High-Impact Use Cases for Location Data in Retail
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Introduction

The retail sector is in the midst of a deep shift in the way it connects with customers. The process of bringing consumers into the fold and keeping them there has changed to accommodate new technologies in-store and online, and the enormous pools of insights that they generate. The customer experience is becoming broader as brands try to link the offline and online shopping experiences.

The modern retail marketing toolkit is heavily reliant on parsing multiple data sources to gather intelligence about customer behavior and purchase intent. One goal is to try to identify and leverage serendipitous moments in the buying cycle when a retailer can provide buying opportunities on the spur of the moment that are relevant and attractive to the customer. That is why retailers are among the most receptive to using location data to understand and shape their customers’ experiences.

Location data, broadly defined as anonymous and aggregated data about in-store visits, has traditionally been used to serve customers with coupons or offers tied to their presence: encounter a beacon or cross a geofence, and a company has awareness of a visit and can serve up a response designed to turn shopping into purchasing.

Increasingly, though, retailers are looking beyond the lower-value proximity-marketing use cases for location data. A recent survey conducted by 451 Research on business attitudes toward using location data indicates that retailers are seeking applications for location data that are higher up the value chain to derive deeper insights from customer behavior.

Figure 1: Factors cited in increasing usage of location-based data for marketing

*Source: 451 Research Survey, 2019*
Key Findings

- An overwhelming majority of marketers in the retail industry plan on increasing their use of location-based data over the next two years. Of those, nearly two-thirds (65%) said that a key factor involved in that planning is a desire to better analyze attribution. Other significant reasons for boosting their use of location data are to deliver targeted ads and offers (cited by 57%), and the need for more detailed information on customer behavior (53%). This strongly suggests that retail marketers are looking for ways to optimize their resources and realize a return on their investments.

- However, at the moment, just 30% of retail marketers surveyed said that their companies are already using location-based data to enhance their marketing efforts and have devoted resources to supporting the technology. The gap between the 30% who are currently using it and the 91% who plan on increasing usage within two years shows that there is strong desire and demand for data sources that help retailers pinpoint opportunities to draw in customers. And it suggests that retail marketers have identified location-based data as a strong candidate for improving their reach.

- When asked about the challenges they face in measuring the outcomes of programs that use location data, just over half (52%) mentioned concerns about the data’s accuracy. Well over a third (39%) responded that concerns about privacy limit what data they can collect and analyze. Both of those challenges can be allayed by closer conversations (and collaboration) with their data providers. A tougher nut to crack may be ‘walled gardens’ – 47% said that closed environments like Facebook and Google make it difficult to analyze results across all media channels.
Advanced Use Cases for Retailers

Organizations’ thinking about location data has evolved. Now, companies are looking for ways to employ historical location data to target audiences and analyze where customers have been. Instead of trying to reach consumers the moment they cross a threshold into an advertiser’s location, modern campaigns focus on reengaging infrequent visitors, finding new customers to win market share, or rewarding loyal ones.

This highlights another significant pivot that businesses are making: using location as a tool for measurement and analysis, not just as a geo-targeting tool. Examples of analytic use cases include measuring the impact of advertising campaigns by overlaying a campaign’s target audience with store visitors. Another use case is measuring changes in foot traffic as a campaign unfolds.

When asked how interested they would be in using location data about customers and competitors, retailers showed a strong desire to put it to work for specific programs that boost engagement and provide richer insights into how campaigns perform. For example, 89% indicated they would like to leverage location data to help implement loyalty programs, 85% said they wanted it to aid in predicting customer behavior, and 88% cited a need to integrate outdoor advertising with mobile and email programs to drive store visits. In a nod to the ‘walled garden’ challenge mentioned above, 85% thought they could use location data to measure offline visits related to advertising on closed platforms like Facebook, Google and paid social media.

Implementing loyalty programs and predicting customer behavior were also what retailers wanted to get from ‘offline intelligence’ about customers and competitors, by roughly the same high margins. In fact, retail marketers appear to be looking for ways to combine offline and online data sources, leveraging location data to maximize the value of other types of data.

With all of these use cases cited by more than 85% of retailers, one can draw the conclusion that the common element among these practices is the desire to build a stronger foundation that knits together commonly siloed parts of the marketers’ experience, helping them fully map the customer journey. Today’s marketing environment has splintered into multiple separate advertising and communication channels, leaving marketers with little insight into the way certain kinds of promotions or campaigns influence behavior. Some customer activities that have traditionally been seen as a black box – in particular, the decision to visit a store – can be opened up and examined more clearly with the help of location data.

Measuring Retailers’ Maturity

In the 451 survey, respondents were asked to rate their company’s maturity in using location data for various purposes. Five maturity levels ranged from being in the early stages of planning to being ‘best in class’ – having a leading-edge, well-organized program for using location data in advanced use cases like attribution and analytics. Retail marketers indicated that their companies are in the earliest stages regarding their ability to understand how customers related to their competitors (32% at stage 1 or 2), and to measure the relationship between offline and online promotions (34% at stage 1 or 2). Significantly, measuring that offline/online relationship...
was an area that many marketers said they excel at, with 41% putting their companies at stage 4 or 5. Similarly, 44% rated their companies highly on the ability to create marketing campaigns that connect online and offline behavior. Such a sharp divide suggests that this is an area with great competitive advantage – marketers seem to have a keen sense that achieving that goal will provide them with insights that they can use to quickly improve campaign performance.

Retail marketers also thought their firms were mature in measuring attribution across touchpoints (44% at stage 4 or 5), in being able to personalize offers to target customers at opportune moments (46%), and in measuring the performance of each separate location (54%). In measuring location performance, more retailers considered their companies as ‘best in class’ (stage 5) than any other vertical industry.

Figure 2: Maturity levels of retail companies in creating effective marketing campaigns that connect online and offline behavior

Source: 451 Research Survey, 2019
Recommendations for Retailers

Retailers are among the most advanced users of location data in marketing, compared to peers in other industries. Part of that advantage stems from combining location with other developing technologies that are emerging within the retail sector: smartphone technologies that make shopping and purchasing easier, for example, and modern order management systems that enhance fulfillment. Location data can be leveraged alongside some of these tools to provide a broader mechanism for better understanding customer pathways through the shopping experience.

Marketers should envision the desired outcomes they’d like to achieve (e.g., positive ROI calculation, offline and online integration, etc.) and work backward from the outcome to understand where in the process location data can have an impact. For many people, this will include raising their expectations of what coordinated data can accomplish.

Using location data strategically means combining it with other elements through integrations and analyses. It also means spreading the benefits of location data around the organization (to brand managers, media buyers, planners, CRM and customer experience professionals), which can increase its value as well as its utility. And at a time when many businesses are considering advanced location use cases but not necessarily proceeding at a fast pace, it can be a competitive differentiator for those that take advantage of its high-value capabilities.
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