am saying there’s a move toward targeting an audience, cohort or group that exhibits common behavior, rather than saying, ‘Hey, we see you’re in the store right now, here’s a coupon for you.’ Generally, people still think that’s kind of creepy.”

Khan went on to provide an example: if your data shows that a shopper visited Home Depot, Pizza Hut and a golf course, that provides three points that can be used to fit them into a broader audience. Retailers can then deliver a generic golf or hardware-related promotion when they enter the store, rather than calling them out with an offer pinpointed to them and them alone.

Not all data is equally sensitive, and not all consumers are equally protective of that data. McKinsey research found that tapping established data sources like purchase and search history in order to refine deals is acceptable to many shoppers. Younger, urban and wealthier shoppers, as well as those who are active on social media, are more comfortable with sharing data in general. In contrast, shoppers are still very concerned about the privacy of their emails and texts, and are very wary about in-store facial and voice recognition.

Additionally, it’s not just about collecting the right data — it’s about how you present your program to the shopper. Making location-based marketing an explicitly “opt-in” program can clear up confusion, provide more leeway and ensure your best deals are going to your most responsive customers.

“It has to be done with language that is a little bit more upfront, not like you’re signing a big contract — you actually want to read a clear email or a clear text that explains it,” said Rothschild. “Then the most important part that we’ve seen is being able to show what they’re getting in return. When you are clear about seeing things like, ‘We are going to tailor prices according to things that you’re interested in so you get either discounts or targeted pricing,’ or, ‘You’re going to actually get free products or services based on the things you’re interested in,’ — showing that clear quid pro quo is a best practice as well.”
While privacy concerns are top-of-mind for all retailers, they become even more important when rolling out location-based solutions. The nature of the technology can create weak points in a retailer’s security efforts, which can be potentially disastrous for a trust-based system that stores and analyzes personal information in real time.

“The data is in motion: it’s being absorbed, it’s being temporarily stored and then it’s being channeled away to another location,” said David Marcotte, SVP, Cross-Border Retail at Kantar Consulting in an interview with Retail TouchPoints. “Usually, if you’re going to get hacked, you’re going to get hacked when the data is moving out of the system. That’s the easiest to thing do, and it’s usually where the technology is most susceptible, because it’s a great place to save money. Don’t save money there.”

The other half of the challenge is assuring shoppers that their data is safe. This presents another reason why opt-in agreements can be helpful, provided retailers are very clear about how, when and why the customer’s data is being collected.

“In other words, it’s not just, ‘Download this app and get a coupon,’ it’s ‘By downloading this app, here’s the value that we’re providing you as a company,’ in terms of the benefits of having this app on your phone,” said Khan. “In exchange for that, we need this data in order to empower that experience for you to make it more effective and more personal.”

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DAVID MARCOTTE, KANTAR CONSULTING
While geofencing is simple on its face, its actual application takes a fair amount of thought. Retailers need to have a solid plan before they start delivering targeted in-store ads to their shoppers — and possibly even before they decide that targeted in-store ads are the right approach at all.

‘How I would use [geofencing] in a home improvement store is going to be radically different from how I’m going to use it in a convenience store,’ said Marcotte. ‘In convenience, for practical reasons, I want to know who is within a mile of the store. Chances are extremely good that if I can deliver the right message to them, they may take the nudge and make the visit. That type of geofencing doesn’t work very well for mass merchandising, where ‘Come on in and get a hot dog’ doesn’t play the same way. The dynamics are different in terms of the shopping trip.’

Additionally, using geofencing to deliver real-time promotions may not be as valuable to a retail marketer as leveraging location-based technology to learn more about the shape of shopper journeys — including the parts of those journeys that take place outside the retail store itself. Understanding where a shopper was prior to a store visit as well as where she went afterwards, along with information about visits to a competing retailer, can be valuable fodder for more sophisticated analytics.

In-store geofencing comes with some built-in limitations. “We’re not a big fan of [in-store geofencing] for a variety of reasons,” said Cuebiq’s Tomarchio. “First of all, you need to be there, pull out your phone and have an app. This means there are a certain number of things that need to happen, so the scalability of the approach in terms of the potential audience you can reach can be limited. The other reason why we’re skeptical is that if you are already there, maybe you will buy anyway. Yes, I can give you an offer, but my goal as a marketer should be to motivate people to move from their houses and visit my store in person. If they’re already there, that may be an example of selection bias.”

Tomarchio suggested that the technology can be used for tasks such as monitoring market share to see how your store traffic compares to that of rivals, or helping you track and understand which shoppers are truly the most loyal based on frequency of visits.

“Targeting in real time is like looking at a single data point,” said Tomarchio. “Instead, look at the bigger picture.”
Apply Location Data Throughout The Journey, From Start To Finish

Location-based marketing represents a process that can impact every step of a marketing strategy. Khan laid out the LBMA’s “three-layer location cake” to describe where the technology can apply across an entire customer journey:

- The bottom layer is figuring out how location data can be used to drive shoppers to the store. This is where shopping habits, social media preferences and other personal information can be used to refine other strategies.
- The middle layer is deciding what you want to do as a customer approaches and shops through the store. Not only can that data be used to deliver them a relevant offer, but the right approach can help optimize store layouts and staffing levels.
- The top layer is tying location data to the transaction, such as through CRM tools, loyalty programs and other sales drivers. Location and transactional information can work together to improve targeted marketing’s accuracy and directly drive sales.

Utilizing these capabilities in the right ways will be particularly important during the current reopening process, when shoppers are still nervous about being in public and are looking for a retailer they can trust. Location data can provide the backbone of a top-notch experience in the current operating environment — and good experiences are more important than ever.

"Understand how customers are thinking differently, behaving differently and willing to try new brands," said Rothschild. "We saw in our consumer sentiment surveys that upwards of 20% are willing to try new brands or new stores, and more than half of them intend to continue doing so. The more you can make a relevant offer that incorporates into their journey the better — your reward is going to be very important."

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PHYLLIS ROTHSCHILD, MCKINSEY AND COMPANY
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