

Consumers Give Location Marketing a Resounding – Maybe

By Connie Moore and Jill Finger Gibson

Highlights

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Executive Summary

As the use, variety, and power of mobile devices has exploded in every corner of the globe, digital marketers dream of using location marketing to reach consumers in the moment, wherever they are – whether walking through a shopping district, killing time in an airport, relaxing after dinner at a restaurant, or weaving through traffic on the way to a ballgame.¹ Among digital marketers, there's often a rock-solid conviction that consumers *want* to be interrupted and get messages or information on their phones (and sometimes *pay* for it!).²

But do consumers really want these alerts and notifications, or are they considered an intrusion or even a possible threat to consumers' privacy?³ In an era when customers are absolutely in charge of their interactions with sellers and expect things to happen the way they want them to happen, maybe this rock-solid belief in location marketing isn't such a smart idea in all situations.

Perhaps proximity is beneficial for fine-tuning a seller's message and market reach, making it possible, for example, to offer special deals for shopping at a store that the potential customer is about to pass. But if location marketing is to succeed, digital marketers must determine how to balance consumers' privacy concerns with an equivalent desire for convenience, lifestyle, and value (e.g., merchandising deals). Moreover, companies operating in Europe must understand how location marketing complies with the substantial restrictions on personal data collection and use introduced by the new General Data Protection Regulation (GDPR).⁴

Digital marketers need to answer four burning topics before rushing full-tilt into investing in location marketing:

- 1. Payback:** Is location marketing worth the investment if users routinely turn their GPS functions off during certain times or circumstances – and often just when it matters most to the seller?
- 2. Usage:** What are the most frequent uses for location marketing from a mobile consumer's perspective? And what uses are most valued?
- 3. Trust:** What privacy constraints are crucial for digital marketers to address for gaining trust? And what additional requirements apply to businesses operating in the European Union, where the GDPR will come into force in May 2018?⁵
- 4. Functionality:** Must marketers provide a more useful, valuable, or entertaining level of location marketing to consumers beyond the retail information typically provided, in order to gain their attention and eyeballs?

To answer these questions, Digital Clarity Group investigated attitudes toward location marketing by surveying 500 US consumers who access online content at least once per day using a mobile device (smartphone or tablet). Key issues and findings were enlightening but also sometimes contradictory – perhaps reflecting consumers’ ambivalence about location marketing:

- **Consumers are divided on attitudes toward openness and privacy.** Mobile users are nearly evenly split between being willing to trade data for desired services and providing as little personal information as possible. Forty-one percent care about how their data is used but think it is worth allowing access if businesses don’t spam them or sell their information. On the other hand, 39% care about divulging their data and try to minimize how much data is collected.
- **Consumers expect control over how they are contacted when they use location services.** (And regulations require that consumers have explicitly opted in before receiving messages.) Sixty percent of the respondents prefer to be contacted by companies that they know and have given express permission to do so.
- **Most consumers (68%) find location services useful.** They place higher value on practical applications like directions, navigation, and emergency services than on those more for leisure and entertainment. Only 36% of consumers use location marketing for shopping and deal alerts, and 19% use gaming.

Undoubtedly, location services provide a valuable tool that marketers can exploit, but unless it offers greater value to the consumer it won’t be the silver bullet solution that delights high numbers of mobile consumers at just the right time. In fact, digital marketers – along with journalists and social media mavens – often assume that consumers want to be interrupted all day long about their key interests as their location changes, whether it’s news, shopping, travel, sports, weather, or anything else. Yet, this survey data shows that digital marketers’ assumptions aren’t necessarily correct.

It’s imperative that marketers adopt a more informed and nuanced perspective before unleashing location marketing on customers and the public at large, who may be just as likely to shrug with indifference or lock down their devices before private information leaks out. Even though some consumers leap to embrace it, others will hold back until their privacy, trust, and value concerns are addressed.

Marketers must adopt a more nuanced perspective before unleashing location marketing on customers, who may shrug with indifference or lock down their devices. Although some consumers will embrace it, others will hold back until their privacy, trust, and value concerns are addressed.

Five Consumer Segments Show Sharp Differences

The data from our survey indicates strong differences and clear preferences between respondents, sometimes leading to contradictory results. The results became clearer after we identified five consumer segments that surfaced in our survey (see Figure 1).

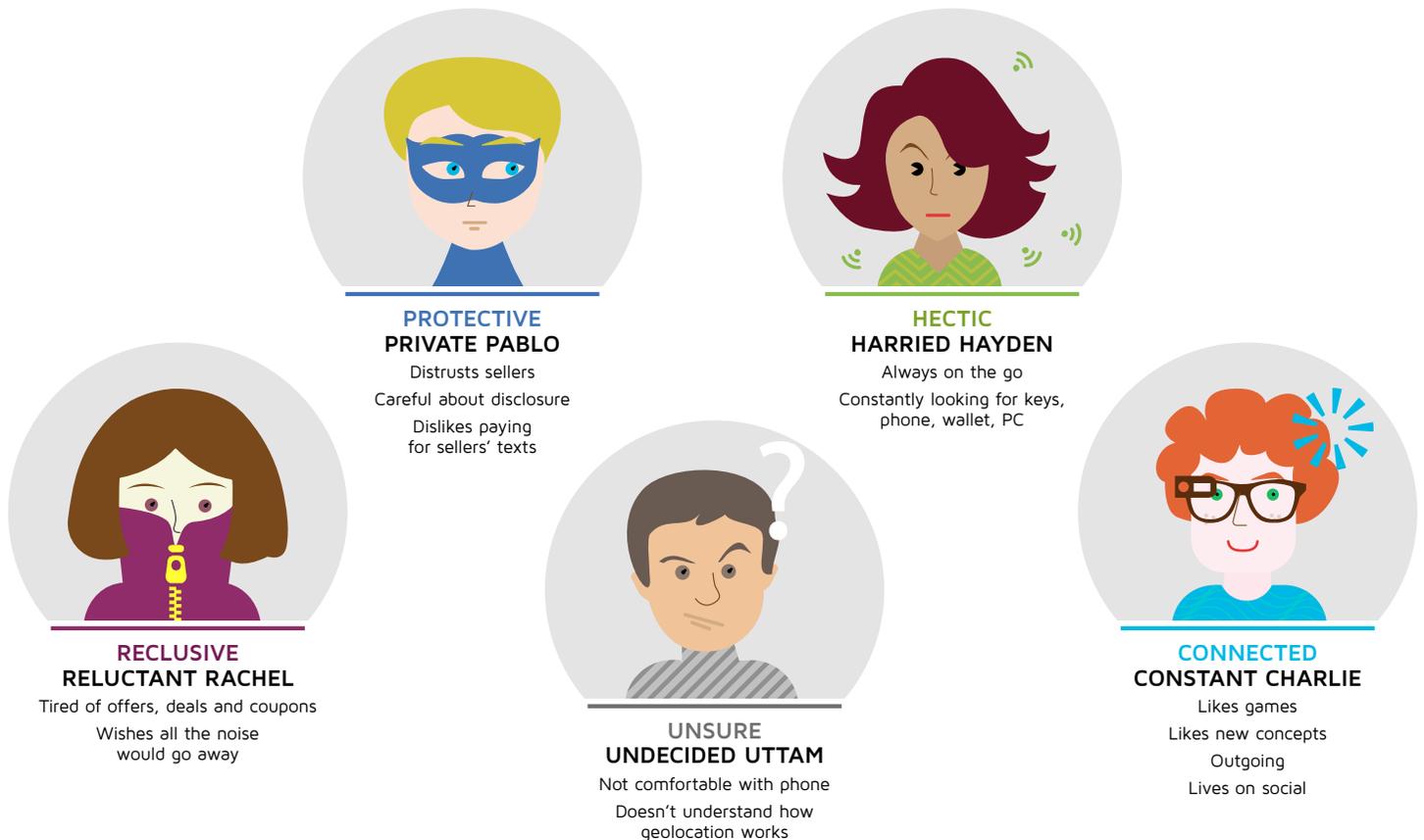
These five distinct consumer segments, which can be used as inputs for developing personas, are described by digital marketers as follows :

■ **Reclusive segment: Reluctant Rachel** is so tired of getting coupons, promotions, and surveys from retailers that she has blocked them all from her e-mail and text accounts and

now refuses to give them her personal email address, no matter *what* they promise in return. She doesn't even want free stuff if it means they'll start pestering her. Rachel stopped communicating with vendors by Facebook (it's just for friends) and email (which she wishes would go away) and answering her land-line telephone (it's always a telemarketer). She just wants to be left alone by sellers, while living off the grid as much as possible.

■ **Protective segment: Private Pablo** religiously turns off his phone when he goes into malls because he doesn't trust what

Figure 1
Consumer Segmentation for Mobile Users



retailers will do with the data. He doesn't want or need coupons if it risks privacy intrusions. He doesn't like the idea that sellers might keep track of where he goes, what data he uses, what ads he looks at, what he buys, what websites he visits, and how much he spends. Pablo is *always* mindful about when and where he turns his GPS on, and always remembers to turn it back off. And believe it or not, the baby boomer stereotype does not apply to him – Pablo's a millennial.

■ **Hectic segment: Harried Hayden**

constantly loses things and wastes precious time every day looking for them – even in her own house. She thinks that Apple's "Find My iPhone" was designed specifically with her in mind. Recently Hayden bought a new Bluetooth tracking product – Tiles – and put them everywhere: on her keychain, in her computer bag, on her tablet, in her wallet, and in several of her favorite purses.⁶ The Tiles product requires her GPS to be on all the time, but that's totally fine with her. She doesn't ever intend to turn GPS off if it keeps her stuff findable.

■ **Connected segment: Constant Charlie**

stays on his phone 24/7 and never misses a beat. Charlie needs geolocation to keep track of and find his friends, and to be tracked and found by his friends. He thinks Pokemon GO is fantastic and plays mobile games nonstop. Charlie also uses GPS to go on urban explorations and geocaching, to find out about meet-ups with friends or strangers who share his interests. He loves apps like Waze and thinks that cutting off his connection to GPS would be like cutting off his arm – no way, no how.

■ **Unsure segment: Undecided Uttam**

doesn't really understand how location marketing works and doesn't feel confident about the functionality of his smartphone, so he wavers between genuine concerns about how his personal data is used and an interest in benefitting from location services. He's particularly uncomfortable providing any personal information in exchange for services unless the sellers agree not to spam his devices and not to pass the information to other parties. He wants to get the benefits of location services without providing too much information in return, while always safeguarding the information he discloses.

Digital marketers need to understand the distinct differences and nuances in each consumer segment, decide which segments are attractive to their organization, create more detailed personas for those segments, and develop usage scenarios that support them. Otherwise, their location marketing efforts may not deliver the expected results.

Consumers Find Location Services Useful but Are Selective

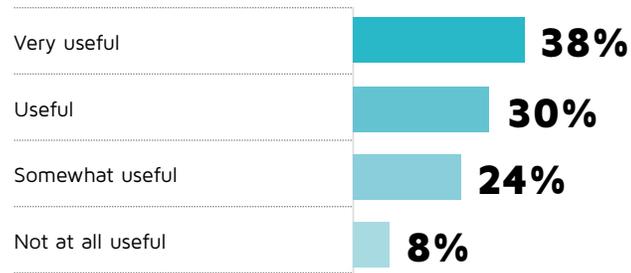
This report, which uses the location marketing survey data gathered from 500 mobile users, is intended to provide insight that helps digital marketers, mobile apps companies, and digital agencies determine if location should be an essential feature for building mobile apps.⁷ The topline results were eye-opening, with some responses arguing the need for convenience and value and others reflecting the importance of trust and privacy. But overall, consumers are positive about the usefulness of location services, with 38% saying they are very useful, 30% saying they are useful, and 24% saying they are somewhat useful. Only 8% find location services not at all useful (Figure 2).

Despite the high number of respondents who say location services are very useful or useful (68%), that does not mean a high number of consumers surveyed leave their GPS settings on all or some of the time. Instead, most of the respondents limit the use of their GPS settings to specific functions (see Figure 3):

- **More than half (58%) of mobile device users keep their GPS settings off unless needed for specific apps** such as obtaining driving directions. These consumers may decide to turn location-based apps *off* most of the time if they only want the basics from their mobile devices. (Or it could be as simple as wanting to save their device's battery for other uses besides GPS.) In general, this survey response is typical of the reclusive and protective segments.

Figure 2
Consumers Are Positive About the Usefulness of Location-based Services

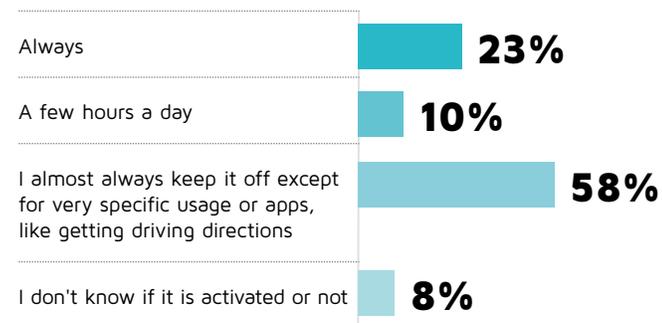
How useful do you find location-based services?



How useful do you find the location-based services you currently receive on your mobile device? (n=500)

Figure 3
Consumers Are Selective As to When They Activate Their GPS

How often do you activate the GPS setting on your mobile device?



How often do you activate the GPS setting on your mobile device? (n=500)

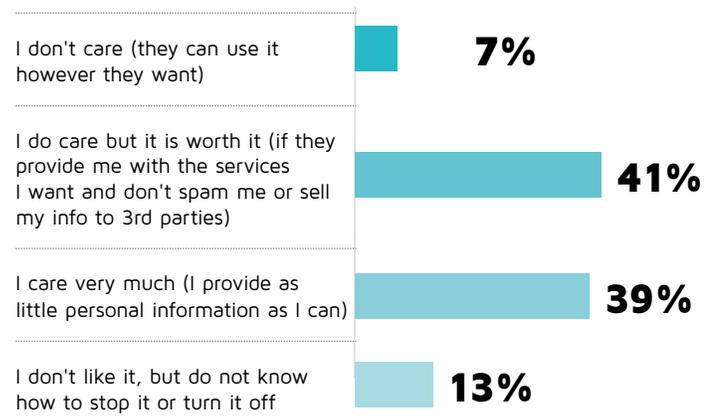
- **However, 23% of respondents always leave their GPS setting on**, which is more typical of the connected and hectic segments. Perhaps they enjoy online games, need Bluetooth and GPS on so they can find items (similar to the Tile example), or – aligning with digital marketers' wishes – they want store offers, discounts, and coupons for locations they visit throughout the day and evening.

Usage Is Largely Influenced by Trust

When asked how willing they are to trade their usage data for desired services, the respondents were evenly split between trading data and providing as little personal information as possible – showing a real schism in how consumers think of marketing outreach based on their mobile usage and location (see Figure 4):

- **Forty-one percent of consumers said they care about how companies use their data,** but it's worth handing it over if the companies provide desirable services and agree not to spam them or sell their information to third parties. This response aligns closely with the unsure segment, and may also reflect opinions from some consumers in the hectic and connected segments.
- **Thirty-nine percent of respondents said they care very much about how companies use their data and provide as little personal information as possible.** This response clearly reflects the thinking of the reclusive, the protective, and possibly some individuals in the unsure segments.
- **Interestingly, 13% said they don't like companies using their personal data and do not know how to turn location marketing off.** If you combine the previous 39% group with this 13% who also care but don't know how the technology works, 52% overall say they don't like companies using their personal data for location marketing. This percentage represents the reclusive and protective segments.
- **Only 7% of the respondents said they don't care and that companies can use their information however they wish.** This clearly is a small minority, reflecting the connected and hectic segments.

Figure 4
Consumers Are Split between Trading Data for Services and Providing Personal Information
How do you feel about how companies use data from your mobile device?



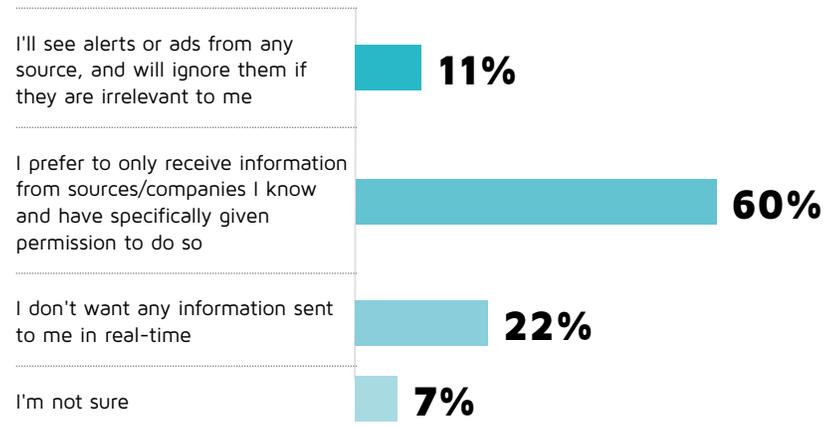
Which statement best describes how you feel about how companies use the data they receive from your mobile device (for example, your location, your usage patterns, advertising viewed)? (n=500)

Consumers Want Control Over Who Contacts Them

Trust in location marketing is built, in large part, by giving consumers control over who contacts them at any given location and by limiting how the information collected from mobile devices is used. Concerns about the kind of information sent to a consumer – plus when and where it occurs – surfaced in the responses to our question asking how consumers feel about getting contacted based on location (see Figure 5):

- **Sixty percent of the respondents want to receive information only from sources or companies that they know and have given permission to.** This response clearly aligns with the reclusive and protective segments, and quite possibly the unsure segment, and highlights the relationship between usage and trust.
- **Twenty-two percent of the respondents don't want any information sent in real time.** This response could align with the unsure segment, and definitely aligns with the protective and reclusive segments.
- **Eleven percent said they see alerts and ads from the source but ignore them if they are irrelevant.** This response highlights the fact that usage is related to the consumer's perception of value, and if the alerts are not helpful or relevant in the moment, some consumers will ignore them. It also points to a possible opportunity to build more attention

Figure 5
Consumers Want Control over Who Contacts Them Based on Location
How do you feel about companies contacting you based on location?



Which statement best describes your attitude toward businesses that might contact you in real-time (like by sending you a text message or email) based on your usage of location-based services? (n=500)

and usage by creating more valuable or entertaining responses to consumer location. This response most closely aligns to the connected and hectic segments, but could also apply to the other segments.

- **Seven percent were unsure, which, unsurprisingly, aligns with the unsure segment.** These individuals may be unsure because they don't have their GPS on, so they don't receive notifications, or because they haven't used any alerts or notifications from companies so they don't know if they are helpful.

Consumers clearly have an underlying concern about trust and privacy when contrasted with usage and value received in exchange for location-specific information.

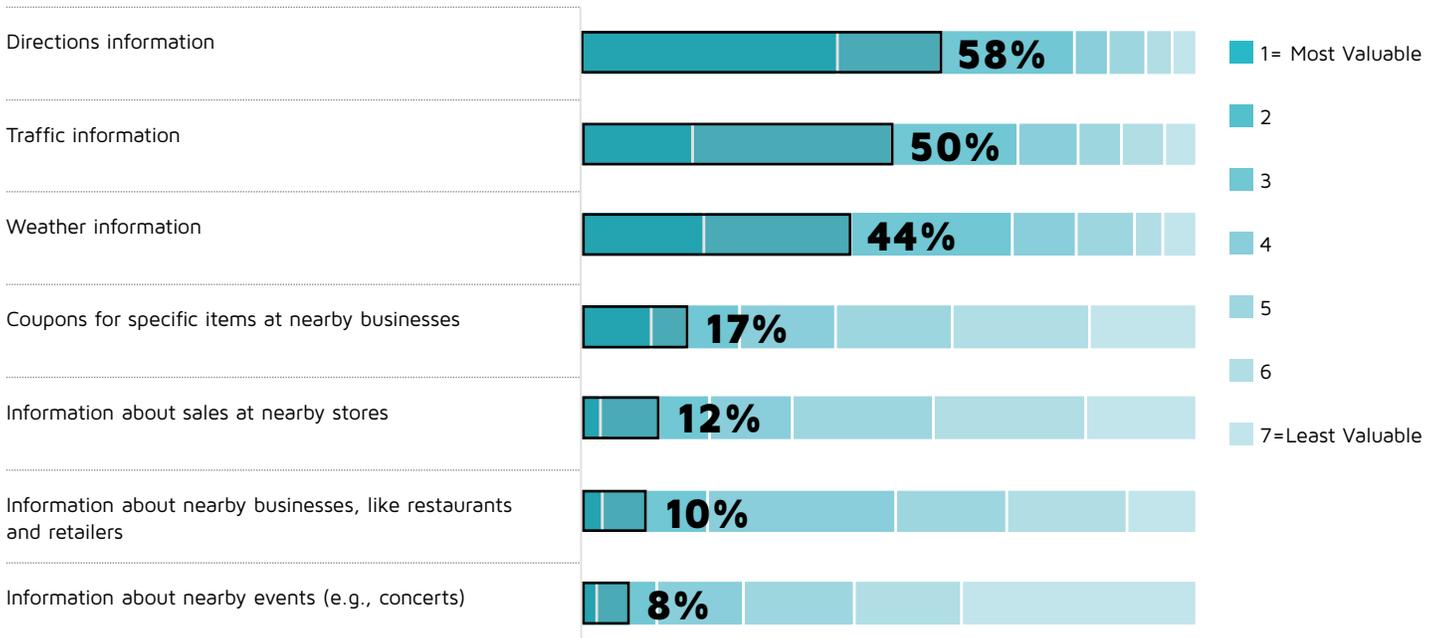
Consumers Value Practical Information

When asked what benefits, or value, they would like to receive in exchange for information about location, consumers responded pragmatically. They value information most that they need right away, such as when driving a car or getting ready to go outside (see Figure 6).

Mobile users viewed information about directions as the most valuable information they want in exchange for disclosing location data (58%),

followed by traffic (50%), and weather information (44%). Coupons for specific items at nearby businesses (17%) were not valued in exchange nearly as highly as directions, traffic, and weather; nor was information about sales at nearby stores (12%), businesses (10%), and events (8%). This may come as a blow to some digital marketers who are advocates for location marketing in support of retail, restaurants, and other businesses.

Figure 6
Consumers Are More Willing to Exchange Personal Details for Practical, Rather than "Nice-to-Have," Information

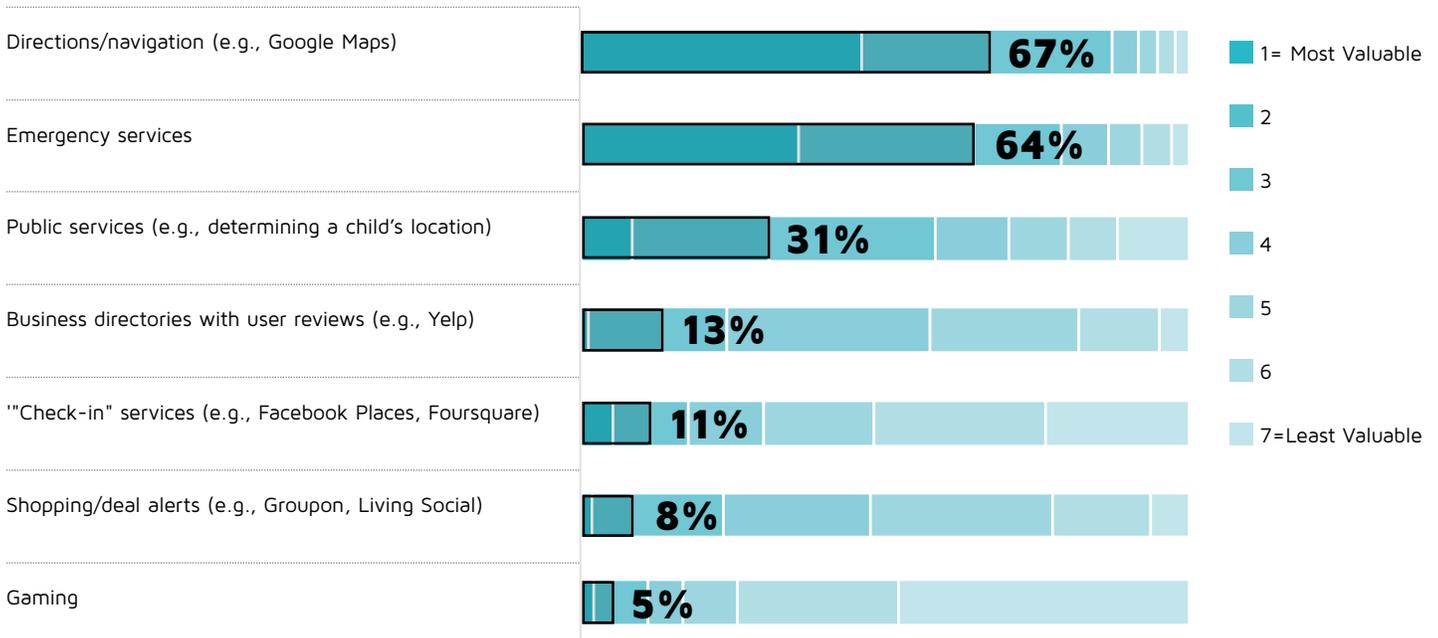


What benefits would you most like to receive in exchange for information about your location?
 (n=500)

We also asked which location services consumers think are the most valuable. Consumers value directions/navigation the most (67%), followed by emergency services (64%). Public services such as finding a lost child were valued most by 31% of the respondents (see Figure 7). Other services most valued by consumers were selected far less:

business directories were valued most by only 13% of the respondents, followed by “check-in” services (such as Foursquare and Facebook Places) at 11%, with shopping/deal alerts only garnering 8% of the respondents and gaming capturing only 5%.

Figure 7
Navigation and Emergency Services Are the Most Valued Location-based Services



Which location-based services do you think are MOST VALUABLE? (n=500)

Leverage Trends to Ignite Consumer Interest

As noted in the beginning of this report, some of the responses are hard for digital marketers to interpret. Perhaps this is because consumer-held beliefs, attitudes, concerns, and daily practices are not consistent. Still, consumers clearly have an underlying concern about trust and privacy when contrasted with usage and value received in exchange for location-specific information.

Some of these responses are enough to drive a digital marketer crazy when trying to determine how companies can capitalize on the latent opportunities from location services. And worse, for digital marketers trying to tap the wallets of retail customers, the data shows that shopping/retail services are not highly valued or accessed. How can a retailer committed to location-based marketing turn that perception and behavior around?

For digital marketers to tap into the value of location marketing, they must find the sweet spot between value, usage, and trust (which involves privacy). Potential ways include the following:

- **Increase and publicize safeguards for privacy and security.** Consumers – particularly those in the unsure and protective segments – need to know and clearly understand the seller’s policies and guidelines for using location data gathered from mobile devices. This should start with a clear policy about what specific data will and will not be collected. Sellers have to assure consumers that they won’t spam them and won’t sell

data to third parties, but probably need to go beyond that precaution. For example, consumers and sellers may have different ideas of what constitutes spam, and they need to get on the same page. In particular, sellers must be very careful about using location data in Europe, in light of the upcoming GDPR regulations.

- **Take advantage of consumer interest in entertainment.** The research data clearly shows that many consumers favorable to location services are interested in convenience and entertainment, so some of the staid providers of mobile content, such as banks, insurers, credit card companies, and telcos, might be able to leverage their high trust ratings by building more creative apps. For example, entertaining and creative advertisements have helped turn GEICO into a household name. Marketers should consider taking a page from GEICO’s book and provide a lighthearted treatment for location marketing that entertains the consumer while providing value.
- **Use augmented reality to change the consumer’s experience.** If there’s any doubt about using this new technology with location marketing, just consider the wild success of Pokemon GO – a product that combines virtual reality with real world physical locations. Pokemon GO is the fastest-growing product in human history, ever, and the most downloaded

For digital marketers trying to tap the wallets of retail customers, the data shows that shopping/retail services are not highly valued or accessed.

app in the eight-year history of apps; its phone usage is twice that of Facebook.⁸ Perhaps Pokemon GO's success will lift location marketing beyond the connected and hectic segments to embrace the mainstream of mobile consumers. As one analyst put it, "consumers may think, 'A coupon when I walk by? Meh. A new creature to add to my Pokemon collection? Yes, please!'"

- **Consider ways to leverage the combination of geolocation, drones, and robots.** Drones and robots are on the cusp of supporting the mainstream delivery of packages, urgent parcels, and even food. Already, a robotic cart named DRU delivers pizza to Domino's Pizza Enterprises' Australian customers, traveling at top speeds of 12 miles per hour down sidewalks and bike paths (see Figure 8). Customer response has been positive, with people often going outside to greet DRU even before it has texted its arrival.⁹ Soon, a robotic drone¹⁰ may deliver pizzas in New Zealand in less than thirty minutes.¹¹ And Amazon will change the landscape forever¹² when it unleashes the combination of geolocation, robots, and drones to provide near-instant gratification to Prime customers.¹³ (See Figure 9.) These examples mark only the beginning of a cataclysmic shift that digital marketers should leverage as they seek to bring more value and better experiences to location marketing.¹⁴

Figure 8
Domino's DRU Robot Delivers Pizzas to Customers



Source: <http://arstechnica.com/gadgets/2016/03/dominos-pizza-delivery-robot/>

Figure 9
An Amazon Prime Air Drone



Source: The New York Times

Pokemon GO – a product that combines virtual reality with real world physical locations ... is the fastest growing product in human history, ever, and the most downloaded app in the eight-year history of apps; its phone usage is twice that of Facebook.



Conclusion

Our survey of 500 consumers shows that mobile users value location services, particularly for practical information. But digital marketers must be aware of three core questions that form the nexus of consumer behavior and interests:

- Is the information provided valuable?
- Can I trust the provider?
- How can I safeguard my privacy?

Finding the answer to those questions will be key, and using the consumer segmentation in this report is one way to start the process.

No matter what, location marketing is here to stay and hopefully will get better over time. Better means more privacy safeguards, more trusted/valuable information, and, quite possibly, more entertainment value. The Pokemon GO avalanche is one indicator that people will use location services when high entertainment value is provided. Another trend that will fuel location marketing is the delivery of everything – packages, documents, parts, and even food – by robots and robotic-driven drones. This represents a huge opportunity for digital marketers and bodes well for the continued use of location marketing.

Endnotes

- 1 Location marketing (also known as location-based marketing and proximity marketing) is a form of direct marketing in which a business (or other organization) sends offers, promotions, alerts, or text messages to an individual's mobile device by using the device's GPS to determine location. For this report, we used the term "location marketing" when discussing the capability from a digital marketer's point of view. When describing consumer behavior, and when asking questions in the consumer survey, we also used the term "location-based services" which describes the capability from a consumer's point of view.
- 2 Text message marketing is highly regulated. Rules apply as to how consumers opt in, what explicit permission entails, how verification or double opting must be done, how text messages will be used, where consumers should be able to read the full terms and conditions of the program and privacy policy, how consumers can opt out, prohibitions on the word "free," and how to inform consumers about data rates that may apply. For more details, see "[Retailers must follow the rules of text message marketing](#)," Internet Retailer, March 4, 2013.
- 3 Although organizations cannot push notifications to consumers without their explicit permission, consumers often forget they opted in, or opted in without realizing it, or change their minds and don't know how to (or don't take the time to) opt out.
- 4 The European Union's General Data Protection Regulation (GDPR) will substantially impact any company that (a) sells to EU residents, or (b) "monitors" the behavior of EU residents. Compliance will require significant changes in how companies collect, store, process, share, and transfer personal data. Failure to comply carries very high fines, as well as the possibility of consumer class-action lawsuits and the threat of imprisonment for responsible executives. For more on this topic, see [The Meaning and Impact of the General Data Protection Regulation: Executive FAQ](#).
- 5 The GDPR is already law in the European Union, but enforcement has been suspended for two years (until May 2018), in essence giving organizations a grace period to prepare for full compliance.
- 6 Tile is a small physical device with an embedded Bluetooth tracker and a mobile app that helps consumers find personal items like keys, wallets, purses, cell phones, etc. See www.thetileapp.com for more details.
- 7 The data for this report was collected from September 29 through October 5, 2015. The online survey was completed with programming and hosting of the survey managed by Market Knowledge Online. The survey consisted of fourteen questions and took about seven minutes to complete. The respondents were recruited from a research panel. A survey sample of 500 has a margin of error of +/-4.4%, at the 95% confidence interval.
- 8 For more on the unsurpassed uptake of Pokemon GO, see [Intelligent Search and the Lesson of Pokemon GO](#).
- 9 "[Domino's has a robot delivering pizzas in Australia](#)," The Washington Post, March 21, 2016.
- 10 See a video of the drone delivery at "[Domino's is now testing a drone delivery program that drops pizza from the heavens](#)."
- 11 "[Hungry? Your Pizza Drone Will Be There In 30 Minutes](#)," The Washington Post, August 25, 2016.
- 12 "[Think Amazon's Drone Delivery Idea Is a Gimmick? Think Again](#)," The New York Times, August 10, 2016.
- 13 [Will Amazon Kill FedEx?](#), in Bloomberg Businessweek, "Planes, Drones, and Automobiles And...", September 5, 2016.
- 14 For more information, see [Wearables, Drones and Virtual—Is This Really the Future of Work?](#), and "[Real-Time Drones: Coming to an Office Near You](#)," RTInsights.com,

About Digital Clarity Group



Digital Clarity Group is a research-based advisory firm focused on the content, technologies, and practices that drive world-class customer experience. Global organizations depend on our insight, reports, and consulting services to help them turn digital disruption into digital advantage. As analysts, we cover the customer experience management (CEM) footprint - those organizational capabilities and competencies that impact the experience delivered to customers and prospects. In our view, the CEM footprint overlays content management, marketing automation, e-commerce, social media management, collaboration, customer relationship management, localization, and search. As consultants, we believe that education and advice leading to successful CEM is only possible by actively engaging with all participants in the CEM solutions ecosystem. In keeping with this philosophy, we work with enterprise adopters of CEM solutions, technology vendors that develop and market CEM systems and tools, and service providers who implement solutions, including systems integrators and digital agencies.

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