

## **Defining Location Based Marketing and Identifying the Benefits of this Strategy**

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### **Abstract**

*With the development of technology, marketing methods have had to evolve to suit everyday lives of customers in order to grasp their attention where it matters most. The increase of smart phone usage and the entrance of the social media and smart phone applications in everyday lives have made it necessary for marketers to tend to customers using those methods. Location Based Marketing has been the marketing method which reaches these potential customers where they are found, at the right time and place, in addition to the precise targeting of the relevant market. Location Based Marketing uses several techniques to achieve that matter, giving it several benefits, advantages, and an over hand in successful marketing and goal achieving.*

*Keywords: Marketing, Location, Location Based Marketing, business, social media, targeting, geotargeting.*

*JEL Code: M31*

### **Introduction**

Consumers are spending far much more time browsing on their cell phones, whether it is on the internet, application, or social media networks. The mobile phone usage is consuming much of the customers' time that their time laying back browsing on their phone is much more than the time they spend browsing stores and wandering around streets; which means to reach these customers it would be much more wisely to get to them on their mobile phone than try to attract them on the streets or in the stores. To determine which site, application, or social network a company or organization's target customers may be, once again location based data is needed. "Only a few scholars have investigated the effects of message design of location based-mobile advertisements."<sup>1</sup>

### **1. Application of Location Based Marketing**

The first step in Location Based Marketing is the determination of where and how the potential customer is to be found, only then is it that marketers must raise the question of what to use in order to target that potential customer. Some organizations have resolved to advertise their own online shopping experience through providing the link to their online store website or their own personalized application. Moreover in several cases location based marketing relies on the pricing and is shaped up due to the price differences and price demands in the marketing segments where some potential market segments may aim or look for good provided in a certain price range which is depending on their social and economic status.<sup>2</sup>(Schroeder, 2018)

### **2. The Adoption and Usage of Location Based Marketing by Marketers**

Marketers adopting location based marketing have formulated a list of reasons to choose location based marketing as a marketing technique rather than other techniques. This list includes some of the common reasons such as deliver more relevant advertisements, customized, and received at the right place and time, this also includes creating a customer experience which may be enjoyed greater by the customer due to it being modifying according to personal preferences and gathered information. The list extends to include reasons such as increase of immediate foot traffic to the store or organization being marketing because of the proximity marketing techniques which

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<sup>1</sup> Paul E. Ketelaar, Stefan F. Bernitter, Thabo J. van Woudenberg, Esther Rozendaal, Ruben P. Konig, Arief Ernst Hühn, Marnix S. Van Gisbergen, Loes Janssen.(2018). "Opening" location-based mobile ads: How openness and location congruency of location-based ads weaken negative effects of intrusiveness on brand choice. *Journal of Business Research*. Volume 91. Pages 277-285, ISSN 148-963. Retrieved from <https://doi.org/10.1016/j.jbusres.2018.06.018>.

<sup>2</sup> Schroeder, R. (2018). Big data: Shaping knowledge, shaping everyday life. In *Social Theory after the Internet: Media, Technology, and Globalization* (pp. 126-148). London: UCL Press. doi:10.2307/j.ctt20krxdr.9

navigates the nearby potential customers to the store being marketed; driving consumers away from potential competitors due to geolocation targeting around competitor location is another reason marketers believe in the power of lbm.1iii (Marketing Evolution, 2021)

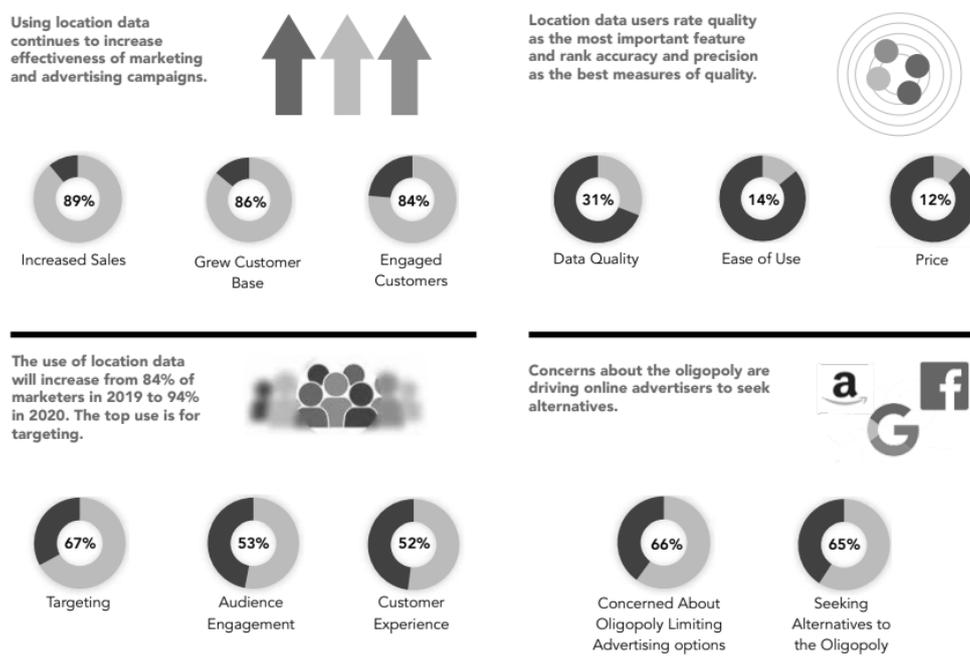


Figure 1. During their 2019 Location Based Marketing Report, Factual Lawless Research, have conducted a survey with seven hundred marketers on their views on at-the-time location based marketing and futuristic views on this matter and came up with the following results<sup>iv2</sup> (Czarny, 2019).

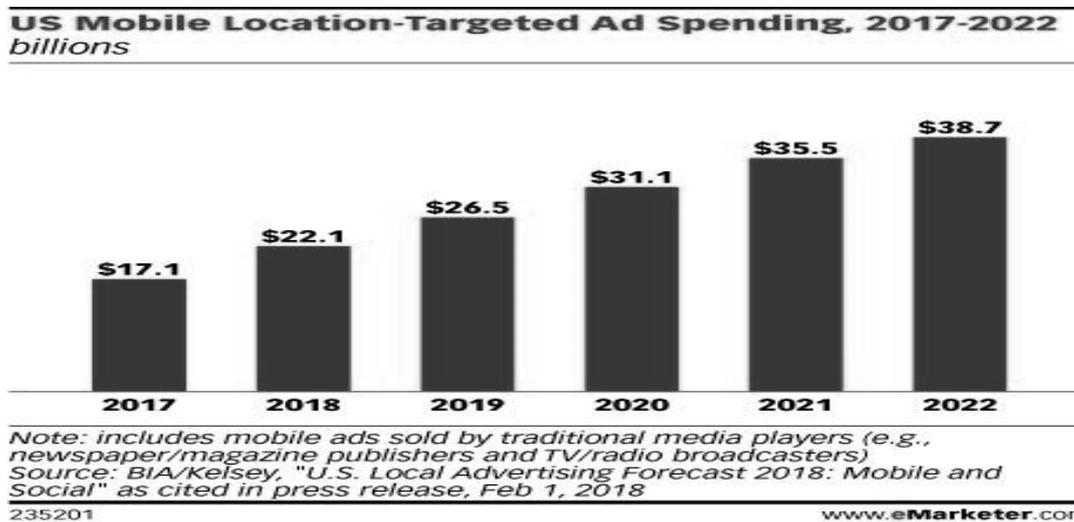


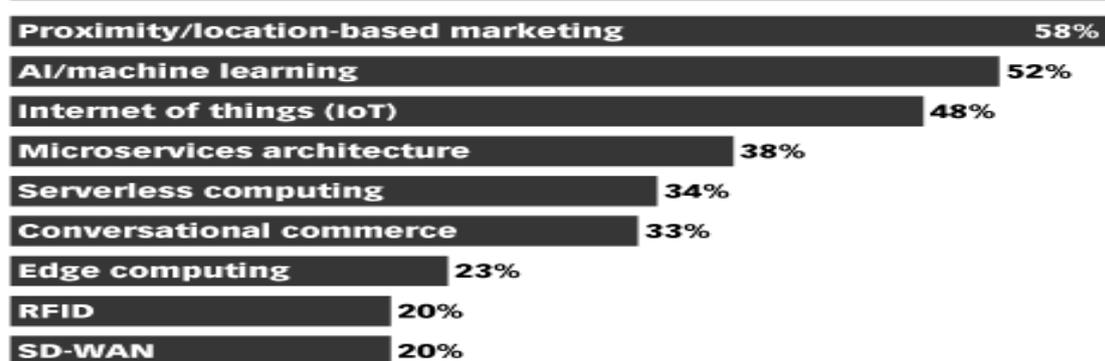
Figure 2. Location Targeted Ad Spending in the United States of American between the years 2017 and 2022 <sup>v3</sup>(Kelsey,2018; as cited by Droesch, 2019).

<sup>1</sup> (2021, March). *What is Location-Based Marketing?*. **Marketing Evolution**. Retrieved from: <https://www.marketingevolution.com/knowledge-center/topic/marketing-essentials/location-based-marketing>

<sup>2</sup> Czarny, B. (2019, June). *2019 Location-Based Marketing Insights into Location Data Use, Benefits and Opportunities*. **Factual Lawless Research**

<sup>3</sup> Droesch, B. (2019, April). *Retailers are Interested in, but Wary of, Location Based Marketing*. **EMarketer**. Retrieved from: <https://www.emarketer.com/content/retailers-are-interested-in-but-wary-of-location-based-marketing>

**In Which Emerging Technologies Do Retailers in North America Plan to Invest in 2019?**  
 % of respondents, Oct 2018



Source: RIS News and IHL Group, "16th Annual Store Experience Study," Jan 7, 2019

244297

www.eMarketer.com

Figure 3. Displays which technologies retailers in North America are investing in and have begun looking forward and planning to invest in from the beginning of the year 2019 (RIS News, and IHL Group, 2019; as cited by Drosch, 2019).

### 3. Characteristics of location based marketing

When referring to characteristics of location based marketing the first notion that comes to marketers' minds is the versatility of this marketing strategy. Location based marketing is based upon ever changing factors and data whether it is the preferences, the collected data or more simply the location of the customer or consumer being targeted. Every single individual connected online via the internet, meaning to have an ip address in addition to their location address, who uses any website within a certain area or district will encounter certain advertisements, products, or marketing campaigns and strategies different from those which another individual may encounter in a different area or location, where this location may not be so far off, even if it may be a nearby town, city, or village.<sup>2</sup> ( Munoz; 2019) Location Based Marketing as an strategy or method used aims to benefit the company or organization using this strategy while providing satisfactory value for the customers who are in contact with this strategy. Location based marketing contains numerous benefits for both the business and the targeted consumers, the word benefit by itself stands for the advantages of and the upper hand that this strategy gives, yet like any other strategy it has its disadvantages.

#### 3.1 Benefits

Location Based Marketing has gained big importance and has become a focus point for companies and marketers, for an obvious reason, the benefits of the strategy which includes and is not limited to competing or effective, efficient marketing to sales strategy. The mere description of location based marketing states a benefit itself, where LBM is described as the process of displaying your product to your potential consumers when they are most interested in buying it. Furthermore location based marketing has enable an easier process of segmentation, and by substitution has led to more accurate targeting when addressing potential customers.<sup>3</sup>( Miller; 2019) When studying the benefits in comparison between the years two thousand eighteen and two thousand nineteen, in

<sup>1</sup> Drosch, B. (2019, April). *Retailrs are Interested in, but Wary of, Location Based Marketing*. **EMarketer**. Retrieved from: <https://www.emarketer.com/content/retailers-are-interested-in-but-wary-of-location-based-marketing>

<sup>2</sup> Munoz, A. (2019, February 19). *Geomarketing & Location Intelligence: The spy who loves you*. Retrieved from: <https://blog.saleslayer.com/geomarketing-location-intelligence-the-spy-who-loves-you>

<sup>3</sup> Miller, D. (2019, September 30). *What is Location-Based Marketing?* Retrieved from: <https://www.thebalancesmb.com/what-is-location-based-marketing-4172454>

addition to the consistency in the rise of the beneficial results attained by the companies using location based marketing as their marketing strategy, the effectiveness measured via measurement methods for digital advertising effectiveness ( methods include and are not limited to: website traffic, purchase or sales, whether online or in store due to location based advertisements) showed that the effectiveness of location based marketing is increasing where the tendency of having customer preference for this method of shopping is growing as well. <sup>1</sup> (Czarny;2019)

The process of geolocation being used in location based marketing given the knowledge of knowing the real time location of the customer, consumer, or business being targeted, in this case the geolocation can work both ways for the business marketing or the customer targeted. Geolocation in this form and method is used to produce a greater return on investment when it comes to the marketing campaigns that may sometimes use low budgets, hence the knowledge of the residing of the potential customer, whether it is their residence, or the route they use, all help in forming and shaping the campaign in a precised narrow manner rather than a broader one which would definitely cost more. In this case instead of having the marketing strategy cover larger areas through advertising and marketing campaigns whether online or offline techniques ( billboards, flyer, to messages, or social media interactions and advertisements); knowing the geolocation after having set a geographic targeted and segmented audience would lead to a more defined narrow chosen and dedication area where location based marketing techniques and utilities would be more convenient, effective, and efficient.<sup>2</sup> (Munoz; 2019) For example, if Le Chef snack decided to make a happy hour discount for a an hour on Friday on selected sandwiches, and that decision was taken on Thursday, targeting all of Varna would be too costly and it is definite that it would not bring even half of the targeted individuals, whereas targeting the streets nearby and the streets that lead to the central area of Varna, where the advertisement would reach out especially to the students and employees who are present almost on a daily basis within this area, would definitely bring in a much more sufficient and successful result because these individuals are more likely to be interested in benefitting from this offer.

In the 2018 Lawless Research report held out by Factual more than eight out of ten marketers with a percentage nearing eighty five percent have reported to have achieved growth in their customer base due to the usage of location based marketing techniques and advertisements, these reports indicate an eighty three percentage increase in response rate and customer engagement as well. These marketers have developed deeper knowledge of their customers' needs and interest in a percentage reaching approximately seventy seven percent by using location data, in addition to the definite improve in the return on investment for their marketing strategies and campaigns of a percentage of seventy four percent as well.<sup>3</sup> ( Factual, 2018)

### *3.2 Advantages and Disadvantages*

Location Based Marketing marketers that use online methods and smart phone applications rely on push notifications to alert targeted individuals of updates and advertisements. This method has increased retail and purchases due to direct contact with the consumer by the organization, transmitting the right message, advertisement, or offer in the needed circumstances, the right place and time, leading to the success of the attraction and conviction of having the customer carry out the purchase of the goods or services being offered. Furthermore this methods turns unknown application users into known customers.<sup>4vi</sup>( Kamiya, A. S. M., and Branisso, D. S. P. ,2021) The

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<sup>2</sup> Munoz, A. (2019, February 19). Geomarketing & Location Intelligence: The spy who loves you. Retrieved from: <https://blog.saleslayer.com/geomarketing-location-intelligence-the-spy-who-loves-you>

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<sup>4</sup> Kamiya, A. S. M., and Branisso, D. S. P. (2021, April). *In the right place at the right time: a review of mobile location-based marketing and a research agenda*. **Brazilian Journal of Marketing**, 20(2), 199-225. Retrieved from: <https://doi.org/10.5585/remark.v20i2.18713>.

Push Crew Notifications Report state that approximately forty percent of subscribers want a personalized targeted approach where they feel more in contact and find what they are specifically interested in.<sup>1vii</sup>(PushCrew, 2018)

The Push Crew Notifications Report's studies shows that more than seventy four percent of targeted audiences are irritated when receiving more than an average of five notifications per day, which leads several of them to unsubscribe from receiving alerts, advertisements, and notifications from this source of irritation.<sup>2</sup>(PushCrew, 2018)

### Conclusion

Location Based Marketing just as any other marketing technique, or even as any type of business related strategy, it has its advantages and disadvantages, however when used properly it may be quite beneficial, in addition to that the up-rise in the usage of social media, the internet, mobile applications and technological advancements, location based marketing usage shall increase with the passage of time, and of course this method shall advance with all the related advanced with accordance to the used ways of the method.

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- <sup>ii</sup> Schroeder, R. (2018). Big data: Shaping knowledge, shaping everyday life. In *Social Theory after the Internet: Media, Technology, and Globalization* (pp. 126-148). London: UCL Press. doi:10.2307/j.ctt20krxdr.9
- <sup>iii</sup> (2021, March). *What is Location-Based Marketing?. Marketing Evolution*. Retrieved from: <https://www.marketingevolution.com/knowledge-center/topic/marketing-essentials/location-based-marketing>
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<sup>1</sup> (2018, January). *2018 Push Notifications Report*. **PushCrew**. Retrieved from: <https://www.prnewswire.com/in/news-releases/pushcrew-releases-its-annual-state-of-push-notifications-report-says-40-of-surveyed-audience-demand-more-personalized-notifications-669712043.html>

<sup>2</sup> (2018, January). *2018 Push Notifications Report*. **PushCrew**. Retrieved from: <https://www.prnewswire.com/in/news-releases/pushcrew-releases-its-annual-state-of-push-notifications-report-says-40-of-surveyed-audience-demand-more-personalized-notifications-669712043.html>