

How Location-based Marketing Can Impact Customers' Loyalty?

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Acknowledging the global trend in usage of location-based data for marketing and communication campaigns by all types of businesses, SémioConsult® supports Cécilia Goutran's proposal to try to understand how location-based marketing can influence customers' loyalty. Such influence depends on many elements such as demographic criteria, the sector of activity, the step in the purchasing process and the type of campaigns. 231 consumers have been surveyed in order to assess their exposure, attitude towards and willingness to share their location data with brands, with a particular focus on three sectors : FMCG, Automotive and Fashion. Do not hesitate to get back to us, should you need a deeper analysis of the market or should you have any queries regarding this project: info@semioconsult.com.

What is "Location-based Marketing"?

"Location-based Marketing" is a marketing strategy that marketers use to have a direct contact with consumers through their connected devices – especially smartphones. To do so, companies collect data on the consumers' location (either in real time or by analysing their location habits and movements) and then push through their devices a notification that can take different aspects such as a text message, a pop-up advert or a notification from an installed app. The notification may come from a near-by business or one on the road or even one at the potential destination.

This method relies on simple technologies from the GPS signal, that most consumers use to find their way, up to geofencing, that enables companies to determine the distance between the consumers and an object like a shop, or even beacons, that are small devices using Bluetooth Low Energy transmitting information to near-by devices. Beacons are ideal for close-up location-based marketing inside a shop: it is then possible to follow the consumer's path throughout the shelves.

A location-based marketing strategy needs to take into account the GDPR requirements to ensure customer privacy. For instance, an opt-in process is usually used when a consumer visits a website or installs the app. His or her device requests whether or not the user accepts to share the device's current location. If accepted, the user becomes a potential consumer.

Why Using Location-based Marketing?

This method allows marketers to go beyond traditional retargeting through the Internet by removing the limits that existed once between the online and the physical worlds and thus creating a continuous customer experience.

- 1) **Location-based marketing provides businesses an infinite source of information about their customers** : it represents an absolute opportunity to get accurate insights on customers and to adapt and personalize offers in order to boost brand awareness and sales.
- 2) **It helps businesses provide relevant and customized offers to their target audience, while at the same time engaging in some dialogue with it.** Tailored offers to a given community of consumers will undoubtedly grasp more its members' interest and trigger a purchase intention.
- 3) It is a powerful way to **trigger impulse buying** by promoting the ideal product for the given situation of the consumer: the right offer, at the right time and at the right place.
- 4) It can also be used as a way to **assess the performance of a campaign** that aims at driving consumers to a store.

RESULTS FROM THE STUDY:

The study lasted 3 months. The sample of respondents included 231 consumers from all over the world: 81% from Europe (of which half were from France), 7% from North America, 8% from South-East Asia, 2% from Australia and 2% from the rest of Asia. The majority of respondents were Millennials (73%), metropolitans (80%) and students (41%). Not all consumers end up being equal as far as location-based marketing is concerned:

. **38% of the respondents are eager to share their location data with brands** while 44% are opposed to it and 18% do not know where to stand. Customer privacy is a real issue for location-based advertising and most customers do not trust brands.

. **80% of the respondents declare that location-based marketing campaigns have little or no influence on their behaviour throughout the purchasing process.** The highest positive influence rates are 32% to go to a shop after receiving a notification followed by 24% to buy a related product or service. Thus, location-based marketing may enhance drive-to-store statistics and to a certain extent sales. However, there is no real positive influence on the other steps of the purchasing process.

. **The degree of loyalty towards a brand** has also an impact on the potential influence of a location-based campaign of the same brand. For a **high level of loyalty (emotional and attitudinal loyalty)** 27% of the respondents totally accept to receive notifications and 44% accept moderately. On the contrary, for a **low level of loyalty (occasional and behavioural loyalty)** 60% refuse to receive location-based ads. Thus such campaigns might have a positive impact on customers already loyal to the brand by increasing dialogue and purchase intentions and a really negative impact on others that could consider such actions as intrusive.

. Respondents were also asked to indicate what type of notifications they would accept and prefer to receive from brands. **Overall respondents would prefer good deals** (discounts, flash sales, promotional offers). Good deals might influence positively 79% of the respondents and of which 35% highly positively in their purchasing process. Personalized offers and free samples might influence positively 68% of the respondents and of which 26% highly positively in their purchasing process. However invitations to private events do not convince customers since they might influence positively only 41% of the respondents and of which 12% highly positively in their purchasing process.

Focus on comparing the Automotive, Fashion and FMCG sectors of activity

Four criteria were defined and used to compare the three sectors:

- **The level of maturity** in terms of the use of location-based advertising, in particular using the client verbatims collected through the questionnaire by a question asking to describe the last location-based advertising the respondent could remember. **22% described an ad from the FMCG sector and 7% from the fashion and the automotive industry.**

- **The perception of the consumer (promoter or detractor)** thanks to the predisposition of customers to share their geolocation data with the brands of the sector. The automotive industry accounts for 38% promoters against 45% detractors; the fashion industry accounts for 36% promoters against 36% detractors; **the FMCG**

industry accounts for 39% promoters against 33% detractors. The rest of the respondents do not know where to stand and could be a target to convert for marketers.

- **Impact business following a call to action to visit a shop and to complete a purchase.** The influence on the respondents depends on the sector : 68% are influenced fashion ads, 56% are influenced FMCG ads and 53% are influenced automotive ads.

- **The degree of innovation expected by consumers in terms of types of advertising :** FMCG and fashion accounts for the same expectations while the automotive industry lacks of attraction for events.

Overall, the final ranking by giving a weighting equal to each of the four criteria is as follows: 1st place for the FMCG sector, 2nd place for the fashion sector and 3rd place for the automotive sector.

Criteria	1st place	2nd place	3rd place
Level of Maturity	FMCG	FASHION /AUTO	-
Consumer's Perception	FMCG	FASHION	AUTO
Impact on Business	FASHION	FMCG	AUTO
Innovation level expected	FMCG/FASHION	AUTO	-

Main Takeaways:

✓ Only 38% of customers accept and promote location-based marketing, a percentage that converts into an 18% conversion rate from the reception of the ad to the purchase.

✓ The customer profile has also an impact on how he or she may accept location-based ads. For instances, Millenials between 18 and 35 years-old are often more at ease with such practices while older respondents remain criticizing.

✓ Moreover, students seem more concerned by received location-based ads than other professional categories. The size of the city of residence can have a significant impact on the effects of location-based marketing on the respondent. Indeed, a metropolitan will not have the same habits of transport and consumption as a person living in the suburbs or in villages.

- ✓ As regards promotions and communication actions, customers mainly look for good deals, personalized offers, samples and free products.
- ✓ The results of the survey show that location-based marketing has still a long way to go to convince and reassure customers whatever the customer profile and whatever the industry.

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