



Location-Based Marketing:

Driving Sales in a 'What's Around Me?' World

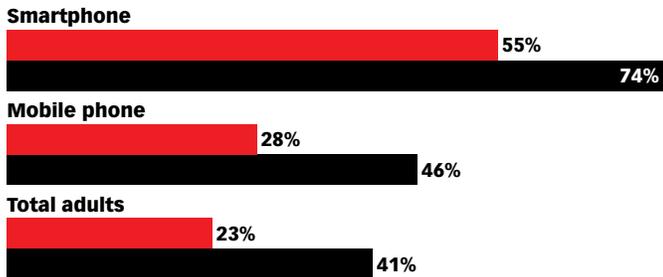
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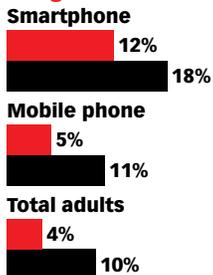
Executive Summary: The percentage of Americans using mobile phones to find local information is increasing dramatically and the number of people in the US broadcasting their location through geosocial sites is ticking steadily upwards. The burning question for most marketers is how to connect with these locally minded consumers.

US Consumers Who Use Location-Based Services, by Device Owned, May 2011 & Feb 2012 % of respondents

Use location-based information



Use geosocial/"check-in" services



■ May 2011 ■ Feb 2012

Source: Pew Internet & American Life Project, "Three-Quarters of Smartphone Owners Use Location-Based Services," May 11, 2012

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While many businesses are successfully driving foot traffic and sales through a variety of location-based marketing tactics, a precise formula for success remains to be written. The local-social-mobile nexus is awash with a dizzying array of buzzwords, platform providers and disparate data sources, often making it difficult for marketers to know where to start. Acquisitions and launches by the digital juggernauts—notably Facebook and Google—are adding to the confusion, yet also indicate a race is on to own the local-social-mobile space and the data that comes with it.

Meanwhile, consumers are actively weighing the risks of sharing their location against the rewards promised in return for doing so. The good news for marketers is that consumer attitudes are positive (albeit cautious), and interest in location-based services is growing. Opportunities abound for marketers that localize their marketing tactics, but success hinges on the delivery of highly relevant content and a high degree of transparency regarding how personal data is used.

Key Questions

- Where does commerce fit in the local-social-mobile nexus?
- Where are location-sharing platforms headed and will the check-in survive?
- What tactics are marketers using to drive local commerce?
- What is "geofencing" and how does it work?
- How can marketers address privacy concerns?

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Consumers Rely on Mobile for Local Discovery

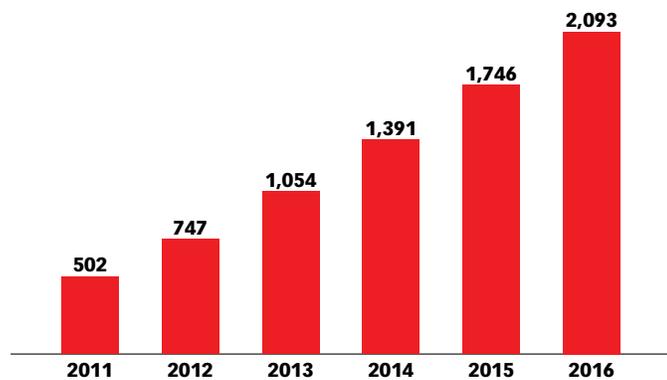
Shoppers are increasingly asking themselves, "What's near me?" because they know geosocial and location-based services on their mobile devices can provide answers and find nearby deals instantly. Marketers that sharpen their focus on location-based marketing tactics can successfully connect these location-minded consumers to businesses in their immediate vicinity.

Millions—Soon Billions—Seek Local Information

Depending on the definition used for location-based services—and there are many—the number of users for these services varies. Yet one thing is clear: Growth is robust. Cisco Systems, which includes personal navigation, point-of-interest (POI), friend-finder and family-tracker services in its definition of location-based services (LBS), projects the number of LBS users worldwide will nearly triple between 2012 and 2016.

Consumer Mobile Location-Based Service Users Worldwide, 2011-2016

millions



Note: includes services such as personal navigation, point of interest (POI), friend-finder and family-tracker services
 Source: Cisco Systems, "Visual Networking Index: Service Adoption Forecast, 2011–2016," May 30, 2012

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Use of location-based services in the US is on the rise as well. The Pew Internet & American Life Project found 74% of smartphone owners and 46% of adult mobile phone owners overall accessed location-based information services—defined by Pew as GPS-enabled map services or reviews of nearby attractions accessed via an app or mobile browser. These percentages were up significantly in February 2012 from the previous May, when 55% of smartphone owners and 28% of mobile users overall sought such services. To put these

figures into perspective, 41% of US adults used their mobile phones to get location-based information in February 2012, nearly double the number that did so just nine months earlier.

US Consumers Who Use Location-Based Services, by Device Owned, May 2011 & Feb 2012

% of respondents

Use location-based information



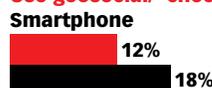
Mobile phone



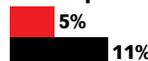
Total adults



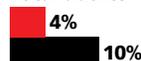
Use geosocial/"check-in" services



Mobile phone



Total adults



■ May 2011 ■ Feb 2012

Source: Pew Internet & American Life Project, "Three-Quarters of Smartphone Owners Use Location-Based Services," May 11, 2012

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Geosocial services, in which mobile users share their location with friends and followers, grew in popularity as well. When asked, "Do you use a service such as foursquare to check in to certain locations or to share your location with your friends?" nearly 1 in 5 smartphone owners surveyed by Pew in February 2012 said they did, a 50% increase from May 2011. The percentage among mobile phone users as a whole was also up significantly; roughly 1 in 10 reported using such services in February 2012 compared to nearly 1 in 20 the previous May.

Global consulting firm TNS, which uses the broadest definition of location-based services—navigation with maps, geosocial check-in services, restaurant and entertainment finders, and transportation services—found consumer interest in these mobile capabilities was high across the board. The company's "Mobile Life Study" showed nearly 30% of mobile users in the US were interested in using such services on their phones, but had yet to do so.

Increased adoption and interest in location services are being spurred by the rising number of smartphone owners. This correlation bodes well for further growth across the entire category of location-based services, as eMarketer forecasts US smartphone ownership will grow rapidly over the next four

years, increasing from roughly 116 million in 2012 to nearly 200 million in 2016.

Who Uses These Services and How Often?

According to data compiled by comScore for mobile-local advertising network xAd, in 2012's first quarter 65% of consumers who used their mobile phone to find local information were between the ages of 18 and 44 and nearly a third earned \$100,000 or more in annual household income. Not surprisingly, this profile mirrors that of the primary users of location-based services—smartphone owners.

A look at survey data compiled by Pew in February 2012 shows the percentage of smartphone owners who used geosocial services was lower across all demographic segments compared to the percentage that used location-based services. It's no surprise that the 18-to-29 age group reported using geosocial services the most. Hispanics and those with household incomes of \$40,000 or less overindexed in their use of check-in services, but the spikes for these two groups were small and likely to even out as smartphone ownership—the main factor fueling the use of geosocial services—increases across all population segments.

Demographic Profile of US Smartphone Owners Who Use Location-Based Services, Feb 2012

% of respondents in each group

	Location-based directions and info	Geosocial services*	Total
Gender			
Female	75%	20%	76%
Male	73%	17%	74%
Age			
18-29	80%	23%	82%
30-49	75%	17%	75%
50+	64%	14%	66%
Race/ethnicity			
White	76%	17%	77%
Hispanic	71%	23%	71%
Black	66%	21%	67%
Household income			
<\$40K	69%	23%	71%
\$40K-\$75K	77%	21%	77%
\$75K+	79%	15%	81%
Education level			
High school grad or less	65%	20%	67%
Some college	76%	19%	77%
College grad	79%	16%	80%
Total	74%	18%	75%

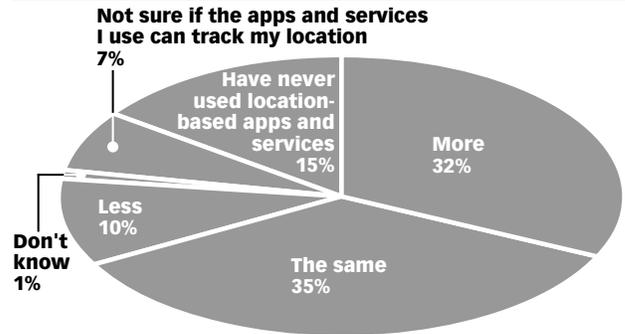
Note: *e.g., check-in apps such as foursquare
 Source: Pew Internet & American Life Project, "Three-Quarters of Smartphone Owners Use Location-Based Services," May 11, 2012

Twenty-seven percent of US smartphone owners surveyed by Google in March 2012 said they looked up local information on their phones every day and 31% did so every week. These results, taken together with data released by ISACA, a nonprofit global information security association, indicate consumers are

growing ever more reliant on their phones as a source of local information. The ISACA survey of smart device owners showed nearly a third of respondents used location-based apps and services more than they did 12 months before, while only 10% reported using them less.

Change in Location-Based App/Service Usage According to US Mobile App Users, March 2012

% of total



Note: n=489 smart device owners (i.e., mobile devices that connect to the internet such as smartphones, tablets or laptops) who use any app; vs. prior year
 Source: ISACA, "2012 Geolocation Use and Concerns Survey" conducted by ORC International, April 3, 2012

Geosocial Platforms Evolve and 'Like' Commerce

Social networks expanded the meaning of location-based services when they enabled friends to find each other by checking in to places they visited. This core utility grew in popularity when companies like foursquare and SCVNGR turned it into a game, letting consumers earn points and win bragging rights for frequent check-ins at their favorite locations.

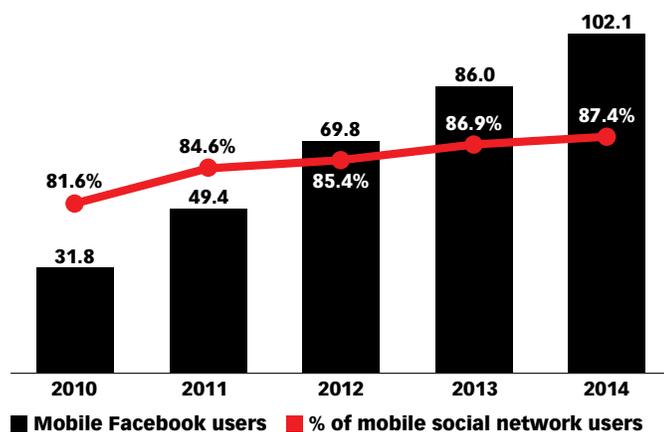
The geosocial landscape is dramatically different today. Most notably, the popularity of the check-in function has declined while the number of people accessing social networks from mobile devices has skyrocketed. In the process, many geosocial sites have fizzled for failing to provide a compelling user experience or business case, while others have been acquired by digital titans for their talent or technology. Recent acquisitions and product launches by Facebook and Google, as well as the recent overhaul of foursquare, indicate that the true potential of the local-social-mobile nexus lies in the ability to connect consumers with local businesses and ultimately drive commerce.

Facebook Expands Offers and Local Targeting

By the end of 2012, eMarketer forecasts, roughly a third of all mobile phone owners will access social networks via their phones—essentially double the number that did so two years ago—and 85% of mobile social networkers will use Facebook.

US Mobile Facebook Users and Penetration, 2010-2014

millions and % of mobile social network users



Note: mobile phone users of any age who access their Facebook account via mobile phone at least once per month
Source: eMarketer, July 2012

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Facebook has experimented with location-sharing features and mobile check-in deals for a few years, but recently the

company has sharpened its focus on amplifying local offers across the network and enabling businesses to tap into its wealth of location data to, among other things, fuel commerce.

For the past eight months, Facebook has been gobbling up mobile/social startups at a rapid rate. At the end of 2011, the social network giant swallowed up Gowalla, a location-based social network that, like foursquare, enabled its users to check in at "Spots" through a mobile application or mobile website. Then in April 2012, in the shadow of its \$1 billion acquisition of Instagram, Facebook made two other acquisitions. First, the company bought Gancee, an ambient discovery app that helped its users meet people around them with similar interests, and then purchased Tagtile, an in-store customer loyalty service that keeps customers engaged with a retailer through location-based messaging and customized offers. This last acquisition signals that Facebook may be interested in competing on the retail coupon front, an area Amazon, eBay and foursquare are also exploring.

In the midst of all these acquisitions, Facebook made two significant product announcements that suggest the company will serve as a broadcaster of deals and a host of geosocial apps (and their data) rather than trying to be a geosocial network itself. In February 2012, the company replaced its mobile-only Check-In Deals product with Facebook Offers, and in the process untethered deals from the physical location of a business and the mobile platform—presumably to provide greater reach for businesses. With Facebook Offers, if a person happens to claim a 20% discount offer from a Gap store in midtown Manhattan, his or her friends will see it in their mobile or desktop newsfeed and be able to claim the same offer regardless of whether they are in New York, a fan of the Gap page, or on a desktop PC or a mobile device. With the old Check-In Deals, a user could only have claimed the deal through a mobile device if he or she were near the specific Gap store in midtown Manhattan.

Roughly a month after the Facebook Offers announcement, the company added Place objects, which allow users to add location information to any photo, link or status on the Facebook platform to its Open Graph API. Facebook can then use that data to show such tagged posts to nearby friends, and third-party app developers can search posts by geographic coordinates and distance.

Speaking at the Where 2012 conference, Josh Williams, a product manager at Facebook, explained how place objects can help a concert venue sell additional tickets. "Using place objects in the Open Graph API, those third parties will be able to combine their knowledge with Facebook's," Williams was quoted as saying in an April 2, 2012, article published by Computerworld. "A ticket seller could inform someone if any of their Facebook friends were going to a given concert and that could give them the chance to meet up or let the vendor persuade the consumer to buy a ticket," Williams said.

Indeed, third-party app developers will benefit from linking their user data with Facebook's and in turn provide mobile social network users with more geographically and personally relevant content and local offers. Meanwhile, Facebook will focus on what it does best: amplifying those messages and collecting behavioral data on its users, with the goal of offering marketers better targeting parameters for advertisements and deals.

Google & foursquare Bring Suggestions Forward

While Google+ and foursquare are not nearly as influential as Facebook, the changes they're making are noteworthy because they again point to the increased role social networks are playing in connecting consumers with local businesses. Google's launch of Google+ Local in May 2012 and the overhaul of foursquare in June 2012 both put an emphasis on finding and searching recommendations based on location and the opinions of those in one's social network.

Google+ Local, essentially a recommendation engine, replaces Google Places and gives users a way to discover and share local information with people in their Google+ circles. Users of the Google+ Local social platform can find nearby businesses or conduct a search within a specific geographic area. Results include personal recommendations based on Zagat reviews, reviews from those in your circle, previous reviews of your own, as well as detailed business information, such as a map with a store's address and business hours. Google+ Local is fully integrated into the company's search, maps and mobile products so users can access the same information across the entire Google ecosystem. This integration is what differentiates Google+ Local from other services and is likely to be the characteristic that appeals most to consumers.

"If you search for [tacos] on Google+ Local, your results might include a friend's rave review of the Baja-style taco stand in your neighborhood," the company said in the launch announcement posted on May 30, 2012. "And if you're searching on Google or Google Maps for a great place to buy a gift for that same friend, your results might include a review from her about a boutique she shops at all the time."

"Getting local search right is important, and to do that you need great reviews," said Marissa Mayer, Google's since-departed vice president for local, maps and location services, in a May 30, 2012, article in The New York Times. Those at foursquare would likely agree, but might argue the Explore function in the redesign of their app provides a more personal local search experience.

The upgraded foursquare app focuses on social updates and emphasizes recommendations and deals, while the gaming features that had made the company famous—but had worn thin among users—are downplayed. foursquare is still part social network, part recommendation engine and part deal finder; the redesign has simply magnified its capabilities. The app offers personalized recommendations that appear without a query and

nearby specials based on users' location, tastes, their friends' behavior and opinions, and check-in information from users with similar preferences. No manual searching is required, although users can choose to browse by category or search for something specific.

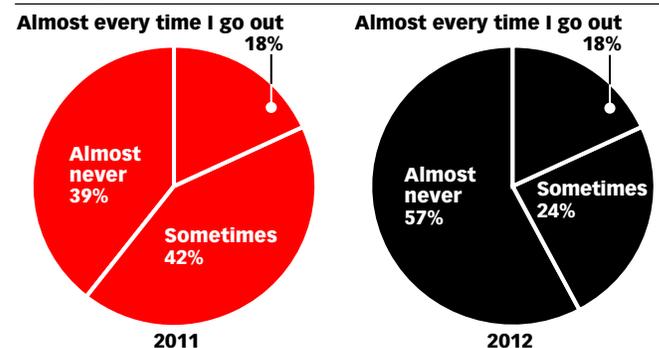
These moves by foursquare and Google would seem to indicate that the greatest potential within the geosocial landscape lies in using recommendations and ratings from those within a social network to sway the kinds of things consumers buy, eat and do. The challenge for these companies is growing their user base so the number of personally meaningful recommendations available can compete with the volume of public opinions available on sites such as Yelp and TripAdvisor.

Is the Check-In Checking Out?

As geosocial networks expand the services they offer, the importance of formally checking in to a location is diminishing. A small percentage of location-based social network users continues to check in regularly, but the larger group of casual users is losing interest. When Edison Research and Arbitron conducted a survey to compare check-in activity between 2011 and 2012, results showed the same percentage of users—roughly one fifth—checked in to locations every time they went out. However, the group that said they occasionally checked in dropped from 42% in 2011 to 25% in 2012 and the number that said they almost never checked in increased from 39% to 57%.

Frequency of Check-In Activity According to US Location-Based Social Network Users, 2011 & 2012

% of respondents



Note: among respondents who have ever used an online service to post a status update with location; numbers may not add up to 100% due to rounding

Source: Arbitron and Edison Research, "The Social Habit," June 4, 2012

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Meanwhile, startups focused on serendipitous discovery of people, places and offers are popping up on the geosocial scene. For example, Highlight, which debuted in January 2012, is a mobile app that alerts users when anyone running the Highlight app is nearby. The app runs in the background of the iPhone, continuously tracking location so when a fellow Highlight user is within close proximity, that person's profile will appear on your phone. The app is linked to a user's public Facebook account so the amount of data shared is rich (depending on the privacy settings chosen).

While the Highlight app is still in its infancy and needs to build a sizeable audience before its true potential can be gauged, it is easy to envision its marketing potential. For example, Highlight could create a connection between a user and a salesperson in a nearby store and that salesperson could send product recommendations based on the Highlight user's profile. The challenge for Highlight and marketers interested in leveraging the platform will be figure out how such spontaneous messaging capabilities fit in a mobile marketing world that emphasizes the importance of attaining consumer opt-ins to ensure messages sent are welcome by consumers.

BuzzMob, a location-based platform launched in the third quarter of 2011, is focusing on the transient social graph by connecting people who are sharing a physical space in real time—at a concert, for example. BuzzMobbbers can talk or share tips, photos and media with others at the event.

From a business perspective, Jeff Jackel, BuzzMob's president and CEO, sees shared experiences as ideal marketing moments. "When a band comes out for an encore at the end of a concert, everyone there shares in the excitement and a business can make that shared experience a marketing moment by delivering an exclusive MP3 to the phones of BuzzMobbbers at the concert," Jackel said. It's easy to imagine such a message saying, "Wasn't that encore great? Here's a free MP3 of the song the band just played," and it's free because it is ad supported.

If social discovery apps can attract large audiences, they could be the future of geosocial networks. However, it's not likely they will be the death of the check-in. Research indicates that the fate of the check-in lies in the hands of retail marketers; if mobile shoppers see a tangible benefit for checking in, they'll do it. Nearly 27% of smartphone and tablet owners surveyed by Prosper Mobile Insights between December 2011 and January 2012 said they checked in to stores specifically to get a discount while shopping.

Denny's, the family restaurant chain, is counting on such behavior and is backing up its check-ins with monetary rewards. With the June 2012 launch of its year-long 50 State Challenge, the restaurant is offering diners discounts for checking in to Denny's restaurants across the country.

The important takeaway is that the novelty of formally checking in to a location has worn off. Therefore, it's important to have a clear business objective in mind when integrating check-in functionality into a marketing campaign. In Denny's case, checking in rewards customers and it drives sales. For Chiquita Brands, integrating check-in functionality into its FanFun app encourages consumers to visit stores that carry Chiquita-brand bananas. Checking in at a participating grocer not only gives consumers a way to win prizes, it also helps Chiquita Brands build stronger relationships with its local affiliates. "Retailers make choices about which brands to carry, so increasing traffic for them with check-ins is particularly important to us," said Heath Osburn, Chiquita Brands' director of marketing and insights.

How Marketers Are Driving Foot Traffic and Sales

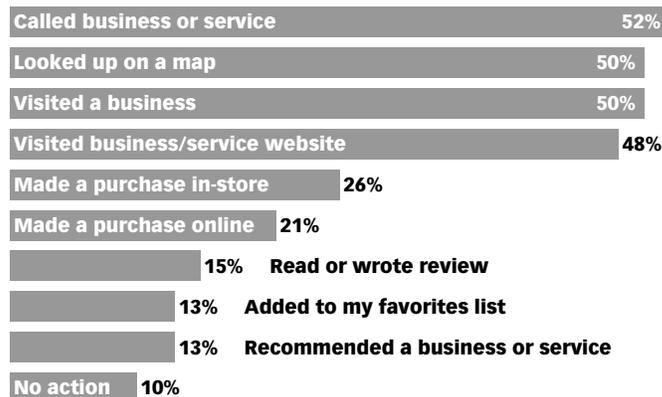
"When you incorporate location data, the mobile phone is a great tool for delivering messages a person can act on," said Alistair Goodman, CEO of location-based marketing firm Placecast. "When I'm headed to the mall on a Saturday morning, I've got my wallet and my phone. I'm going there to make a purchase. So it's a great time to put a relevant marketing message in front of me."

Putting a locally relevant message before a consumer could mean many things—from geotargeted alerts or push notifications to offering location-aware apps, deploying local/social networking tactics, building out a location-based loyalty program, or all of the above. The plethora of options leaves many marketers wondering where to start. "There are a bunch of emerging things that are either mobile-centric or location-based, but marketers need to recognize they can't do everything at once," said Mike Hogan, CMO and general manager of video game retailer GameStop.

Optimizing for local search is a logical first step. For smartphone owners, conducting a local search almost universally prompts action; only 10% of smartphone owners surveyed by Google in March 2012 said they did nothing after searching for local information on their phone. The majority of mobile searchers (50%) said they visited a store after searching for local information and a significant number (26%) made an in-store purchase.

Actions Taken After Searching for Local Information on Their Smartphone According to US Smartphone Owners, March 2012

% of respondents



Source: Google, "Our Mobile Planet" conducted by Ipsos MediaCT and TNS Infratest, May 15, 2012

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Brands and retailers can increase foot traffic and sales further by rolling other location-based marketing tactics into the mix.

eMarketer gathered data on recent campaigns and spoke to a range of mobile marketing experts, brand representatives and merchants to illustrate some of the location-based marketing tactics being used to increase foot traffic and drive sales.

'Geofencing' and Geotargeted Messages

Companies as varied as brewer MillerCoors and cosmetics retailer Kiehl's have successfully leveraged "geofencing" to send text messages to consumers to generate sales. A geofence is a virtual perimeter that is established around a physical place—a retail location, an airport, a sports arena, etc.—to send text or push notifications on an opt-in basis to mobile devices that enter or leave the defined area.

In the case of MillerCoors, the company partnered with mobile marketing agency Hipcricket in 2011 to create a geofence around 28 US airports in order to engage with Blue Moon beer fans and raise beer sales. The moment opted-in consumers arrived at the airport they received an alert that told them where they could buy a Blue Moon beer. After testing the program, MillerCoors expanded the campaign to include 59 airports.

Kiehl's partnered with Placecast in July 2011 to run a six-month pilot of ShopAlerts, geotargeted text messages sent on an opt-in basis to customers that came within close proximity of a Kiehl's store. While messages ranged from product announcements to free sample offers, the primary goal was to drive consumer engagement in-store. Based on the pilot test, "we know that 62% of people visited a Kiehl's retail store after receiving a Kiehl's alert, and 75% of people purchased something," said Frances Grant, the chain's vice president of retail marketing and customer relationship management. "Because of how successful the program has been in terms of acquiring customers, it's opened up a lot more exciting opportunities for us around local marketing," Grant said, adding that Kiehl's has also extended the ShopAlerts program beyond the pilot phase.

The key to success with geotargeted messaging is putting marketing muscle and money toward getting consumers to opt in. "Program owners want to obtain an opt-in because it enables consumers to set preferences and say the types of things they are interested in. Marketers can then use that data to make messages more relevant and increase response rates," said Placecast's Goodman.

Once opt-ins are secured, choosing the best locations to geofence is critical. While creating a geofence around one location makes sense, geofencing multiple places can be even more powerful. For example, a business that sets up a geofence around its own establishment as well as one around a competing location is able to entice two very different types of consumers—those in close proximity to their store and those thinking of visiting a competitor. Note, though,

that having clear opt-in language is even more critical when geofencing multiple locations so consumers are fully aware of the types of messages they may receive.

Leveraging Location to Inspire Loyalty

National brands from American Express to American Eagle Outfitters are turning to apps as a way to engage customers on the hyperlocal level and inspire loyalty by offering local deals or delivering special rewards.

In May 2012, American Express piloted a new My Offers feature within its iPhone app that presented card members with personalized deals based on their real-time physical location. When a consumer opened the app, "they [could] click to see 'Offers Available for You' to find a list of offers ranked based on relevance, taking into account the cardmember's spending history and their current location," said Bradley Minor, American Express' vice president of social media communications. To claim an offer, users simply needed to make the purchase with their American Express card and the savings were automatically delivered through a statement credit.

In June 2012, American Eagle Outfitters became one of the more than 4,000 retailers that use shopkick, a technology that recognizes smartphone owners as they enter a store and awards them points just for visiting. Points can be redeemed for gift cards, music and other items.

"Declaring presence upon entry into a store will revolutionize the in-store shopping experience," said Jack Philbin, president and CEO of mobile marketing solutions company Vibes. "The retailer can say 'Hello' and 'Here's what's on special today,' and on the way out give an incentive to come in next Saturday for the complementary items."

Intent Targeting

The amount of data consumers are publicly sharing is rising exponentially as more people access social networks through their phones. "People broadcasting their location or broadcasting a need for a product or service is the strongest signal there is in terms of intent," said Kathy Leake, president of LocalResponse, a location-based marketing company. Where marketers struggle is in reacting in real time to the vast amount of data and intentions being broadcast on social networks like Facebook.

"We help marketers respond to real-time consumer intent by aggregating data through multiple social networks and location-based services," said Leake. "We define intent as, for example, someone checking in to a location using a location-based service like foursquare. Someone could be posting their location publicly on Twitter, posting a picture on Instagram or expressing relevant sentiment publicly, as in 'I need new jeans,' which would be relevant to a marketer like Levi's or the Gap."

Clothing retailer H&M partnered with LocalResponse in 2011 to leverage real-time location and intent data broadcast on social networks to promote the launch of a new line of clothing inspired by the movie "The Girl with the Dragon Tattoo." The campaign targeted check-ins at H&M locations and mentions of the film or the clothing line on a variety of social media sites. If someone tweeted that they were in H&M or mentioned "The Girl with the Dragon Tattoo," H&M would respond via an @mention in less than 5 seconds with a bit.ly link to its mobile landing page. If someone publicly posted an intention—that they were in New York and needed new jeans, for example—within 24 hours of that post H&M served a banner ad about the film-inspired clothing launch. The @mentions generated a 33% clickthrough rate (CTR) for H&M and the intent-driven banner ads generated a 0.73% CTR (both of which are higher than the 0.6% average CTR for local mobile display ads reported by mobile-local ad network xAd for the fourth quarter of 2011).

Current location and intent are not the only opportunities; understanding and leveraging past behavior can be used to generate repeat purchases. "If a consumer checked in to a theater to see a romantic comedy in Q1 of 2012 and has expressed interest in this genre, the likelihood that she will like romantic comedies later in the year is probably great. This is especially important for businesses that are focused on remarketing to customers at a later date," Leake said.

In-Store Mapping and Messaging: The Next Step Forward?

Using mobile phones to deliver "welcome to the store" and "thanks for shopping" rewards are effective techniques for driving foot traffic and sales. However, the big leap forward, as eMarketer pointed out in a May 2012 report, "[How Retailers Are Leveraging 'Big Data' to Personalize Ecommerce](#)," is for retailers to collect, analyze and react to shopper behavior in real time.

In the context of location-based marketing, that means using mobile devices to detect and react to shoppers' intentions and goals while they're inside the store. "The whole shopping experience is changing. Consumers want to get dietary information and they want to get recipes on their mobile phones while they shop," said Jeff Hasen, chief marketing officer of Hipcricket.

Urban Airship, a mobile software company, and Meridien, an indoor mapping technology company, have teamed up to give retailers the ability to send highly targeted messages to shoppers as they walk through a store and make decisions. "We will know you're in the tomato sauce section and be able to deliver you a recipe, health information or point out the best value on the aisle," said Scott Townsend, director of marketing at Urban Airship.

Such in-store mapping capabilities are being explored by a host of companies, including Micello, aisle411, iViu Technologies and Point Inside, as well as by big guns like

Google, Apple and Microsoft. According to Wendy Burden, executive vice president for brand and business development at iViu, a location-based mobile media provider, the company piloted targeted in-store messaging programs with select retailers in the first half of 2012 and will launch campaigns with national retailers in late 2012.

Successfully combining in-store mapping data with real-time mobile messaging will enable retailers and brands to be personal shopping companions—greeting customers at the door, guiding them to areas of interest, answering questions, addressing complaints, delivering coupons and following up after they leave the store. "Mobile can create a seamless shopping experience, connecting awareness, engagement, transaction and loyalty, and it will help retailers build a personal profile and purchase history of individual shoppers," said Vibes' Philbin.

Knowing how shoppers move about a store in real time—where they dwell, where they don't—and being able to interact with them through their mobile devices open up inventory management and store design opportunities as well. National brands will gain insight into the best locations to place their in-store promotions and merchants can better manage inventory by offering discounts 'on the fly' for products that aren't moving off the shelves.

While these capabilities need time to mature and be field tested, they hold great potential for brands and retailers to improve the shopping experience for consumers and, in turn, increase overall sales.

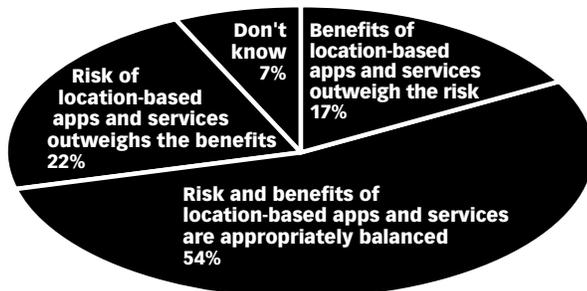
The Key to Success: Transparency

Beyond local advertising, most location-based marketing tactics require consumers to opt in or give permission to track their location. Consumer adoption of location services and the success of marketing campaigns will ultimately be determined by the value proposition offered by marketers and the degree of transparency regarding the use of personal data.

Consumers are testing the waters with various location-based apps and services, and while some data suggests they are satisfied with what they've seen so far, other results point to challenges to come. Of 260 mobile phone owners surveyed by On Device Research for the Interactive Advertising Bureau (IAB) in the second quarter of 2012, 70% said they considered ads on their mobile phone as a "personal invitation," as opposed to a "personal invasion." And when it comes to sharing location data, most mobile app users feel the risks and benefits are appropriately balanced, according to a survey commissioned by ISACA and conducted by ORC International in March 2012.

Risk vs. Benefit of Using Location-Based Apps/Services According to US Mobile App Users, March 2012

% of total



Note: n=512 smart device owners (i.e., mobile devices that connect to the internet such as smartphones, tablets or laptops) who use any app
Source: ISACA, "2012 Geolocation Use and Concerns Survey" conducted by ORC International, April 3, 2012

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Still, a significant number of those surveyed for ISACA—more than 1 in 5—felt the opposite, that the risks of sharing their location outweighed the rewards. The top concerns cited were strangers learning too much about their activities and personal information being used for marketing purposes. Interestingly, nearly half of respondents surveyed for ISACA said they read the user agreements of apps, which should, at the very least, be an indicator to marketers that consumers are keeping an eye on how their data will be used.

Primary Concern About Location-Based Apps/Services According to US Mobile App Users, March 2012

% of total

Strangers knowing too much about my activities

24%

My information being shared and used for marketing purposes

24%

Personal safety

21%

Government knowing too much about my activities

12%

Family and friends knowing too much about my activities

5%

Employer knowing too much about my activities

4%

Not concerned about location-based apps and services

6%

Don't know

4%

Note: n=512 smart device owners (i.e., mobile devices that connect to the internet such as smartphones, tablets or laptops) who use any app
Source: ISACA, "2012 Geolocation Use and Concerns Survey" conducted by ORC International, April 3, 2012

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"Success in location-based marketing comes when campaigns deliver relevant information at the right time to mobile subscribers who have opted in—either through a call to action from the brand running the campaign or through the social media platform that allows mobile communication and interaction," said Michael Levinsohn, executive chairman of Archer, a mobile technology and services firm.

Overzealous marketers that aren't transparent with privacy policies or send unsolicited, irrelevant marketing messages risk irritating consumers and tarnishing brand reputations. "That's pretty much what has happened in countries like South Korea, which are far more advanced with such things as mobile couponing and mobile loyalty programs than we are in the United States. When a marketer there sends out unsolicited messages, subscribers are quick to respond negatively," Levinsohn said.

Privacy issues in the US are a moving target and consumer temperature on this topic is likely to fluctuate. However, one thing is certain: Marketers are operating in a user-centric world and consumers want to know their privacy concerns are being addressed. Businesses that succeed will be the ones that are transparent about the data they use, the manner in which they use it, and, in turn, deliver content that is contextually relevant and useful for the consumer.

Conclusions

Consumers are addicted to using mobile devices to discover the world around them—to find the best places to visit, eat and shop. Marketers must consider how to localize their marketing tactics to engage with these on-the-go, tech-savvy shoppers to increase sales and instill loyalty.

While the versatility of mobile devices is the biggest asset for consumers, it remains the biggest challenge for marketers. Location-based marketing is an evolving practice so a clear road map is not yet available to show marketers exactly how to weave varied tactics together to increase revenues. Research data, industry shifts and successes in the field highlight opportunities that exist:

- Research data suggests local search is successfully guiding consumers to stores and increasing sales.
- Social networks are making it easier for businesses to broadcast deals and recommendations across a wider network of users in real time with improved location and mobile targeting.
- Implicit and explicit location and behavioral data from social networks are being mined to establish purchase intent. In turn, such data is being used to target deals, messages and advertisements that drive foot traffic and sales.
- Opt-in messaging campaigns and location-aware apps are attracting new customers and inspiring loyalty through location-targeted (and increasingly behavior-targeted) offers.

As smartphone adoption grows over the next four years, the number of consumers using location-based and geosocial services will grow exponentially. The amount of behavioral data available will proliferate and offer greater opportunities to marketers. Success, however, will hinge on marketers providing a high degree of transparency regarding the use of personal data and delivering tangible rewards or relevant content that improves a customer's shopping experience.

eMarketer Interviews

Denny's Serves Up Loyalty with Launch of Mobile-Local App



John Dillon

Vice President of Brand Marketing and Product Development

Denny's

Interview conducted on June 19, 2012

With Mobile Wallets and Card-Linked Offers, Placecast Sees Location-Based Marketing's Future



Alistair Goodman

CEO

Placecast

Interview conducted on June, 18, 2012

Tapping into Geo-Social Data to Drive In-Store Traffic



Kathy Leake

President and Cofounder

LocalResponse

Interview conducted on June 18, 2012



Margaret Glover-Campbell

Senior Vice President, Marketing and External Relations

Poynt

Interview conducted on June 13, 2012.



Frances Grant

Vice President of Retail Marketing and CRM

Kiehl's

Interview conducted on June 25, 2012



Jeff Hasen

Chief Marketing Officer

Hipcricket

Interview conducted on June 13, 2012



Jeff Jackel

Founder, President and CEO

BuzzMob

Interview conducted on June 14, 2012



Omar Kaywan

Director, Mobile Advertising

airG

Interview conducted on June 12, 2012



Michael Levinsohn

Executive Chairman

Archer

Interview conducted on June 22, 2012



Dejan Mirkovic

Vice President, Corporate Development

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Heath Osburn

Director of Marketing Insights

Chiquita Brands

Interview conducted on June 26, 2012



Jack Philbin

Co-Founder, President and CEO

Vibes

Interview conducted on June 12, 2012



Scott Townsend

Director of Marketing

Urban Airship

Interview conducted on June 12, 2012

Troy Brown

President

One50one

Interview conducted on June 22, 2012

Wendy Burden

Executive Vice President Brand and Business Development

iViu Technologies

Interview conducted on July 6, 2012

Bradley Minor

Vice President, Social Media Communications

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Annie Ta

Spokeswoman

Facebook

Interview conducted on June 21, 2012

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