The case for proximity marketing

Building customer relationships through advances in
digital signage, mobile and location-based technologies

shikatani **lacroix**

Shikatani Lacroix is a leading branding and design firm located in Toronto, Canada. The company wins commissions from all around the world, across CPG, retail and service industries, helping clients achieve success within their operating markets. It does this by enabling its clients' brands to better connect with consumers through a variety of core services including corporate identity, naming and communication, brand experience, packaging, retail, wayfinding and product design.

About the Author

Alex Romanov, President & Chief Executive Officer, Director, iSIGN Media Corp

Alex Romanov is CEO of iSIGN Media Corporation, a publicly traded company in Toronto (TSX.V) under the symbol, ISD, and a leading developer of location-based interactive proximity advertising solutions that deliver rich media, permission-based messages, free of charge to cell and smart phones using Bluetooth connectivity. Alex is an accomplished business executive with a history of identifying opportunities and turning them into high growth and profitable enterprises. Alex has been iSIGN's Chief Executive Officer since November 2007 and has successfully restructured the company, positioning it for rapid growth worldwide.

iSIGN
MEDIA CORP

design**lounge**
enabling thought leadership

shikatani **Lacroix**

It's everywhere… It's targeted and measurable. It's an experience. It offers consumer privacy yet allows personalized messaging…

A Brief History of Proximity Marketing

The world's infrastructure is getting smarter and marketing programs must evolve in parallel

Proximity marketing is quickly changing the rules of the game in the retail sector. And with new rules, there will be many new winners. If you interpret that solely to mean "increased sales for retailers," think again. Not only will vendors and their business partners and suppliers benefit, but also shoppers themselves. In fact, a strong case could be made that shoppers will eventually be the biggest winners of all.

To understand how and why, consider how proximity marketing has emerged as the logical intersection of two earlier trends.

The first and most overwhelming trend is the swift advent of mobile culture. Today's consumers increasingly leverage mobile phones as a de facto portal to the world — the primary interface, available anywhere at any time, through which they conduct research, connect and share with others, and in many cases, make purchasing decisions. Marketing strategies that acknowledge and capitalize on this phenomenon will almost certainly outperform marketing strategies that don't.

iSIGN
MEDIA CORP

design lounge
enabling thought leadership

shikatani **Lacroix**

…It's changing marketing as we know it. And it's coming to your mobile phone - very soon.

The second trend is digital signage — clearly a dynamic opportunity for retailers to promote their brands, their products, and their services via the full power of a true multimedia experience. This is certainly superior to static signage, which customers quickly tune out and which therefore has little impact.

That said, most digital signs are characteristically unaware of the specifics of the audience. They don't match the content they deliver to the actual shoppers in the retail space; there is simply no interaction between the two. And even if they could detect specific shoppers, there would be no data about those shoppers to determine the best possible content to display.

The big picture of the proximity marketing landscape

Proximity marketing solutions leverage and enrich both mobile culture and digital signage. Essentially, they work by automatically detecting customers in (or close to) a retail presence who have active cell phones, then sending them suitable content — an initial query, which if answered in the affirmative (an opt-in) leads to a more complex and sustained interaction.

That interaction might take many forms, varying from something as simple as a coupon for a particular product to something as complex and immersive as an innovative game. Exactly what happens on the customer's device should be defined by the boundaries of the retailer's branding and business goals, as well as the shopper's expected interest level and attention span.

iSIGN MEDIA CORP

designlounge
enabling thought leadership

shikatani **Lacroix**

Give customers faster, more accurate access to the information they want — not the information they don't want

Also critically important to proximity marketing is the fact that it gives retailers a chance to learn more about how and when customers shop, what they want to buy, and how they make decisions.

Because customers' mobile phones are tracked by a unique technical identifier, retailers with a proximity marketing solution can utilize it to automatically create a digital profile of any given customer, just like an an IP address tag associated with a computer.

And because that technical identifier is associated only with the customer's handheld device – and conveys no personal information such as phone number or name – user privacy is absolutely assured. Such personal information, in fact, is inaccessible to proximity marketing solutions, and plays no part in the user profile.

This profile is then continually informed and updated by customer activity, and the information it contains can be exhaustively analyzed – and acted upon. In this way, the retailer can build a large pool of data and intelligence in order to market products and services with much greater accuracy as established by clear customer interests, decisions and buying patterns.

iSIGN MEDIA CORP

designlounge
enabling thought leadership

shikatani **Lacroix**

By integrating proximity marketing, content on digital signs can become far more skillfully matched with shopper interests

Over time, this approach leads to a mutually rewarding business ecosystem in which retailers experience a better business outcome, and customers find they are increasingly sent information about the products (and more generally, the topics) of highest interest to them.

Integrate with digital signage for even better results

In the case of retailers who have already deployed digital signage, there's an attractive bonus opportunity. By integrating proximity marketing, content on digital signs can become far more skillfully matched with shopper interests.

Consider how this might work in the case of traditional, non-interactive signage. Now, instead of simply playing the same sort of content to all shoppers, digital signs can display content that's aligned with the interests of specific shoppers, or shopping trends established by demographic analysis.

If, for example, it turns out that people with shared shopping interests also tend to shop at certain times, the digital signage, informed by the proximity marketing database, can be configured to reflect those trends. And if that's not the case on a given day, the system is smart enough to see who in fact is in the store, and adjust the content accordingly.

iSIGN
MEDIA CORP

designlounge
enabling thought leadership

shikatani **Lacroix**

Furthermore, for interactive digital signage, proximity marketing can drive a similar outcome. In such cases, customers interact with the sign itself, and so play a stronger role in determining what they see. Here, too, displayed content can then be better tailored for specific users, given the detailed profile that proximity marketing solutions have created.

In both cases, the intelligent, flexible, and targeted approach leads to a superior result for both the retailers and their customers — and it's an outcome that gets better and better over time, as the customer database becomes more and more detailed and comprehensive.

Making the Connection

Knowledge is power so invest accordingly

The business case for proximity marketing only gets more powerful when you contrast it directly with more conventional forms of marketing.

iSIGN
MEDIA CORP

designlounge
enabling thought leadership

Shatter the hourglass

To begin with, proximity marketing is far faster — faster to implement, faster for customers to experience, and faster to evaluate or modify based on quantified response levels. New content can be added to the solution on-site, and the solution can then immediately begin to interact with customers in a new and better way.

This translates into an exceptionally swift review cycle; if the response to new content is weaker than expected, the retailer can quickly adjust it, or replace the content with something more tried-and-true. Management, therefore, of a new marketing campaign can literally happen in real time. This stands in stark relief with conventional marketing platforms, in which problematic marketing continues to exist, unchanged, for extended periods of time, a situation that, at best, is ineffective and at worst, leads to unwanted brand damage and diminished revenues.

Proximity marketing: The new king of ROI

Additionally, proximity marketing is much more cost-effective than traditional marketing mediums. Conventional mediums such as mass mailing, telemarketing, or TV ads all involve substantial costs that increase per each instance, or every time the content runs. Worse, they simply do not work as intended the vast majority of the time. Mass mailings, for instance, typically generate a positive response (sale) in only 1% percent of mailings, while costing $50-100 per 1,000 unqualified leads.

- **Consumers per month who see digital signage: 71 million**

- **2010 spending on digital out-of-home advertising (primarily signage): ~15% increase over 2009**

- **Proximity marketing spending for 2010: ~$200 million**

- **Anticipated proximity marketing spending for 2011: $760 million**

- **Anticipated proximity marketing spending for 2015: $6 billion**

Proximity marketing represents a dramatically superior alternative to these numbers. Typically, conversion rates will be at least one order of magnitude higher, and ongoing costs typically two orders of magnitude lower.

Certain leading proximity marketing solutions, in fact, commonly deliver conversion rates of 20% — twenty times the mass-mailing norm. And beyond the initial investment in the solution, proximity marketing costs retailers only 1% of conventional marketing platforms per iteration of content.

The cost to customers per iteration? In the case of solutions based on communicating via Bluetooth™, the cost is zero. This is because the only investment customers need to make, they've already made – in the form of Bluetooth-equipped mobile phones. Bluetooth transmissions don't involve a carrier and therefore don't generate costs.

Develop stronger relationships with customers through superior understanding

Finally, and possibly the most critically, conventional marketing platforms generate very little actionable intelligence based on shopper response.

If someone responds to a TV ad or mass mailing by making a purchase, odds are the retailer won't even be aware of that cause-and-effect situation — and even if the retailer is aware, there is little to no opportunity to gather information about the customer and align future marketing with his or her interests.

Proximity marketing represents an incredibly dynamic, and largely automatic, alternative. By linking specific smart phones with other tracked variables (such as purchases made, money spent, responses to various marketing campaigns, and time spent on site), retailers can build a remarkably detailed and accurate profile for each customer.

And because this profile is continually updated, and determines future campaigns, the experience that customer will get evolves. It becomes more and more targeted to specific, proven interests — multiplying the business value generated by proximity marketing for both the customer and the retailer.

No Marketing Platform Moves Like Mobile

There's nothing smart about ignoring smart phones

Going forward, it's clear that proximity marketing will become an increasingly popular and successful vehicle for retail marketing campaigns — a consequence of the fact that proximity solutions drive both digital marketing and mobile marketing.

Consider, for instance, that digital advertising is expected to grow to 21% of all marketing money spent in 2014; this is almost double the 2009 value of 12%. Why? Digital marketing is more dynamic, more easily quantified and adjusted, and delivered via platforms people increasingly care about and continually use — primarily, the internet, as experienced in myriad sites, applications and interfaces.

shikatani **Lacroix**

And among those interfaces, the most popular and rapidly-growing is mobile. Already, some 91% of Americans carry a mobile phone. Within a year, fully half of Americans are expected to own and use a smart phone.

Advertisers are well aware of the mobile force, and are responding in kind. Projected mobile ad spending is expected to climb 79% in the coming year, a tremendous elevation from the 48% increase last year (itself no trivial spike). The fact that mobile marketing costs are on the whole declining will only accelerate this trend.

Get onboard the mobile platform for a better business outcome

So what's the angle for proximity solutions? Simply put, they capitalize on the mobile phenomenon better than any alternative marketing platform for two basic reasons:

1. For consumers
Proximity marketing delivers information and purchasing opportunities in a fast, convenient way that only applies when it's geographically appropriate -since proximity solutions typically only deliver messages to consumers within a few hundred feet.

iSIGN
MEDIA CORP

designlounge
enabling thought leadership

This means that what customers receive on their phones is likely to be instantly useful to them. It's also far more likely to lead to a sale than mass mailers, which customers are likely to classify immediately as junk, or conventional online ads, which they may have configured their browsers to block.

Finally, their own phones deliver a much more comfortable and familiar form of interaction for customers than kiosks or other proprietary, store-specific digital mediums.

2. For retailers

The value proposition of new sales opportunities is multiplied by an increasingly accurate knowledge of consumer interests, patterns, and behavior.

Add to that the bright new possibilities of real-time campaign management and enhanced branding, made possible through linked content ranging from videos to event schedules to coupons to polls. Content of this type, collectively speaking, can have a viral effect – strengthening the retailer's brand by eventually reaching a far greater audience than the initial pool of local customers.

iSIGN
MEDIA CORP

designlounge
enabling thought leadership

shikatani **lacroix**

Round it off with rich media interaction with customers, at a level they may never have experienced before — all of which helps retailers to understand better what those customers want and empowers them to deliver it.

Building the Better Mousetrap

Given the considerable power of proximity marketing solutions, how should retailers make the best possible use of this channel?

Naturally, any specific campaign should be driven by the unique context in which that retailer operates. That said, a number of straightforward best practices and implementation tactics are emerging from early deployments.

Tips for effective proximity marketing:
• Respect opt-in

Customer expectations for privacy and control of their own experience are at an all-time high. Customers will reward campaigns that respect their time and interest levels, but punish campaigns that seem intrusive, or that appear to require more personal information from them than they feel comfortable giving.

Would you like to get a 25% discount on XYZ?

iSIGN
MEDIA CORP

designlounge
enabling thought leadership

The initial contact delivered to the smart phone should always be a short, clear request – something similar to "Would you like to get a 25% discount on XYZ?" This helps the customer decide very quickly if the subject matter is of personal interest, and minimizes the odds the customer will resent the campaign (and presumably, the retailer responsible for it). For obvious reasons, any chosen proximity marketing solution should therefore support opt-in communications in a straightforward and easily-configured manner.

- **Be sure your solution can handle the technical requirements of your campaigns**

Not all marketing campaigns are suited to all platforms. Video campaigns, for instance, are unusually bandwidth-intensive and will require a communications protocol capable of keeping up with the rapid transfer of large data volumes. For retailers interested in utilizing video either today or tomorrow, Bluetooth™ is a good choice of protocol... and proximity marketing solutions that support Bluetooth™ would be wise. Thanks to Bluetooth's transfer rate, a video that takes fifteen seconds to watch typically also takes less than ten seconds to be broadcast to the phone. Most static images take less than one second to transfer.

shikatani **Lacroix**

What is IMS?

iSIGN

- **Transact!**
- Send users info that they select on an Interactive Digital Sign (IDS) or Kiosk.
- iSIGN's 5'-20', short range transceiver supports easy consumer control of message transmit to only their phone.

• **Consider the case for multilingual** In many locations, different customers may speak different languages; if a proximity marketing solution can address customers in the language of their choice, their experience improves and so do the odds of an eventual sale. And for retailers with a presence in more than one country, standardizing on a proximity marketing solution that supports multiple languages out of the box is an investment that will pay rich dividends.

• **Be wary of repurposing content.** Content that works on one platform may not work on another particularly well. You'll need to consider each case on a unique basis, choosing content to pair with the context. This may imply extra work in developing content, but the more perfectly you meet the needs of the target demographic, the better the business outcome you will get.

• **Keep it simple.** Customers have finite time and patience, and will generally respond better to campaigns with a shorter, flatter learning curve than more sophisticated and lengthy campaigns. In the case of a game, for instance, best results will usually stem from a game with very simple rules that are rapidly and intuitively understood. Similarly, shorter videos often work better than longer videos, and simpler interfaces are often more productive and engaging than complex interfaces.

iSIGN
MEDIA CORP

designlounge
enabling thought leadership

shikatani **lacroix**

• **Tailor everything you do.** Campaign content should always be linked, as tightly as possible, with the specific, proven interests of customers. Begin with a deep, proven knowledge of customer behavior whenever possible, and deliver content that reflects it and only it. Ideally, all marketing campaigns would also be uniquely associated with a given location, for best possible customization, instead of appearing at all locations.

The case for proximity marketing

Retailers in 2011 must communicate via mediums that consumers understand: Internet, digital displays and mobile. Advancements in mobile devices and digital signage, coupled with growing consumer acceptance of mobile marketing, are opening up key new opportunities for proximity marketing in the retail sector. In essence, proximity marketing exploits activities that consumers are already involved with - and enjoy – and adds new dynamics to interactive marketing in public places, and expands the scope of that marketing. It offers more spontaneous and direct interaction with digital signage, and affords a higher level of interactivity that didn't exist before.

iSIGN MEDIA CORP

designlounge
enabling thought leadership

By offering everything from interactive experiences to the unique delivery of targeted, quality content, proximity marketing enables retailers and venues to pull consumers into a brand. It has the ability to deepen the connection between consumers and brands, offering retailers a new path to reach their audiences. And by combining technologies such as digital signage, interactive touch screens, and mobile integration, retailers can leverage their strengths and create an even more memorable interaction, motivate return visits, and increase ROI.

Proximity marketing can greatly improve the customer experience by providing relevant and targeted content, unique engagement options as well as advertising and promotions before the point of sale. It allows today's savvy and technologically-oriented consumer to engage, interact and transact how, when and where they wish to, while retailers can measure their marketing's effectiveness at every step of the way.

shikatani **Lacroix**

Reference materials

Arbitron Digital Place-Based Video Study 2010
http://www.arbitron.com/downloads/
2010_digital_video_display_study.pdf
PQ Media
www.pqmedia.com
Borrell Proximity Marketing 2010 Summary
http://www.borrellassociates.com/reports/industrypapers/
online-archives/289-proximity-based-marketing-mobile-
devices-untether-advertising-from-media
Forrester — US Interactive Marketing Forecast, 2009 to
2014
http://www.forrester.com/US+Interactive+Marketing
+Forecast+2009+To+2014/fulltext/-/E-RES47730?
docid=47730
CTIA — Semi-Annual Wireless Industry Survey (Year End
2009)
http://files.ctia.org/pdf/
CTIA_Survey_Year_End_2009_Graphics.pdf
Nielsen — Smartphones to Overtake Feature Phones in U.S.
by 2011
 http://blog.nielsen.com/nielsenwire/consumer/
smartphones-to-overtake-feature-phones-in-u-s- by 2011
eMarketer— U.S. Online Advertising Spending, December
2009
http://www.emarketer.com/Article/US-Online-Ad-Spend-
Turns-Corner/1007415

iSIGN
MEDIA CORP

designlounge
enabling thought leadership

For more information, contact:

Jean-Pierre Lacroix, President
Shikatani Lacroix
387 Richmond Street East
Toronto, Ontario
M5A 1P6
Telephone: 416-367-1999
Email: jplacroix@sld.com

Alex Romanov, CEO
iSIGN Media Corp
45A West Wilmot Street, Unit 3
Richmond Hill, Ontario
L4B 2P2
Telephone: 905-780-6200
Email: alex@isignmedia.com