

GEOLOCATION: Advertising's

Future

OR

THE PROMISE
OF SENDING
TAILORED ADS
TO CUSTOMERS'
MOBILE DEVICES
IS APPEALING,
BUT PRIVACY
ISSUES REMAIN

BY BRITTANY FARB

Airship One, Oceania, the setting of George Orwell's science fiction novel *1984*, was once considered unrealistic and even ridiculous. Constant war plagued the imaginary province, and the government manipulated its citizens with mind control tactics and public surveillance. In fact, privacy did not exist, and many people lived in seemingly bizarre apartments furnished with two-way telescreens, allowing for a true big brother-esque way of life. The telescreens also were found in workplaces and other public spots, along with hidden microphones to pick up all conversations.

Spoiler alert: When faced with the opportunity to escape to the outside world (sans surveillance), Winston, the story's main character, ultimately chooses to stay in Oceania, accepting and even falling in love with Orwellian life.

Almost 62 years after the novel's 1949 publish date (and 27 years past the futuristic 1984 plot), surveillance is again a topic of discussion, and not just in literary circles. Once used in criminal and fraud investigations, geolocation is becoming increasingly popular in location-based advertising campaigns on mobile devices and social networking Web sites. This new form of advertising uses location-tracking technology in mobile networks to target consumers with location-specific advertisements.



1984 Revisited?

According to a JiWire Mobile study, concerns by consumers seem to have taken a backseat to their excitement over the new technology—at least for now. Fifty-one percent of JiWire’s on-the-go audience reported a willingness to submit location in exchange for tailored ads delivered to their mobile devices. So, what’s causing the excitement despite the Orwellian skeptics?

IMPROVING THE FAD

It’s still possible that customers are just trying location-based advertising on for size. With so many consumers eager to check it out, some analysts warn this could create an illusion that the fad is around to stay when it may be short-lived.

“The early adopters will basically adopt pretty much anything until they realize if there is any value or not,” Thinkjar founder Esteban Kolsky says. “A lot of the geolocation [users] have been early adopters trying to figure out if there is something out there for them, and most of them will realize that there is not and the numbers will begin dropping.”

To increase the likelihood that location-based advertising sticks around, marketers must focus on creating relevant ads for potential customers. Bombarding users with deals that do not match up with their buying patterns could prove to be a mistake. Since location-based advertising requires voluntary opt-ins, annoying users with irrelevant advertisements could be especially detrimental to geolocation’s future.

“Relevancy has always been king in marketing messages, and geolocation is not exempt,” says Tim Hickernell, associate lead analyst at Info-Tech. In fact, it may be even more important than it was before. “If the local service is not something that’s relevant to them, the consumers are just going to ignore it whether it’s just one company’s offering of services to customers or whether it’s anonymous offers via mobile advertising.”

Being one-dimensional with generic ad campaigns is another potential buzzkill

for location-based campaigns. Hickernell says that this is a “very typical problem” with online advertising because marketers often think that the mere novelty is enough to sell their product.

If you want to keep your customers hooked, targeting specific buying patterns and making customers feel as though they are receiving individualized advertisements are central to geolocation’s long-term survival. “Being an analyst, I don’t think anyone is doing it particularly well,” Hickernell jokes. However, he says travel Web sites, such as TripIt, are on the right track. “They have the idea and have identified a pattern,” he believes. “They don’t know a lot about the history of their customer outside of their travel purchases, so they can’t do really targeted

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analytics, but at least they are looking at the pattern that has relevance.”

Others in the industry believe geolocation will stick around for the long haul despite potential shortcomings. Eric Friedman, director of business development at Foursquare, says his company is constantly revising its product to remain prominent. This approach, he believes, will make Foursquare a major player. “We prioritize user engagement and experience over everything else, which is why there is really no cost to a lot of things that we do,” he says. “It’s really about taking all of the feedback and information we get from merchants today and building that into the product.”

Rashmi Sundar, a research analyst at AMI-Partners, also says the “immediacy” of location-based advertising appeals to the 18–34 age group that is otherwise difficult to attract and target through traditional advertising media strategies. Understanding the group’s buying patterns would also increase the likelihood that its members will continue to use such services and become

repeat customers. “Businesses can take advantage of certain types of analytics to track consumption patterns, current and historical, and gauge what consumers are likely to be interested in, and how they can customize their offers to appeal to these consumers,” she maintains.

Sundar also thinks this will prove to be a useful channel for small businesses to explore. She predicts those businesses will begin to move a greater share of their limited marketing budgets to mobile, given their emphasis on cost-effective customer acquisition and retention, in addition to the ability of location-based advertising on mobile devices to drive visibility and results for small business owners.

IS PRIVACY POSSIBLE?

For location-based advertising to prosper, obtaining consumer information may be vital to the delivery of individualized ads. Businesses rely on customer opt-ins and willingness to share information

to obtain the needed metrics, which could prove to be difficult, according to Hickernell. “They really want this stuff and they want to try it, but when they realize that people can find out information about them, they push away,” he explains. “Their attitude seems to be ‘yeah I want to do this, but don’t you dare share this information with anybody.’”

Instead, he recommends “targeting patterns” without using the consumer’s identity. “Without knowing who the person is or recording who the person is, I can detect certain consumer patterns and make inferences about that,” he says.

“To be really good, though, the consumer has to agree to be tracked in the end and profiled by multiple services,” Hickernell says. “Then, they can target the right specials that are nearby you when they find out you are in a particular location. That is one of the hardest ones to achieve because consumers tend to push back at that level of information-gathering.”

Over at Foursquare, Friedman says that privacy is the company’s “number

The Major Players

one priority”—the user calls the shots and it is entirely opt-in. Yet, choosing to keep your information private also has disadvantages. Opting out of location tracking disqualifies customers from taking advantage of special deals and offers, something that Oren Michels, CEO and founder of Mashery, says will inspire users to provide requested information. “Everyone worries about privacy until having privacy precludes you from getting convenience and benefits,” he observes. “We all engage in lots of things that are eminently trackable, and people seem to be fine with it.”

Michels also thinks the privacy scare associated with location-based apps resembles the mixed reactions to the Internet boom of the 1990s. “You will have some companies that overreach, and you will have some companies that just don’t like everything else that has happened with Internet privacy,” he says. “Companies do have to be careful, but in general I think the vast majority of people want to be able to ask ‘what’s a restaurant near here?’ and do so with one click on one application while they are running to catch a bus.”

Friedman also contends that metrics provided to business do protect users’ identities, explaining that only the customer’s first name and last initial are used. “We do not give them any way of contacting that person,” he says.

FORECAST

While some analysts predict looming storms, others are more bullish about the fate of location-based advertising.

“The amount of opportunities for companies and customers to compete in this location-based world is just something that can’t be ignored,” Michels argues. “I think that the app explosion and the location explosion are in many ways as big as the Internet itself.”

Michels says marketers should take consumers’ lifestyle changes into account when creating campaigns. He jokes that the “old as the hills” adage of “go where your customers are” still holds true when developing campaigns that attract the greatest attention. As a result, the “balance

● **Loopt** As a college student at Stanford, Sam Altman wanted to know where his classmates were hanging out after class. So he created Loopt, a mobile-based GPS sharing system that lets users visualize and map where their friends are located. Today, more than 5 million users rely on the app to find out where to meet up with friends through detailed interactive maps on their cell phones. Loopt is continually innovating its product as well. In March, it launched an opt-in Reward Alerts program that sends out deals in real time depending on the user’s location. The impulse buyer seems to be the main target considering the deals are issued on a first-come, first-served basis with a cap on how many discounts one can get.

● **Foursquare** What started as a graduate thesis became a reality for Foursquare founders Dennis Crowley and Naveen Selvadurai. The two-year-old location-based social networking Web site is available to anyone with GPS-enabled devices. Users can check in at venues, score points, and earn badges based on number of visits to a particular place. Businesses also can run “specials” that are sent to users based on their location.

● **Google Latitude** Similar to the other tools, Google Latitude is a popular tool that permits consumers to meet up with people in their network using mobile devices or PCs. The application is integrated with Google Maps, giving users the ability to place their friends directly on a map.

● **Facebook Places** When Facebook Beacon was shut down after a class action lawsuit in 2009, Mark Zuckerberg went back to the drawing board. Facebook Beacon was part of the social network’s advertising system that sent data from external Web sites directly to Facebook to create personalized advertisements for users. Today, Facebook Places gives users the option to check in and update friends about where they are and what they are doing. In addition, users receive personalized discounts depending on the location of their check-ins. The service operates on an opt-in basis and is available through PC and mobile applications.

● **Gowalla** This Austin-based social network is primarily a mobile application designed for users to check in at locations on their smartphone. As an incentive, users receive rewards for their check-ins that can be swapped or dropped at check-in spots. Similar to Foursquare, as users rack up check-ins at a particular spot, they may earn elevated status above normal users if they drop an item.

● **Groupon** From online coupons exclusively for the Chicagoland area to a global deal finder, Groupon has established itself as a major player in the geolocation app world in only a couple of years. Today, users can download the app on their smartphone to search for nearby deals.

of power” between the business and customer has changed. “The people who control the real estate no longer control the customer experience as they navigate that real estate,” he observes. “You’re now getting into a world where a different group of people can manage and control and, frankly, make money on interactions with customers where they couldn’t do so before location-aware apps happened.”

Sundar also thinks this will prove useful for businesses to explore. She predicts that small businesses will continually move a greater share of their limited marketing budgets to the mobile space,

since it is “much more cost-effective” and will allow them to create more targeted offers for potential consumers.

But Kolsky isn’t buying it. “Until we figure out what the benefits for customers and businesses are, there is not going to be a mass adoption,” he says. “There is something there, but we don’t know what it is, and it’s going to take at least a couple of more years to figure it out.”

Well, we can’t all be Winston. 

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