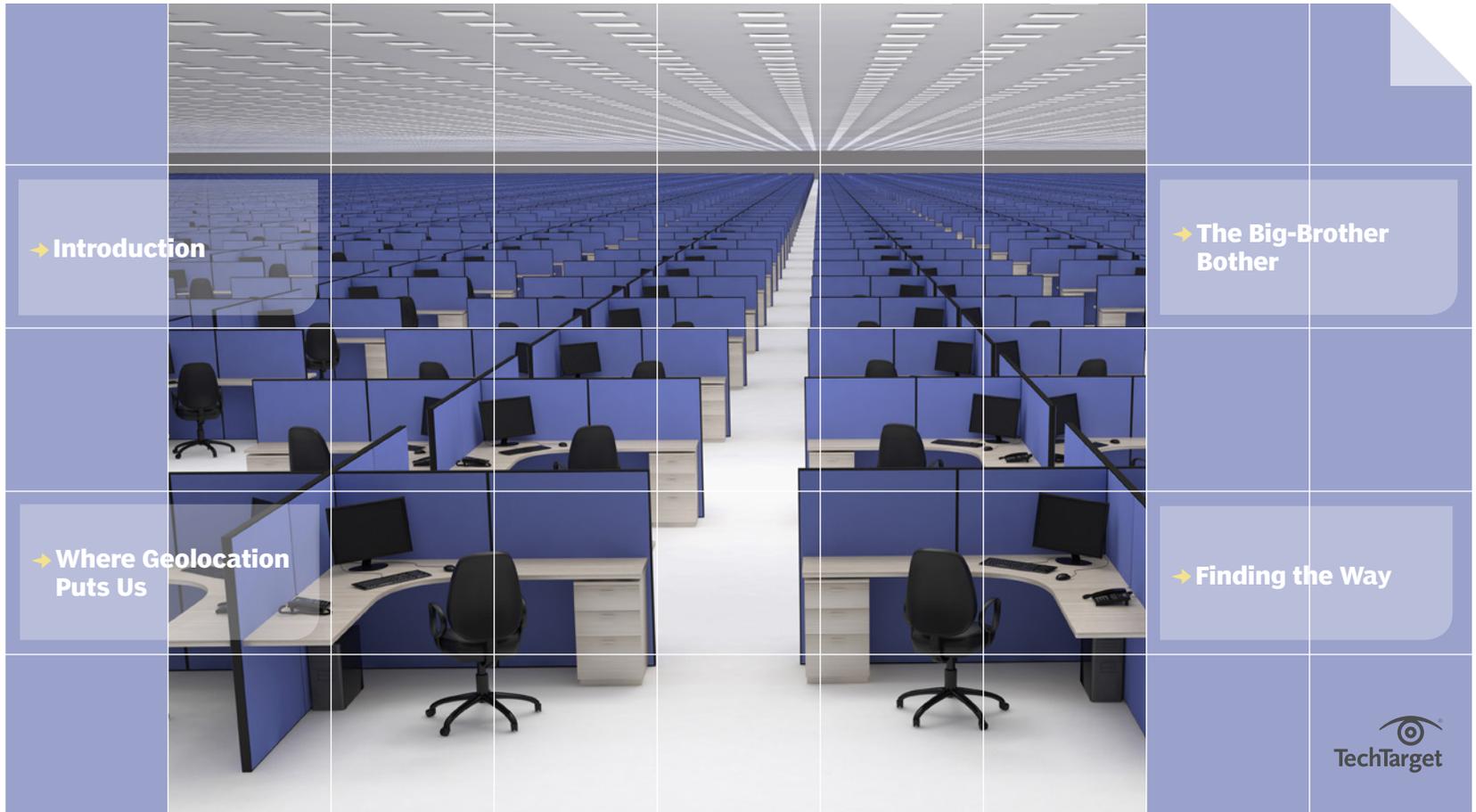


PUTTING CUSTOMERS ON THE MAP WITH GEOLOCATION APPS

Marketing and sales teams are eyeing mobile applications that pinpoint where people are, claiming they're the next big revenue booster. But many customers are uneasy with companies following their every move.



→ Introduction

→ Where Geolocation Puts Us

→ The Big-Brother Bother

→ Finding the Way



- Home
- Introduction
- Where Geolocation Puts Us
- The Big-Brother Bother
- Finding the Way

W

HEN BILL SCHMARZO walks into a Starbucks, as he does at least

once every day, the coffeehouse chain’s mobile app knows he’s there. It pulls up his loyalty card, applies any discounts he has earned and lets him pay for his order.

The app also knows that Schmarzo, CTO of the global services group at technology vendor EMC, doesn’t like coffee—he drinks chai lattes.

Starbucks is one of a handful of companies today embracing geolocation apps to better serve customers—and generate more revenue. The apps rely on [geolocation technology](#)—which wirelessly detects the location of remote devices, such as a customer’s mobile phone—to collect unprecedented amounts of data about customers; early adopters such as Starbucks then uses that data to sell products

with tailored perks, rewards and discounts.

Geolocation apps are the long-anticipated next frontier in mobile technology. They stand to shake up industries from retail to healthcare by transforming how companies interact with customers, industry analysts and insiders say. The ability to identify a customer’s location at any given time opens up seemingly endless sales, marketing and business opportunities.

In retail, for example, companies can use information about a customer’s location—combined with details about that person’s purchasing history—to send personalized offers to his smartphone when he walks into a store (see [“Geolocation on the Horizon for Retailers,”](#) page 4).

“The biggest benefit [of geolocation technology] is the ability to deliver relevant offers to the customer—the right product at the right place at the right time,” said Schmarzo, who consults businesses on how to use big data. “If a person is walking in front of a store or within a certain radius, the



Home

Introduction

Where
Geolocation
Puts Us

The Big-Brother
Bother

Finding the Way

company can ping them with an offer that’s relevant.”

But there are roadblocks to widespread use of the technology. For customers, there are privacy and security concerns. And companies face technology issues, from integrating data systems to operating in a real-time environment—crucial for making geolocation work.

WHERE GEOLOCATION PUTS US

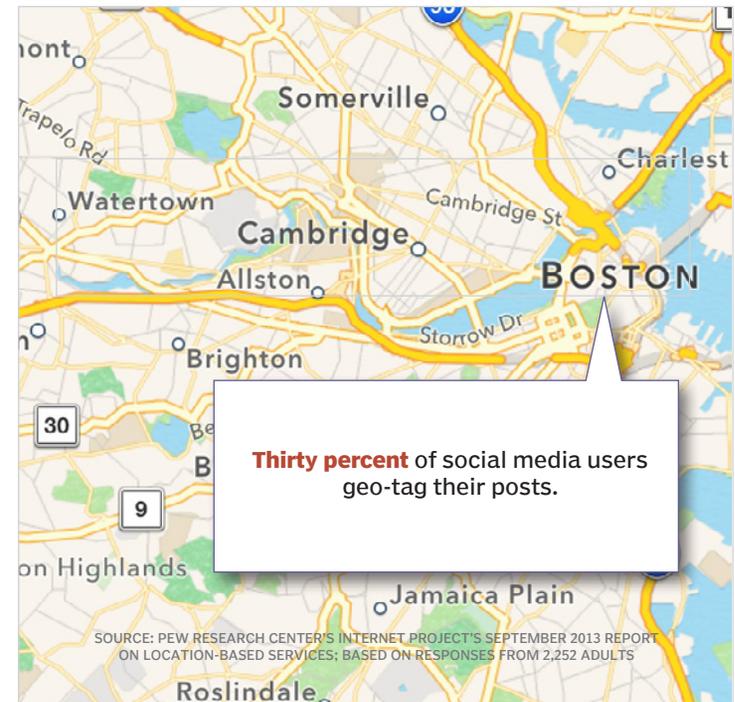
Consumers have widely embraced what some call the first generation of geolocation-based apps: We use Google Maps for directions, Yelp for restaurant reviews and even Four-square and Swarm to earn coupons.

Now location-based taxi apps such as Uber and Hailo have taken off in major cities worldwide. Rather than stand outside trying to flag down a cab, users push a button on a smartphone and wait until one comes to them.

The next generation of apps stands to broaden the scope of geolocation. Museums and college campuses can use apps to offer virtual tours, while hospitals and casinos can use them to help patrons find their way around (see “[Mobile Point of Sale Gaining Ground](#),” page 6).

The latest development is Apple’s location-sensing iBeacon technology, which can recognize retail customers as they walk in a store and keep them up to date on sales, offer product reviews or guide them to a specific item.

Melissa Tait, vice president of technology at the digital



marketing agency Primacy, said knowing a customer’s location enables retailers to get the right message to the right person at the right time. Companies can create personalized offers based on a customer’s location and previous buying patterns, she said.

“This is where the future is going, and there’s going to be

(Continued on page 5)



- Home
- Introduction
- Where Geolocation Puts Us
- The Big-Brother Bother
- Finding the Way

Geolocation on the Horizon for Retailers

FOR RETAILERS, geolocation apps present greater opportunity than just sending customers special offers when they walk in the door. The data retailers collect can also shape future marketing campaigns, influence floor plan changes and improve product placement.

Companies have long had access to data that explains the who, what and when of customer behavior. They know that, say, a customer bought a plaid shirt on July 27, and that it was the fifth plaid shirt he's taken home in two years.

Geolocation adds the where. The retailer knows how long the customer walked around the store before he picked up that shirt and what areas of the store he missed.

Melissa Tait, vice president of technol-

ogy at Primacy, a digital marketing agency, said retailers can use information about traffic patterns to move products so they are more visible. Retailers can also use the data they collect on a customer's past visits to shape their targeted marketing efforts.

According to Bill Schmarzo, chief technology officer of the global services group at IT vendor EMC, the more detailed data a company has on a customer's patterns and habits, the better it can send more valuable offers that lead to higher conversions.

"You've got to change the mentality to think about, 'How do I build individual [customer] profiles?' " he said. "In the modern data warehousing world, I can do that."

But exploiting the data collected can

be an uphill battle. [Data integration, governance and quality issues](#) extend to geolocation-based marketing, Schmarzo said.

And there's the perennial issue of customer buy-in. To collect enough data on a customer to establish patterns and shape future marketing, customers have to feel comfortable enough with the brand to download the app and enable location services.

Tait said education and time are key. Industries like banking faced some resistance when they first rolled out mobile apps because of security concerns, but attitudes have changed, she said.

"A lot of people were hesitant to use a banking app [on] their phone, so it took time for people to start using them," she said. —ASHLEY SMITH



Home

Introduction

Where
Geolocation
Puts Us

The Big-Brother
Bother

Finding the Way

(Continued from page 3)

tremendous value [for companies] in connecting where you are with your purchasing patterns,” she said. “Some retailers are doing this, but we’re not completely there yet.”

When geolocation technology is used the right way, customers benefit through useful offers and information, Tait said.

Geolocation technology also has implications for digital marketing, according to EMC’s Schmarzo.

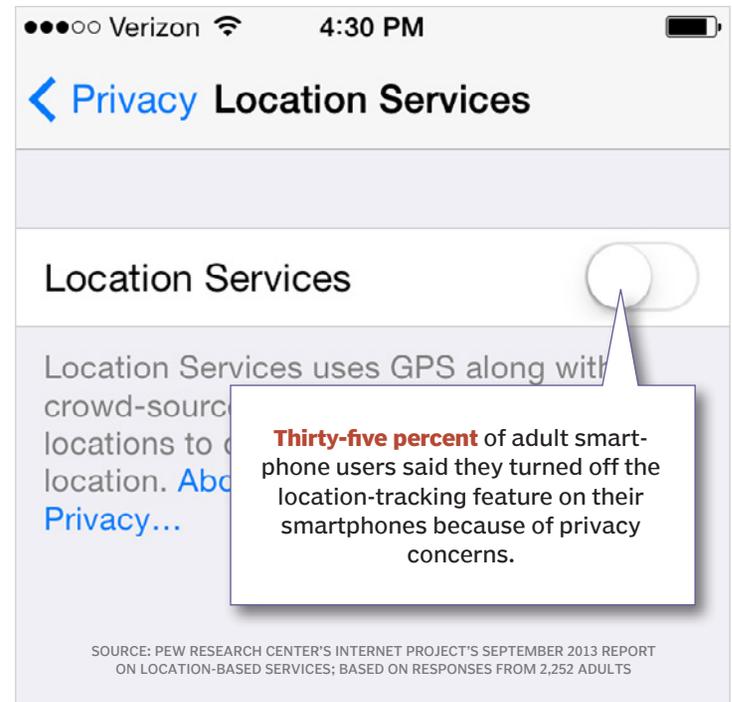
Companies are already tracking what people are searching for in real time and competing to target them with display ads. But what if they could also use customer-location data to buy ads?

Let’s say someone is browsing for new cars online, Schmarzo said, and geolocation technology later indicates that he is near a car dealership. Ad agencies can instantly offer that dealership a targeted ad.

“Advertising companies could offer up my location to local companies for real-time bidding,” Schmarzo said. “It’s going to open up a whole new business opportunity.”

THE BIG-BROTHER BOTHER

Not all people are comfortable with companies knowing where they are. To some, it’s an invasion of privacy. Location-based apps require that users opt in before sharing location information, but some just don’t like being tracked.



According to a September 2013 Pew Research Center report, 35% of adults who have downloaded apps to their cell phones have turned off the location-tracking feature out of concern that companies could access that information.

Some customers also have concerns about what companies are [doing with the data](#) they collect. Are they selling

(Continued on page 7)



Home

Introduction

Where
Geolocation
Puts Us

The Big-Brother
Bother

Finding the Way

Mobile Point of Sale Gaining Ground

ANOTHER TECHNOLOGY helping companies reach customers wherever they are is mobile point of sale, which is gaining popularity among small and midsize retailers. It lets store clerks work the shop floor, help customers and check them out—without traipsing over to a register.

Hound About Town, a pet supply chain in New Jersey, opened three years ago with a cloud-based mobile POS. Owner Donovan Cain was familiar with iPhones and felt comfortable with LightSpeed Retail's iPhone and iPad POS applications, which include inventory, product catalogs, employee scheduling, CRM and cloud storage. The system allows Cain to check out customers on the sidewalk if the store is crowded.

And that's the draw, said Jordan

McKee, a Yankee Group analyst. "Once the employee is able to mingle with customers and take payment on the spot, you avoid the loss that happens when a customer wanders around the store to the register, only to decide they don't want it," McKee said.

A recent Yankee Group survey found that 51% of merchants that have been in business for three years or fewer are considering implementing mobile POS in the next year and that 34% of the smallest retailers—with fewer than 20 employees—had already deployed it.

Mobile POS can also be used to feed clerks information to guide customers, said Dick Calio, CEO of R.J. Calio Consulting. It's particularly useful to shops that sell specialty products, such as boating equipment, which require research before buying.

"These aren't commodity sales like razors and shaving cream, where all I need to know is what part of the store they're in," Calio said. "These are interactive sales, and an employee can talk to the customer about where I'm going to use the kayak, is it a one- or two-person kayak, what's my level, what accessories does it need. If they have that on a tablet, they can do a better job of helping me."

But retailers that sell a lot of commodity products or depend on the sale of impulse items at the register to increase revenue might not benefit from mobile POS.

"From an ROI perspective, a retailer must determine how a mobile POS system will enhance the customer experience and result in increased sales," Calio said.—SUE HILDRETH



Home

Introduction

Where
Geolocation
Puts Us

The Big-Brother
Bother

Finding the Way

(Continued from page 5)

location-based information to third parties?

Sunday Yokubaitis, president of a company called Golden Frog, which sells Internet privacy and security software, said responsible geolocation services are transparent about how they use the data they gather from apps. They allow users to choose the data they want to be shared, he said.

“Service providers should keep the minimal amount of the data needed to do their service,” said Yokubaitis, whose company has lobbied on Capitol Hill for increased user privacy.

Information that’s not needed for business should be deleted from servers, Yokubaitis said. To prove that data has been removed, companies should be willing to undergo third-party audits to validate their practices, he said.

Companies are slowly becoming more transparent, but there’s still a long way to go. Many people would be surprised if they knew just how much data is collected from geolocation apps and how it’s used, Yokubaitis said. For example, many iPhone users don’t understand that when they allow push notifications, location data and other information goes not only to the company that owns the app but also to Apple, the manufacturer of the device.

Consumers have a responsibility to educate themselves, said Marios Damianides, former president of ISACA, a professional association focused on IT governance. He wrote in a 2012 report that while businesses need to develop

ethical and transparent policies for using location-based apps, consumers need to understand the technology and its implications.

“Like any other kind of information sharing, location-based apps can be tremendously convenient but [are] also risky,” Damianides said. “Knowledge is power. People should educate themselves so they can understand how their data is being used or know how to disable this feature.”

Schmarzo doesn’t see it that way.

“My impression is that 99.9% of people don’t care,” he said. “They have already resolved that these companies are gathering information about them. They care more about how the company is using the data to provide them value.”

But experts agree that giving up privacy is a tradeoff. Consumers don’t want to share location information unless they’re getting some kind of valuable offer or deal.

FINDING THE WAY

Privacy is far from the only hurdle for geolocation-based apps. There are security issues as well. People don’t want a location-based app to know that their 15-year-old is at the mall or that their house is unoccupied because they’re vacationing in Florida, Schmarzo said. In the hands of the wrong people, that information presents a risk.

And for companies, there are data, technology and workflow barriers that can undermine sales and marketing

THE RISKS AND REWARDS OF CUSTOMER EXPERIENCE MANAGEMENT



Home

Introduction

Where
Geolocation
Puts Us

The Big-Brother
Bother

Finding the Way

campaigns based on the technology.

For geolocation-based marketing to work, companies must have detailed and specific information on each customer's buying habits and preferences, Schmarzo said. Sending a coffee coupon to a Starbucks regular is pointless if the person, like Schmarzo, is a tea drinker.

Often, he said, companies [don't have the kind of detailed and segmented data](#) they need to deliver offers that are relevant to a particular set of consumers. Instead, the application might ping all 200 people within a certain radius and send a generic offer.

"It's the lazy person's way," he said.

If companies send customers irrelevant information and offers, geolocation stands to go the way of email marketing and direct mail, Schmarzo said—customers will feel put off.

Data integration presents another challenge, Primacy's Tait said. How do companies organize all the data from geolocation-based apps and integrate it with their existing CRM data? All customer data needs to be in the same place to make the most of geolocation.

Some companies are better at data integration than others. The ones that struggle are often those that opt for the lowest-cost system—or those with teams that don't talk to one another. The mobile apps team needs to share information with the marketing and website teams, she said.

"It's all about communicating and figuring out how to

connect all of that," Tait said. "That's the biggest hurdle on their end. How do you organize? ... How do you get all the data together? Some companies are a bit apprehensive," she said.

And then there's learning to operate in a real-time environment. It doesn't do any good to know that a potential customer walked past your dealership two days ago, Schmarzo said, but most organizations still don't have real-time environments.

"You can't do location if you can't do real time," he said.

The final ingredient to successful geolocation-based marketing is trust. Customers are far more likely to give out their location if they trust a company's brand.

Golden Frog's Yokubaitis said transparency goes a long way toward creating trust. Customers are less likely to be wary of companies that are up-front about what they're doing with customer data and allow users to make decisions about which data can be used.

Experts agree that companies have to earn consumers' trust by responsibly handling their personal information—and that even reputable companies with established brands can easily lose that trust, as the [Target data breach](#) in late 2013 shows. Failing to be transparent about how data is being used can quickly erode customer faith. And when that happens, and there's little that insightful technologies like geolocation can do to guide them back. ■

THE RISKS AND REWARDS OF CUSTOMER EXPERIENCE MANAGEMENT



Home

Introduction

Where
Geolocation
Puts Us

The Big-Brother
Bother

Finding the Way



ASHLEY SMITH is a Boston-based freelance writer, scribing for consumer- and business-focused websites, news organizations and public relations firms. Before freelancing, Smith spent seven years as a reporter and editor for *The Telegraph*, a daily newspaper in Nashua, N.H. She holds a bachelor's degree in English and journalism from the University of New Hampshire.



SUE HILDRETH is a freelance IT writer. Previously, she was a senior analyst at Hypatia Research in Lexington, Mass. Hildreth has covered enterprise software technology and IT management issues for many of TechTarget's sites. Email her at sue.hildreth@comcast.net.

STAY CONNECTED!



Follow [@SearchCRM](https://twitter.com/SearchCRM) today



Putting Customers on the Map With Geolocation Apps is a SearchCRM.com e-publication.

Scot Petersen | Editorial Director

Jason Sparapani | Managing Editor, E-Publications

Joe Hebert | Associate Managing Editor, E-Publications

Tim Ehrens | Site Editor

Lauren Horwitz | Executive Editor

Linda Koury | Director of Online Design

Doug Olender | Publisher | dolender@techtarget.com

Annie Matthews | Director of Sales
amatthews@techtarget.com

TechTarget, 275 Grove Street, Newton, MA 02466
www.techtarget.com

© 2014 TechTarget Inc. No part of this publication may be transmitted or reproduced in any form or by any means without written permission from the publisher. TechTarget reprints are available through [The YGS Group](http://TheYGSGroup.com).

About TechTarget: TechTarget publishes media for information technology professionals. More than 100 focused websites enable quick access to a deep store of news, advice and analysis about the technologies, products and processes crucial to your job. Our live and virtual events give you direct access to independent expert commentary and advice. At IT Knowledge Exchange, our social community, you can get advice and share solutions with peers and experts.

COVER PHOTOGRAPH: BPTU/FOTOLIA