Geolocation and Local Digital Marketing

One of the most common goals of advertising investment in the media (television, general interest magazines, radio, etc.) is to increase brand recognition. However, this investment may be less effective in turning a consumer’s purchase intention into an actual transaction at the point of sale. It is precisely in this final stage of the purchase process where what we call “local digital marketing” plays a very important role.

What Is the Goal of Local Digital Marketing?

To state it simply, the goal is to contact potential clients who are close to our stores by sending personalized messages encouraging them to make a purchase. The goal is to avoid our messages being diluted, making sure they reach the right person at the right time. The graph below shows the typical hierarchy of effects model in marketing. Marketing professionals must make sure their target audience is familiar with the brand, that the brand sparks enough interest to be taken into consideration, and that it is preferred over other brands so that, finally, it will be purchased. Local digital marketing acts during the final stages of the purchase cycle.

Influence of the Local Web on the Purchase Cycle

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\text{Purchase cycle} \\
\begin{array}{c}
\text{Knowledge} \\
\text{Interest} \\
\text{Consideration} \\
\text{Preference} \\
\text{Purchase}
\end{array}
\]

Source: Own elaboration.
Digital technology has furnished brands with a plethora of tools for communicating and interacting with potential buyers who are close to making a purchase. What is more, the penetration and use of smartphones, which has overtaken television in many countries, means that the idea of prime time, limited to a certain time bracket, no longer makes sense for many businesses. The prime time for a tourist looking for a restaurant near Fifth Avenue, between one shopping stop and the next, is at that very moment. Today, brands can reach out to that customer in more ways, and maybe even through a more affordable investment. According to some studies, smartphone users check their devices around 150 times a day, and sometimes they are looking for local information. How can brands take advantage of these opportunities that consumers provide?

Implicit in many of these tools is the concept of geotargeting. It consists, first, of identifying users' geographic location (using their IP, by GPS or by other means), and then sending targeted content (such as an advertisement, a website or a promotion) based on that location.

The purpose of this technical note is to raise executives’ awareness of the importance of good local digital marketing. Obviously, this is especially important for businesses like retailers, restaurants and others whose potential customers carry out local searches. We will briefly examine some of the benefits of local digital marketing and then look at its different methods in depth. Finally, we will provide some advice on how to launch local digital marketing campaigns.

The Benefits of a Local Digital Marketing Strategy

Generally speaking, it is worth using a local digital marketing strategy when you want to:

- Optimize the local impact of advertising investments. The goal is to close the circle at the crucial moment of sale and to be more effective with our domestic advertising investment by directing it toward capturing clients in the outlet itself.
- Gain the loyalty of our distributors/retailers (or other intermediaries), who see that the brand has the potential to bring clients into their establishments in a direct way.
- Successfully respond to consumers’ rising need for local information (an increasingly high percentage of Google searches have a local component) and to provide them with more personalized, useful information.
- Optimize an organic presence in search engine results (SEO) since search engines are placing increasing importance on geolocation.
What Channels Are Included in the Local Digital Marketing Ecosystem?

Local digital marketing is made up of various interrelated channels. Below is a diagram of these channels and an explanation of the most important ones.

![Diagram of local digital marketing channels](image)

Source: Own elaboration.

1. Local Websites

This involves accessing a brand’s website in a personalized way, depending on a person’s location at any given time. For example: Dunkin’ Donuts changed its entire digital strategy in order to respond to the local market, replacing a single national website with different websites adapted to each location. Consumers can enter their zip code or use the GPS on their cell phones to get information on opening hours for the closest stores, local promotions or other important information about their favorite Dunkin’ Donuts shop. In this sense, one curious function that shows the power of this kind of local marketing is the “Trip Planner”; users who are planning a trip can enter their starting point and destination and the application will calculate a route to include the closest Dunkin’ Donuts.
2. Local Searches

Local searches are increasingly common among users. Google estimates that 20% of searches on Google are related to location, and 56% of mobile phones users use their browser for local searches; as such, the results are tailored to each user’s location and prioritized through the use of lists.

For example, if you search for “restaurant Madrid” but your location is Barcelona, the result is the following:

Source: Google screenshot, April 2014.
Whereas if you search for “restaurant” and your location is Barcelona, the results will be the following:

![Google search results for restaurant in Barcelona](image)

Source: Google screenshot, April 2014.

In the first case, there are a large number of sponsored links (SEM), but in the second there are not. If the user clicks on “Botafumeiro,” Google shows its location on a map, along with photos, a 360° virtual view of the interior (Business View service), reviews and other information on the establishment, as well as similar restaurants. Some of this information has been supplied by the retailer via the free Google Places application, which is highly useful for physical retailers and is now integrated into the Google+ social network.

Additionally, the Google Maps application provides “inside maps” for many large buildings, which lets users use their smartphones to find the different sections in a mall or museum, for example.

Therefore, brands have to implement SEO strategies in order to appear at the top in local searches, and these should be complemented by their nationwide SEO strategy. We should keep in mind the importance of the local component in SEM campaigns; for example, Google AdWords lets companies conduct campaigns targeted at a specific location. Likewise, companies need to complete their online information and keep it updated, either in Google Places or on their own websites. In the same vein, and because of the rising importance of mobile devices, it is a good idea for local websites to be mobile friendly.

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¹ For further information, see the following article: [http://blog.kissmetrics.com/geo-targeting/](http://blog.kissmetrics.com/geo-targeting/), accessed April 2014.
3. Local Deals

Local deals pages, also called “daily deals” (like the well-known website Groupon), are portals that offer exclusive discounts organized by city. Among the discounts offered, users can choose between going to dinner, relaxing in a spa, whitening their teeth, etc., all with discounts ranging from 50% to 80%. Each discount has to be picked up by a minimum number of people and is available on the website for a period of 24 hours. Using group buys, these sites can ensure truly attractive prices for all their users.

For business owners, these portals offer a different kind of marketing. For example, Groupon does not charge a fee for these promotions; instead, the company earns a commission for each product or service sold. This commission tends to be high. That is why many companies view this model as a marketing investment (awareness) more than as a business transaction, although there is some skepticism regarding whether these clients will be loyal to the brand and whether long-term relationships will be established. What is clear is that these models are not a good fit for all businesses. According to Professor Sunil Gupta and his coauthors, the factors that most influence the ROI on this kind of coupon are the sales margin, the percentage of previous clients who redeem the coupon, the volume of up-selling at the moment of purchase and future visits by these new clients.

Another way of encouraging geolocation is by channeling promotions directly to clients via coupon aggregators, such as RetailMeNot. The pictures below show an example of a special offer from JCPenney. All users need to do is save the coupon and redeem it at the store.

Source: Screenshot of the RetailMeNot application and JCPenney, April 2014.

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Whether or not it is worthwhile to engage in this kind of local promotion depends on the basic principle of price discrimination, i.e., understanding that clients have different price thresholds above which they are unwilling to buy. Therefore, in an “ideal” world, each client would be charged the price that he or she is willing to pay. Many believe that users who take advantage of these promotions the most are the ones who are the most price-sensitive, whereas less price-sensitive consumers do not take the time to seek them out. On the other hand, promotions can be made only for certain places or establishments where a higher customer flow is needed. However, a problem can arise when too many of these promotions accustom clients to buying only when there are special offers, or they only attract buyers who are more at ease in an online environment and looking for an Internet promotion before going shopping becomes a routine in their shopping cycle.

4. Social Networks

With regard to Facebook, unquestionably the social network with the greatest penetration to date, it is important to bear in mind the local component in the social network strategy, from the standpoint of both the strategy of fostering a relationship through Fan Pages and advertising using Facebook Ads (sponsored ads on Facebook):

- When getting a user to engage with the brand on a Facebook page, it often makes more sense to respond locally, since this is the natural place where interaction with the consumer takes place (for example, complaints tend to be more local than global). This is the strategy that Walmart has used on its Facebook fan page, where it has an application called “My Local Walmart.” With this application, users can check local information on each store, such as current promotions or information on new products. The goal is to generate conversations with the store’s community of clients.

- When advertising your brand on Facebook, it may make sense to segment based on location. Facebook ads tend to have many goals, including impacting a high number of users, getting more followers, channeling users to the homepage, getting users to install an application, or getting them to register for an event or request a deal or discount.

Geolocation is also possible on other social networks, as is the case with promotional tweets on Twitter, for example. One interesting case is Chegg, a company that helps students find second-hand textbooks, financial aid or jobs. Its model is highly seasonal, and it tends to have a higher number of visits at specific times during the year. In January 2014, they decided to post the tweet “Brr it’s cold. How about free shipping on your textbooks to warm ya up?” while ensuring that the tweet was only sent out to those users located in the areas of the United States with the coldest temperatures at that moment. The results were surprising in comparison with other campaigns: 13,000 purchases by the impacted users and a CPA (cost per acquisition) of $4.

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5. Location-Based Services

Location-based services (LBS) provide users with personalized services based on their geolocation. In some cases, the way these services work is based on check-ins. When users reach a given location, they check in with their cell phone (i.e., they open the specific application and push the button indicating they are there). The GPS or Wi-Fi system locates the user and determines where they are and then provides them with the option of selecting an existing location or creating a new one. Among other things, these check-ins allow brands to know who is in their store; they can then use this information for commercial purposes in many ways: to offer a promotion when the customer checks in, to provide specific information that can help the user with their purchase decision, etc.

Brands can also use check-ins for more advanced purposes, such as asking users about their satisfaction with the product or service, or asking them to make a recommendation in the application.

The most well-known of these applications is Foursquare, but there are many others, such as Nike+ Running or Runtastic, which are sports related and quite popular. Some of these applications are synchronized with a wearable device (for example, a bracelet that measures heart rate).

There are also companies that develop their own geolocation applications. One example is the Starbucks app, which can be used to find the closest Starbucks, look for information on a specific establishment, monitor the status of a Starbucks card account, treat a friend to a coffee, or even make a payment.

6. Recommendations

Within the ecosystem of the local Web, websites that aggregate reviews of restaurants, shops and hotels have become quite popular and prominent. Google is perhaps the most important player, since it includes users’ opinions both in its search engine and its map application. Other major players include Yelp and TripAdvisor, although there are many more. Although these services were initially intended for the Web, they soon moved to cell phones with cross-device websites and targeted applications, making geolocation possible. Managing
reviews has become an issue of prime importance for many companies. Generally speaking, a quick response is recommended, especially to negative reviews; the response should also add value, moving beyond a standard reply; and the most negative complaints should be shifted into a private conversation.

It is no secret that many of these comments are biased and may come either from the competition, in an attempt to detract from a rival company, or from within the companies themselves in an attempt to improve their score. The most professional aggregators have algorithms that can detect fraudulent opinions and they let users evaluate others’ opinions. Overall, although online opinions may not be totally representative of the quality of a company’s service, they are still used by many potential clients as a source of recommendations.

One interesting case that has harnessed these tools to gain customer loyalty is Tasti D-Lite, a well-known U.S. brand that sells frozen desserts, which has integrated local marketing networks into its loyalty program. Every time a customer shares an experience about a Tasti D-Lite establishment on Twitter, Facebook or Foursquare, he or she receives points through the company’s loyalty program that can later be cashed.

7. Advertising and Alerts

In the section on social networks, we mentioned the possibility of using geolocated advertising on platforms like Facebook and Twitter. Nevertheless, there are many other advertising formats that incorporate geolocation. One example is ad networks, which allow companies to buy geolocated display advertising for both desktop computers and other devices. Two interesting advertising networks are iAd and AdMob, which allow companies to purchase advertising in certain applications on iOS and Android systems, respectively. Geolocation is also possible with YouTube advertisements.

The development of local advertising for these devices is still limited, since many advertisers prefer to use other segmentation criteria, or because – in the case of cell phones in general and certain applications in particular – many users do not allow their geographic position to be identified for security or privacy reasons.

Another special form of advertising is alerts, which a client may receive via Bluetooth when passing by a given establishment. Although this technology has been in use for years, the fact is that its expansion has been limited by its intrusiveness and lack of segmentation potential. However, it looks like more recent advances may allow for much more interesting commercial applications. In 2013 Apple launched iBeacon, which uses Bluetooth technology via an application to allow for sending personalized messages to consumers. The implementation possibilities for this technology are countless. For example, in the case of Shopkick or Powatag, as users enter one of the participating stores the application will open by itself on their smartphones to show them the deals of the day, or even personalized deals.
8. The Value of Local Information

In the era of “big data,” information is invaluable to companies. How can local information help executives in decision making? We will examine this issue based on several examples and not exhaustively, given the need for brevity in this note.

First of all, it is important to consider the significance of smartphones. Cell phones leave a trail of information about the places they have been carried. This information is saved on the provider’s servers, or it may be gathered by Wi-Fi and Bluetooth signal receivers located in cities or shopping centers. It is clear that this information, combined with other information on demographics, tastes, uses, etc., can be extremely useful for businesses, although the existing laws on data protection in each country must be obeyed.

One particularly interesting application consists in measuring buyer traffic in shopping centers. Bitcarrier, for example, is a start-up that can install receivers in different parts of a shopping center so that the manager can see how many people are in each area at different times of day, how long they stay in the shopping center, what kinds of stores they visit, how many times they visit the shopping center in a given period, etc. This information can be used to try to draw customers into the areas with fewer people, to set rent prices according to traffic or to measure the results of marketing campaigns, among other purposes. Real information on consumer traffic can also be used to help make decisions about which street or which specific commercial space is the best location for a store.

Location information is also available on the Web. Whenever consumers post a Tweet, a comment on a Facebook page or in a forum, or a photo of a store on Instagram, this information can be gathered in real time and later processed. Online sentiment analysis tools allow for gathering, disambiguating, analyzing and viewing a host of data that can be of interest to brands. Some of these tools capture a user’s geographic location and incorporate modules where the information can be viewed on a map. For example, a brand may be interested in knowing whether the tweets written about it and its competition originate in different cities or neighborhoods. This information may help to reinforce local marketing (either digital or traditional) in areas where the brand should have a stronger presence.

Launching a Local Digital Marketing Campaign

Before choosing the channels and applications for our marketing action plan, we first need to define a strategy. It is important not to make mistakes like the one made by a large restaurant chain in the United States that launched a campaign to give away free hamburgers to the first 500,000 customers who checked in at their restaurants. The action was successful at first, but since the company had not thought about how to prolong the bond it had established with consumers, it was not as effective as expected in the long term.

Therefore, it is essential to think about our objectives. For example:

- To be easily found by all users who search for my brand locally.
- To increase traffic to local stores.
- To sell more of a given product type nationally.
• To deseasonalize visits to my store.
• To ensure the loyalty of current customers.
• To improve the efficacy of my investments in SEM and display advertising.
• To use different advertising messages depending on the customer’s location.

Just like any marketing strategy, it is essential to define the goals before beginning an action plan. Regardless of the goals, one of them should be for users or potential clients to find us in as many channels as possible, and this includes local applications. Later, we can be more or less proactive in each of these channels depending on specific goals and resources.

Once we have set the goals, the next step is to identify which channels are the best way to achieve them: which channels will help us reach our goals and what content or promotions should serve as the foundation for our strategy.

For example, in the case of a small, affordable, multi-brand luxury clothing store that has just opened in Madrid in an area that is not very busy, you might decide that your goal is to increase traffic to your store (“Goal: for 100 people to enter the store every day, on average”) and, on a shoestring budget, you could do the following:

• Register your store on Google Places so it can be easily found if someone is looking for it or looking for a clothing store in Madrid in general.
• Set up a small PPC (pay per click) campaign locally to promote the most famous brands you sell.
• Create a Foursquare account that has the following:
  o Promotions in exchange for checking in at the store, such as a raffle for an iPod.
  o A special offer for the first check-in, such as a 20% discount.

You should also remember to set up monitoring and tracking systems for these actions to determine whether the goals of the campaign are being met. Finally, do not forget that despite the benefits of local marketing and a successful execution of the associated strategies, there are several considerations worth bearing in mind:

• Many national brands are unaware of their local presence and penetration, which means that they often delegate their campaigns to their distribution channels.
• In some cases, local marketing activities are done in an uncoordinated fashion by unqualified people and as the lowest-priority item in the marketing budget.
• These kind of campaigns are not easy to manage, given that it requires devising and designing different messages for different geographic areas and entering into a great deal of detail, which makes for more complicated implementation.
Conclusions

The evolution of marketing today has led us to an incontrovertible truth: local digital marketing can be much more effective than national marketing when guiding customers through the “final moments in the purchase cycle” – i.e., into your store – so they can make a purchase.

In this sense, using local strategies that complement national marketing actions can lead to more profitable marketing and a better achievement of business objectives.

References

- [http://www.blog.kissmetrics.com](http://www.blog.kissmetrics.com).