

COLUMNS

Location-based marketing is poised for growth

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Executive summaries of industry research reports are not necessarily documents one expects to mine for great writing.

But I came across the following sentence good enough to “borrow” in a recent report by market researcher Borrell Associates:

“Mobile marketing is where Web marketing was in about 1996: plenty of excitement, lots of experiments, general agreement that it will be Really Big, but not much data to provide visibility into how it will all unfold.”

OK, maybe it is not Hemingway, but I thought it was spot-on.

Locating potential

I also thought this sentiment was particularly apt for location-based mobile marketing and advertising, which this publication and others has been touting as the next big thing in the mobile landscape for some time.

Now, with the news awash in reports of Starbucks and L’Oreal entering into a six-month trial with O2’s location-based mobile advertising service, it seems like location-based marketing is finally starting to unfold.

Starbucks and L’Oreal: that is big. But is it the Really Big that we are talking about? And if not, what will it take to get there?

The fact that these brands are gearing up to participate in location-based marketing is indicative of the strategy’s potential.

Certainly, this potential has driven interest in location-based marketing since technology

first enabled the prospect of it.

Reaching consumers where they are most likely to commit to a purchase, at the precise time they are in the proximity? And circumventing the time and distance inherent to most traditional marketing and advertising which targets consumers mostly in the home?

Why would marketers not jump at that opportunity?

Of course, this has been the draw of mobile marketing since its inception, but location-based marketing takes it to the next level.

The only limit so far is that, for consumers, this can sometimes be construed as a vaguely creepy invasive level.

Evolution in perception and mobile device usage has largely dulled this hurdle, however.

Thrust at geo-fencing

Consumers who are comfortable announcing where they are every five seconds through social networks such as Foursquare and Facebook should be similarly comfortable with opting into a service that provides them with offers and discounts from nearby providers.

Now that global carriers such as O2 have invested in scaling up their location-based marketing capabilities, it is reasonable to expect that more brands will adopt such a strategy. One would think so, at least.

A recent Borrell report predicts that these early adopters will, in a twist on the usual tech-innovator market model, be large national and global brands with multiple locations and sale points, as these brands can most fully realize the value of location-based marketing.

Only later, when small businesses take up the strategy, will location-based marketing explode from the \$200 million market it is this year into the \$6 billion market it is projected to be in 2015, according to the Borrell Proximity Marketing 2010 Summary published by Borrell Associates.

For companies that are not run by Starbucks CEO Howard Schultz, location-based marketing can seem a bit daunting to engage in.

Small businesses may not think that they have the resources to contract with O2, for instance, or the capital to invest in the physical infrastructure to make location-based marketing such as geo-fencing work, or the capacity to implement the back-end database building and analysis that would fuel and location-based marketing strategy.

But this is not the case.

There are a number of third-party providers that make location-based marketing adoption much easier for small and midsize and even late-adopting, large businesses.

These providers have their own contracts with carriers, or have pre-populated databases with existing opt-in consumers, and can generally take care of the back-end build out for businesses.

Most even supply the technology to enable geo-fencing – the process, sometimes Bluetooth powered, that creates the 100 meters area of proximity within which the consumer's mobile device is notified with messaging. These providers are shepherding in the age of location-based marketing.

Big blather on big brother

However, for the location-based marketing revolution to really take hold, the great mass of businesses will have to be convinced of the tactic's value beyond the basic principles mentioned earlier – closing the gap between marketing and the point of sale, moving the marketing bull's-eye out of the home – and beyond the appeal of bleeding-edge trendsetting.

Marketers will have to be convinced that location-based marketing can deliver in terms of revenue and marketing return. And as we have seen with the adoption of mobile marketing, this does not happen overnight.

On the most basic level, the value proposition of location-based marketing is driven by its relevance and applicability to consumers.

Counter-intuitively, location-based marketing is less intrusive than other mobile marketing strategies, which may shower participants with messaging without any consideration as to whether those participants are ready to engage with the brand.

Location-based marketing removes this uncertainty. By virtue of a customer's location, the company can assume that they are ready to shop or buy.

And this is precisely what makes consumer response and ROI on a typical location-based marketing program so noteworthy.

Spot on

According to a study by Primary Impact, 65 percent of customers who were part of initial location-based marketing programs made a purchase as a result of the location-driven notification and messaging. Sixty percent of participants found the location-based messages to be "cool and innovative."

ISign Media Corp., an interactive marketing company, estimates that proximity marketing campaigns cost about one-tenth of a traditional marketing campaign with comparable reach and higher conversion rates, driving the ROI of a location-based marketing effort far above that of other marketing initiatives.

If consumer acceptance and technology are driving marketing and advertising toward what the Borrell report terms an "untethered state," then the revenue generation potential of location-based marketing is pushing that particular strategy toward a critical mass.

With third-party providers lowering the barriers to entry, large multinational brands setting the tone and pace of adoption, and the response rates and ROI figures outstripping even the most efficient existing marketing tactics, location-based marketing is entering into a

high-growth phase.

Businesses across the world are now flocking to it, and rightly so: location-based marketing is another fixture in the future of mobile marketing and advertising.

So can I say that location-based marketing and advertising is the next big thing?

I think it is going to be Really Big.

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