CLICKS TO BRICKS

THE FUTURE OF PROXIMITY MARKETING AND THE NEXT GENERATION OF LOCATION-BASED SERVICES

EXECUTIVE SUMMARY

The concurrent change in consumer behavior and location-based technologies, fueled by mobile computing, has created a transformational opportunity for media, content owners, brand and retailers. By any metric, smartphones have changed the way people work and live – with one of the most profound changes being how consumers discover and buy products. Though product discovery is increasingly happening online, fueling the rapid growth of ecommerce, it's still critically important to recognize that 94% of all purchasing still takes place in brick-and-mortar retail stores[1].

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[1] ATKearny Study -- On Solid Ground: Brick and Mortar is the Foundation of Solid Omnichannel Marketing

This paper outlines the underlying reasons behind these trends, the critical success factors and the imperatives for companies wishing to capitalize on the opportunity.

What is proximity marketing?

In the simplest form, a smartphone is able to "sense" its location (i.e., latitude and longitude). If we know where you are, and we know what is around you, we have an actionable **context** to deliver relevant product suggestions or offers. Thus far, the first generation of location-based marketing can deliver a mobile ad unit, typically with some sort of discount, to users near a retail location – but users want something more relevant and personal.

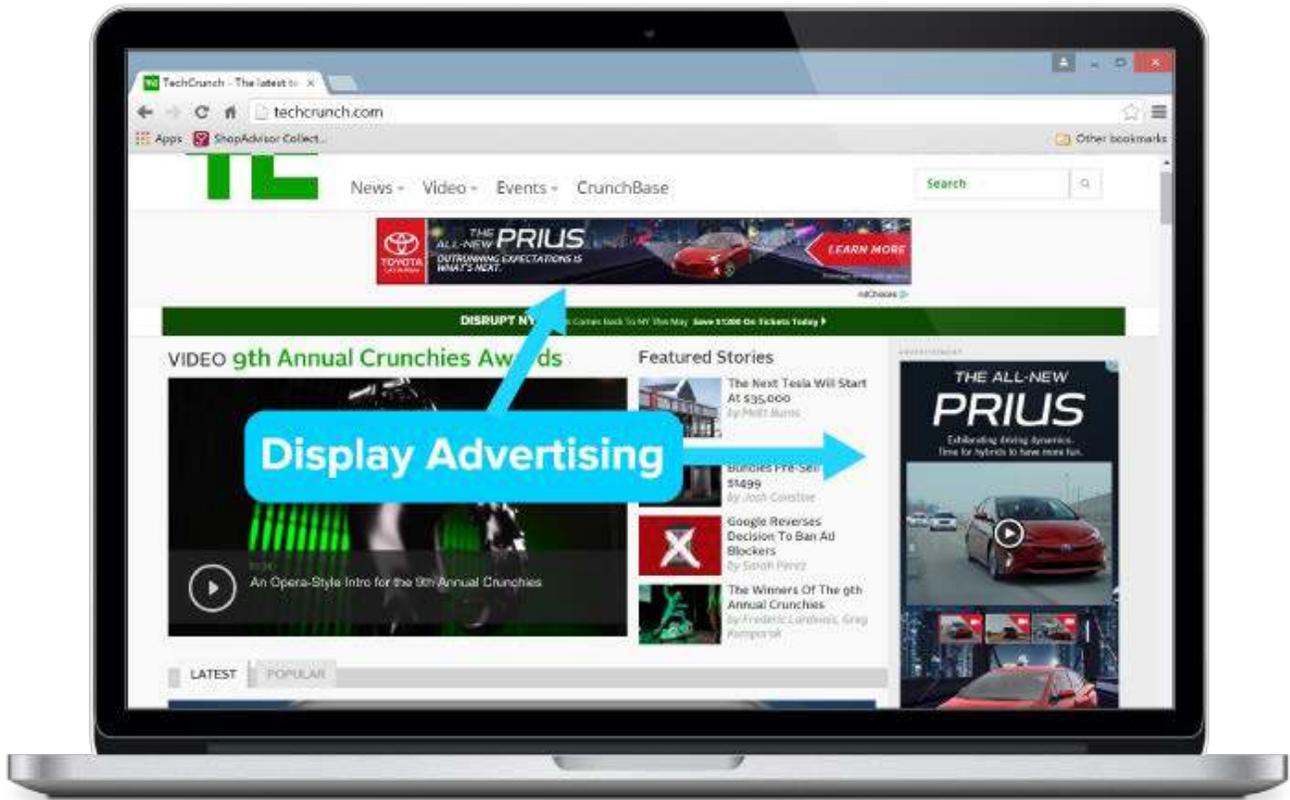**Person Strolls by Your Business** → **Message is Broadcast from On-Site** → **Tailored Message Arrives Instantly**

Using location to understand **context** has and will continue to have a profound impact on the efficacy of mobile advertising. Recent studies[2] show click through rates (CTRs) that are exponentially better than the first generation of simple mobile advertising.

What have we learned from the web?

While knowledge of who and what is nearby can improve context, the web has taught us that untargeted advertising is ineffective. Users have come to accept that websites are full of display advertising, and that most of it is irrelevant to them. Despite this, users are willing to exchange this annoyance for access to the free content provided on the site, such as stock prices, news, sports and weather. There is an implicit exchange of value between the users and the site owner who is typically making money from advertisers. However, display advertising prices have plummeted because CTRs are very low, waste is very high, and advertisers have not received measurable value.

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[2] http://www.smartinsights.com/internet-advertising/internet-advertising-analytics/display-advertising-clickthrough-rates/

With the advent of re-marketing tools and tactics, more relevant ads began to appear in unlikely places. Users noticed that when they searched for running shoes, advertisements from Nike and Reebok started to appear on their favorite websites, in email, and so forth. These ads are more relevant, targeted, and as a result, CTRs increased. However, concerns about user privacy, data gathering, and cookies have emerged, increasingly inciting users to disable such tactics, enable ad-blockers, and resist the "creepy surveillance" of unsolicited marketing.

This need for personalization and value is even more profound when coupled with our mobile experience. When used effectively, this technological intimacy provides great value, like when your phone reminds you that there is heavy traffic between here and your next appointment. When used poorly, however, it becomes an annoyance – or worse, an invasion of privacy – akin to advertising running shoes to people who don't run or a pop-up ad when you're in the middle of accessing content.

Why is mobile so different?

The model for consuming mobile content is more fragmented because of the proliferation of apps. Unlike the PC, where a single browser is the entry point for all of your websites, separate apps serve us our music, news, weather, sports, email, mapping/navigation, shopping assistance, games and more. If an app does something that annoys the user, it's removed with a click, and if there is not a truly compelling reason for its existence, it's never even downloaded in the first place.

So, when mobile marketing or retargeting is used productively, like when an app reminds you that there is a product you have repeatedly shown interest in, it has great value.
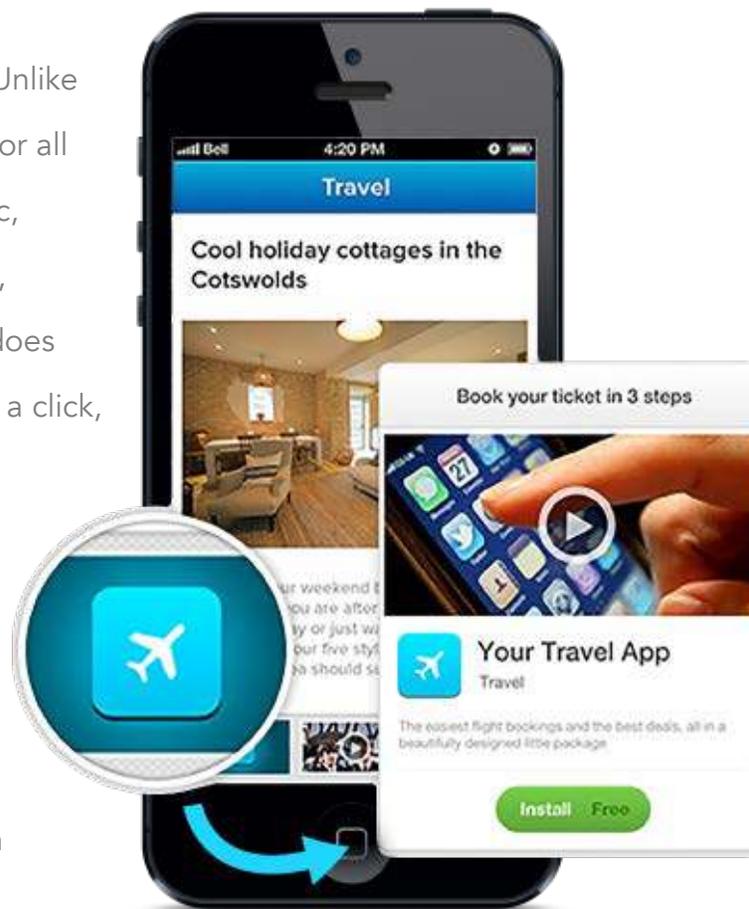
How can you make proximity marketing work for you?

The power unleashed by location-based services and enhanced by smart analytics is the way to enable a more relevant and personalized marketing experience. This is much easier said than done, however, as overcoming the challenges around user privacy is the difference between an incremental improvement and a true transformational opportunity. The keys to success are simple:

1) **The user must be in control**. They will opt-in to sharing information about their interests, preferences, and purchase intent only if there is an explicit exchange of value. This value can be: monetary, like a discount; exclusive, like an invitation to be the first to know; or

visceral, as in "buy this and you will be a better person" (e.g. more beautiful, healthier, a better parent, etc.).

2) **Blend credible content with the offer to drive response**. It's the same principle behind native advertising – when a trusted source, like the editor of our favorite magazine, recommends products or a like-minded consumer comments favorably or unfavorably, we pay attention.

3) **Provide context**. Knowledge of the users' preferences combined with knowledge of their surroundings creates an environment where everyone wins.

   a. Consumers get valuable and relevant offers, such as "the running shoes you saw in your favorite health magazine are available here."

   b. Retailers reach highly qualified consumers that are proven to access more content, visit stores more frequently, and have larger shopping baskets.

What technologies are involved?

Two prominent technologies figure into the mobile proximity ecosystem: geo-fencing and beacon technology. Geo-fencing creates a virtual perimeter encompassing a store, parking lot or larger geographic area. When a user enters a geo-fence, based again on context and preferences, we can alert the user to relevant information around them. All of the major smartphone operating systems natively support this technology, including iOS and Android.

To utilize micro location, like the makeup counter at Bloomingdale's or the men's department in Macy's, beacon technology gives us the additional granularity needed. A beacon is a very inexpensive device, roughly half the size of a credit card, that broadcasts a Bluetooth Low Energy (BLE) signal, identifying itself to smartphones within its range. If a smartphone user has opted-in to listening for those specific beacons, then that information can be relayed to us, allowing us to understand that we have brought a shopper into a store or even to a particular

area within that establishment. Beacon hardware has become commoditized, driving their cost down, which has made them ubiquitous. Like geo-fences, BLE beacons are supported by all major smart phone operating systems.

When coupling both of these technologies with an intelligent app and smart analytics, the insight and intelligence on consumer preferences improves the entire advertising, marketing, shopping and buying experience for all parties involved.

It's already working, so why are you waiting?

The bottom line is that all the pieces are in place for brands, advertisers, retailers and consumers to take the plunge into this new world. Estimates indicate that a significant percentage of as much as $9 billion in traditional online advertising will move to this new paradigm where the ubiquitous smartphone will be at the center of all this activity. The age of spam, banner advertising and imprecise, impersonal online advertising will now give way to the world of data science and analytics coupled with proximity-based context, providing something altogether more useful and impactful for brands, publishers, retailers and consumers.

ShopAdvisor has already helped many forward-thinking retailers and publishers implement some of the first large scale deployments of these "clicks to bricks" capabilities.