HOW GEOMARKETING CHANGES EVERYTHING

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I. Post-PC, Mobile First and Multiplatform

There are two competing but related “narratives” in the tech community around the rise of mobile device adoption. The first is about the growth of smartphones and their disruption of the PC internet. Smartphones (and tablets) are increasingly replacing PCs, the argument goes, as primary internet access devices. We’re now in the “post PC” or “mobile first” era.

The second narrative is about “multiplatform” consumer behavior. It leads with mobile but argues that the “mobile first” camp is myopic. We now live in a multiplatform world, it asserts, in which users move fluidly from PCs to smartphones to tablets and back.

The proponents of this second view (e.g., Google) believe that enterprises and brands must take a holistic approach to marketing – especially with networks that can follow the multiplatform consumer across devices. “If you’re just focusing on mobile, you’re solving yesterday’s problems,” said Google’s Vice President of Display Advertising Neal Mohan at a recent industry conference.

Regardless of which viewpoint is more accurate – there’s research to support both positions – mobile devices are at the center of a new, more personal and more localized internet that has been genuinely disruptive of what we might call the old digital order.

Consumers have embraced smartphones and tablets, sometimes as complements and sometimes as replacements for the PC. Mobile consumers are happily marching ahead, while marketers are often still scratching their heads about how to react to an even more fragmented digital marketplace.

II. The Move toward Mobile

The seminal event kicking off the mobile internet era was, of course, the introduction of the original iPhone in 2007. Google and its network of hardware partners rapidly emulated the Apple device and its app-centric experience. Propelled by lower prices, a broad range of hardware choices and billions in global marketing (mostly from Samsung), Android has become the most pervasive operating system in the world, already eclipsing Windows several times over.

<table>
<thead>
<tr>
<th>Operating System</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Android</td>
<td>898,944</td>
<td>1,168,282</td>
<td>1,370,893</td>
</tr>
<tr>
<td>Windows</td>
<td>326,060</td>
<td>333,419</td>
<td>373,694</td>
</tr>
<tr>
<td>iOS/Mac OS</td>
<td>236,200</td>
<td>271,115</td>
<td>301,349</td>
</tr>
<tr>
<td>Others</td>
<td>873,195</td>
<td>660,112</td>
<td>545,817</td>
</tr>
<tr>
<td>Total</td>
<td>2,334,400</td>
<td>2,432,927</td>
<td>2,591,753</td>
</tr>
</tbody>
</table>

Source: Gartner 2014
Smartphone adoption in the US is currently between 72% and 74%. In other developed markets around the world the numbers are similar. Several forecasts predict 90% US penetration by late 2015 or early 2016.

After nearly eight years of post-iPhone data it’s clear that smartphone consumers behave differently than non-smartphone owners. Mobile devices are now driving about 34% of global internet traffic in the aggregate.

Local search, directory sites and local verticals (e.g., restaurants, real estate) typically report mobile traffic at levels above 40% or 50%. Yelp, for example, says 59% of its search queries now come from mobile. Google representatives remarked earlier this year at two separate conferences that by the end of this year or early 2015, mobile search query volume will likely exceed PC volume on a global basis.

Time spent with mobile apps has now surpassed time spent on the PC internet in the US. Only television commands more daily media time than mobile. Yet TV time is often spent with a mobile “second screen.” While that can enhance it can also distract from advertising on the larger screen.

**Figure 2:** Time spent with digital media by platform

![Figure 2: Time spent with digital media by platform](image)

Tablet ownership is also growing. A Pew Internet study released earlier this year estimated that 42% of US adults now own a tablet. If that survey is accurate and representative it would mean there are more than 100 million tablets in the US. However the tablet’s future is still coming into focus. Larger-screen phones and smaller screen tablets may converge at some point. That may also be true of larger tablets and laptops (e.g., Microsoft Surface, ASUS Transformer).
III. Mobile Shows Web’s Offline Impact

Since the beginning of the web more than a decade ago shoppers have used it as a research tool before buying offline. Yet that online-offline pattern was largely ignored because it was nearly impossible to consistently track.

Publishers, brands and marketers focused almost entirely on e-commerce (or related online events) for that reason. Even today e-commerce represents only about 6% of all US retail. The obvious flip side is that 94% of all retail spending happens in traditional stores. What is not as well understood is how the internet influences a growing chunk of that 94% of retail spending.

Multiple consumer surveys show that between 75% and more than 90% of US internet users do online research prior to making offline purchases. Roughly speaking, something on the order of $2 trillion (or more) in spending on offline goods and services are influenced by digital media and online research on an annual basis.

These figures will only grow as more smartphones are used in stores for price and product research. While the data vary by survey, nearly 90% of smartphone owners have used their handsets in stores to aid purchase decisions.

Figure 3: Consumers who have used smartphones in stores

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Phone Use in Stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gen Y (18-29)</td>
<td>97%</td>
</tr>
<tr>
<td>Gen X (30-44)</td>
<td>91%</td>
</tr>
<tr>
<td>Young Boomers (44-53)</td>
<td>81%</td>
</tr>
<tr>
<td>Older Boomers &amp; Seniors (54+)</td>
<td>69%</td>
</tr>
</tbody>
</table>

Source: Thrive Analytics (2014) n=1,058 US adult smartphone owners

Smartphones have made it possible to better see and track the internet’s influence in the real world. While not yet perfected, brands, agencies and marketers of all sizes are now able to measure store visits after digital ad exposures. Mobile devices also offer marketers the ability to reach consumers in a variety of real-world contexts and situations not possible on the PC.
IV. Location Is the New Cookie

In 2013 mobile advertising in the US was worth more than $7 billion according to the Interactive Advertising Bureau (IAB). This year mobile advertising in the US is likely to reach or exceed $15 billion.

**Figure 4:** Mobile advertising revenue growth

![Growth of US Mobile Advertising](image)

Source: IAB revenue figures; 2014 projected

Total digital ad revenue in the US for 2014 will probably be roughly $49 billion. Digital measurement firm comScore recently estimated that 60% of total digital media time is now spent on mobile devices (Figure 2). If ad spend and time spent with media were more aligned, mobile ad revenue would be closer to $29.4 billion and PC ad revenue would be roughly $19.6 billion.

The percentage of mobile ad revenues that include a location-based component is difficult to measure precisely. However I’ve previously calculated that roughly 20% to 25% of mobile ad revenues are tied to location today. Marketers have been slow to respond to consumer behavior but they’re starting to catch up. Accordingly there’s considerable growth for mobile GeoMarketing revenue ahead.

In marketing to smartphone owners, physical location or context assumes greater importance than on the PC. Indeed, location has been repeatedly shown to drive greater consumer engagement and response rates in numerous studies.
A 2013 study from Retailigence, for example, found an 80% lift in click-through rates (CTR) on mobile ads featuring zip code targeting vs. DMA-level targeting. An earlier 2012 study by Nielsen (Figure 5) showed that consumers are more likely to respond to mobile ads that are “locally relevant.”

Figure 5: Top triggers of mobile ad response

Top Three Drivers of Mobile Ad Response

- Ads that are locally relevant to me: 73%
- Ads that offer coupons/promotions: 72%
- Ads from known brands: 59%

Source: Nielsen-xAd-Telmetrics (2012), n=1,500 smartphone users

Location is also increasingly being used “in the background” by mobile ad exchanges, networks and platforms to identify prospects and receptive audiences. By monitoring store visits and movement patterns of smartphone owners in the aggregate, mobile ad providers can assign them to audience segments (e.g., QSR regulars, auto intenders, business travelers).

This practice has already become common and represents a sophisticated use of location beyond geotargeting (i.e., state, city) or even “geofencing,” in which ads are shown to people around stores, landmarks or in specific zones (e.g., within two miles of shopping malls).

As the examples below indicate, geofencing will continue and be an important mobile marketing tactic. However the use of location to define audience segments is becoming a “foundational” element of mobile marketing. In this way location is being used not unlike a cookie on the PC to identify potentially receptive audiences based on their real-world behaviors.

Whether explicit or implicit, mobile GeoMarketing has already shown itself to be extremely effective and is becoming an essential element of mobile advertising.
V. Mobile GeoMarketing Case Studies

Beyond the methods and tactics discussed, location-aware ad creative can also positively impact ad performance. It typically must be inserted dynamically, based on real-time user location, and is more challenging to execute than static ad creative. However marketers sometimes “cheat” this by using national ad creative but make landing pages location-aware or feature store or dealer locators.

The following case studies show location being used by marketers to build awareness, drive store visits and generate higher audience engagement. These examples represent a small selection of how location is currently being integrated into mobile advertising.

Duane Reade: Engagement and Sales via Twitter

Because of the nature of Twitter (users must be signed in), ads and content are distributed on both PC and mobile platforms. Audiences can be simultaneously targeted across both platforms, though mobile users may also be targeted separately (75% of Twitter users access the site via mobile).

Walgreens and its New York area subsidiary Duane Reade used Twitter to build awareness and promote engagement in numerous ways. Among them, the company created organic content and geotargeted Promoted Tweets and Promoted Accounts to inform Twitter users of Walgreens store grand openings in selected cities: New York, Boston and San Francisco.

In New York the company created a photo contest to engage local Twitter users and generate awareness for Duane Reade hosiery. The campaign was called “Show Us Some Leg” and asked users to upload photos of legwear. It employed the hashtag #DRLegwear, which was also put on in-store displays, mentioned in radio ads and used online in ads elsewhere (i.e., YouTube).

Twitter and Duane Reade reported that the contest generated more than 19 million ad impressions on Twitter and generated a 28% lift for in-store sales.
Toyota RAV4: Launching a New Car Model

To launch the redesigned 2013 RAV4, Toyota used email and a special microsite that offered extensive views of the vehicle as well as opportunities to interact with the new design. The email campaign was built using responsive design so that it would properly render for either the PC or mobile devices.

Beyond building awareness the campaign sought to bring prospects (couples in their 30s and 40s) into dealerships for test-drives. The microsites were branded for local dealers across the country. Each microsite landing page offered multiple views of the RAV4, the opportunity to schedule a test drive and investigate the local dealer’s RAV4 inventory.

An initial email was sent to qualified audiences. These were people in the target age range but also who by one or more measures had indicated interest in the RAV4 in the past. After the initial email campaign – 43% of opens were on mobile devices – a follow up email with a “stronger call to action” was sent to those who had engaged with the previous email and microsite. An equivalent percentage of opens came from mobile.

The company reported that 56,000 users engaged with the email and related microsite. It attributed $6.1 million in eventual sales to the campaign. Roughly 40% of those sales came from people who interacted with the campaign on mobile devices ($2.4 million).
Columbia: Building Heat, Generating Store Visits
Columbia Sportswear sought to build awareness of its new Omni-Heat line of jackets and reach selected local shoppers to bring them into stores. Working with agency BSSP and mobile ad platform xAd, the Omni-Heat mobile campaign featured location-aware display ads and exclusive offers. It also presented specialized landing pages with additional product information, driving directions and dynamic nearby store contact details.

Ads were shown to smartphone owners within a geofenced radius of retailers that sold the Columbia jackets. However real-time location was combined with audience targeting. The ads were served not to everyone in the geofence but only to those who had searched for related items in the past.

By combining location targeting, audience segmentation and location-aware ad creative, the campaign saw a 52% greater CTR to the landing page than the norm for mobile display campaigns.

After hitting the landing page there were a range of secondary actions: 65% of users looked at additional product information while 17% called nearby stores and 19% obtained driving directions. Actual store visits were not measured in this campaign, yet we can assume that at least 36% of those who visited the campaign’s landing page went to stores to look at the jackets, immediately or in the near-term future.
Quiznos: Driving Offline Coupon Redemptions

QSR chain Quiznos worked with Sense Networks (now part of YP) to target would-be customers between the ages of 18 and 34 in Portland, Oregon in 2013. The campaign presented a $1 off coupon toward the purchase of a regular or large sub sandwich. Like the Columbia mobile campaign it also used a form of behavioral targeting with geofencing.

Individuals who had visited comparable QSR sites in the past 30 days (e.g., Subway) were assigned to an anonymous audience segment. Those individuals were later shown the Quiznos offer when they came within a three-mile radius of a Quiznos location. The ads and offer were thus only shown to those in the target segment within a modest driving distance of business locations.

The campaign generated roughly 3.5 million impressions in the Portland area. Much more importantly, there was a 20% lift for in-store coupon redemptions (sales) in Portland compared with other Quiznos markets running a non-mobile version of the same offer.

The combination of an attractive offer, geofencing and audience/behavioral targeting produced a significant impact on in-store sales.
Facebook: Offer Ads Boost Small Business
The campaigns so far mentioned have focused on national brands driving local sales. Most small businesses, by contrast, are very much behind the curve when it comes to mobile. But Google and especially Facebook are seeking to make mobile advertising more accessible for small businesses.

Facebook, like Twitter, requires users to be signed in to access content. Accordingly it can be used as a cross-platform marketing tool. Because users identify themselves to Facebook, targeting can be very accurate.

Facebook organizes its advertising tools by business objective to simplify self-service. Among the business goals mapped to ad types on Facebook are “increase online sales,” “launch a new product,” “build awareness,” “promote your mobile app” and “drive in-store sales.”

Earlier this year G/O Digital, a division of Gannett, conducted a study of 1,000 Facebook users aged 18 to 29 to determine their responses to different Facebook ad units. G/O Digital found that Facebook Offers, redeemed offline in stores, were the most potentially effective ad unit for local businesses.

Thirty eight percent of survey respondents said that Facebook Offers would motivate them to visit a local business website and 35% said they would be inclined to visit that business’ mobile site/app. The large majority of respondents (84%) said such offers would significantly impact their decision to make an in-store purchase. Among that group, 25% said they would be likely to do so “within a week.”

The study did not capture visits to small business locations or actual purchases. However the intent statements of consumer-respondents can be seen as a reasonable proxy for visits and potentially sales. The data confirm the power of mobile offers to influence purchase behavior.
VI. Using Mobile to Close the Loop

As discussed earlier, the value of the internet’s influence on offline consumer spending is at least ten times greater than e-commerce – into the trillions of dollars annually. This was mostly invisible to marketers, brands and retailers because of an inability to consistently track online-to-offline buying.

Mobile devices not only open a powerful new marketing channel, they offer a way to measure the effectiveness of other media. In the same way that tracking offline movements of smartphone owners can identify audience segments, it can also be used to measure the in-store impact of digital and even traditional advertising.

Placed and PlaceIQ are two companies, among others, that use mobile to measure store visits. By monitoring a “tight geofence” around merchant locations these companies can track smartphone store visits. It’s important to acknowledge that tracking mobile users en masse raises complicated privacy issues. However the companies utilizing smartphone tracking report they “anonymize” data and monitor users only in the aggregate. There’s more to the discussion but that’s beyond the scope of this report.

PlaceIQ has a relationship with Rentrak that associates household and location-aware set-top boxes with smartphone IDs. A wealth of demographic information is then available to marketers. When those smartphones visit offline stores visitation patterns can be associated with specific shows and even specific advertisers. PlaceIQ reports a “place visit rate” for people who’ve seen a show in question and gone to a particular store to investigate a product or sale.

Beyond this, fans of Game of Thrones may be inclined to eat at Chipotle or Five Guys restaurants or shop at specific retailers vs. others. These profiles and patterns, which utilize offline smartphone movement data, can also help refine media buying and targeting practices at the same time.

Placed does something similar, but uses an opt-in panel of smartphone owners who explicitly agree to have their movements tracked in exchange for rewards. The resulting data is used for competitive intelligence but also to report on the success of mobile campaigns in generating offline visits. Each store visit by a panel member is captured and can be correlated with campaign ad exposures. The data can then be extrapolated to the larger campaign. Most of the major mobile ad networks are now using Placed to help track offline ad impact accordingly.

Google’s estimated total conversions program, still in beta, attempts to track users across platforms (from PC to mobile) and into stores. It relies on signed-in Chrome-browser users on Android devices. Google is also able to watch Android users’ offline activities as a group and similarly correlate store visits with digital ad exposures. Google has not announced this methodology (perhaps because of concern about privacy) but there are indications that the company is testing this approach.
Facebook and Twitter are working with a number of data vendors (e.g., Datalogix) to track offline visits and measure the in-store impact of their ads.

These companies want to provide better ROI visibility and metrics to brands and smaller advertisers. Offline measurement is an increasingly important part of that effort.

The majority of these “online-to-offline” tracking scenarios would be impossible without smartphones. Indoor location technology (e.g., Bluetooth beacons), which is just emerging, offers additional capabilities and possibilities for offline tracking and measurement as well as mobile marketing near the point of sale.

VII. Recommendations for Marketers

Fully committing to mobile means marketers, brands and merchants will need to make organizational, cultural and resource-allocation shifts. The requirements and challenges will be different in different companies. At a high level, the following are recommendations for marketers seeking to utilize and optimize mobile in their ad campaigns.

Recognizing mobile is imperative.
Any marketing or advertising strategy must contemplate that some meaningful part of the user experience or campaign will play out on mobile devices, whether intended or not. The data now reflect, for example, that more than 50% to 60% of email opens, on average, happen on smartphones. Email that isn’t mobile friendly will be wasted. This is true of websites as well. Marketers must have sites optimized for mobile devices, whether via responsive design or other methodologies.

Know your audience.
Marketers must also understand the complex habits of their customers. Know how mobile fits into the shopping, usage patterns and lifestyles of the audiences you’re trying to reach. People in their teens and 20s will behave differently than those much older. Many people start their shopping research on smartphones, even at home. Have a clear sense of the customer journey. It’s critical to mapping out marketing plans.

App vs. HTML5.
Not everybody should build an app. But it’s something to take a close look at. Apps can be effective in solving user problems, engaging and retaining customers. But users can also be fickle and a poorly designed app may be worse than no app at all. Whether to develop an app will depend on many variables: your industry, your specific business and other considerations such as how frequently your customers engage with your business. Sites built in HTML5, which cannot duplicate all the capabilities of an app, can still deliver a high degree of functionality and be just as good in many cases. They can also be indexed more readily in search results. (Apps are being indexed too but it’s still early).
A strategy with mobile as a key element.
In some cases a mobile only campaign may be appropriate. However mobile will probably be part of a broader digital campaign or strategy. Think carefully and holistically about the role that mobile can play in extending the campaign to people in specific contexts or segments and how location-awareness can create greater relevance and even motivate action in ways that PC advertising cannot.

Have clear goals.
What are the objectives of your mobile campaign: lead-gen, e-commerce, brand awareness or offline store visits? Mobile campaigns can serve multiple objectives but being clear about what you’re trying to accomplish will help you determine whether the campaign has met its objectives. Mobile ad creative, tactics and the overall user experience may be significantly affected by specific goals (e.g., driving people into stores vs. brand awareness).

Iterate and refine.
Depending on the length and scope of the campaign there may be time to do an initial assessment of effectiveness and make mid-course adjustments to targeting and messaging to boost response rates or desired outcomes. All mobile marketing should be considered a work in progress. Test, learn and repeat.

Make mobile creative compelling.
Mobile ad creative is often an afterthought and typically weak. Place yourself in the shoes of your customers and give them compelling creative, content and offers. Sometimes great content is just as powerful as a discount or coupon. Consider using dynamic ad creative to tailor messaging for specific audience segments and particular contexts or locations.

Use multiple mobile channels.
Don’t limit yourself to one mobile channel (e.g., mobile display). Utilize, for example, mobile distribution of social media sites (i.e., Facebook, Twitter, Pinterest, Instagram). Use paid search advertising and related tools such as Google or Bing location extensions that dynamically insert content based on user location.

Offline tracking and measurement.
If you’re a company that sells products or services in the real world consider how to measure the offline impact of your marketing campaigns – whether they appear in mobile, on the desktop or in traditional media. Smartphones make offline measurement accessible, possible and soon perhaps even imperative. Mobile can be incorporated as a powerful measurement vehicle, beyond its utility as a marketing channel.