



Internet
Advertising
Bureau
UK

Future Trends Working Group

Future Trends Volume 6:
Context and location

Introduction

We should all have seen Minority Report by now. If you haven't, you should at least be able to bluff enough to talk about how Tesco's recent plan to use of facial recognition technology at petrol stations was yet another example of Philip K Dick's vision of the future seemingly coming true.

As with many examples like this where the marketing world appears at first to clash with the principles of consumer privacy, one of the key issues to be addressed surrounds the value exchange. Why would consumers choose this vision of the future? Why would brands want to use such technologies to communicate more effectively?

Isobar's Andrew Smith addresses these questions in his chapter of this paper where he notes: "The optimum value exchange is one that gives the brand enough detail to create a tailored experience and the individual sufficient confidence to part with their information."

In this sixth instalment of the Future Trends Whitepaper series, experts from Isobar, CEG Europe, Carat Global, TMW and of course the IAB, explore this and other key issues for anyone with an interest in location based services and contextual messaging.

As we consider where next for location based services and contextual messaging, we also explore opportunities that these practises open up for consumers willing to receive more tailored messages and for brands keen to be at the vanguard – and uncover some surprising leaders of the pack...

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Pulling, pushing – or both?

Andrew Smith, Head of Strategy at Isobar outlines how Location Based Services (LBS) and contextual messaging relationships are evolving.

Relationships are what we spend a huge amount of our time talking and thinking about. How to forge them, how to make them richer, how to make them last longer. How to mend them when they're broken. We're kind of obsessed. But what we've yet to crack is what's the optimum balance between brand and individual? Where does the balance of power lie and who should have control?

Defining Location Based Services (LBS) and Contextual Messaging

First off, it's probably helpful to define LBS and contextual messaging. These are types of services and/or messaging that exist when an individual discloses attitudinal or behavioural information with a company. As a result of the exchange, targeted services and/or messaging are delivered. This can be achieved in two ways; pull services and push services.

Pull services are straightforward as the exchange of data is a manual task. An individual actively asks for, searches, or seeks a piece of information or service that requires them to give up a piece of data. For example, they may want to find a brand's closest store in relation to where they are right now. Therefore brands must understand what and where individuals are searching to return accurate results.

Push services seek to enhance experiences by delivering messages relating to information automatically shared with them. This is done without individuals necessarily pressing a button or explicitly asking for it at that time. For example, a brand could send a discount voucher as people enter their store and for this reason some deem push services a little intrusive.

A balance must be struck with these types of services between individuals and brands. The optimum value exchange is one that gives the brand enough detail to create a tailored experience and the individual sufficient confidence to part with their information.

What does the current uptake of LBS tell us about how people wish to interact with brands?

In 2012, a fifth of mobile users were turning on their location services (TNS Global: Mobile Life, Apr 2012). But what we really want to know is how they are using those services, or even if they are aware of the implications of turning these on.

Individuals appear more comfortable with messaging and services they explicitly ask for. The most popular types of LBS in 2012 (TNS Global: Mobile Life, Apr 2012) require the user to share their location:

- 26% find restaurants and entertainment venues
- 22% find their friends nearby
- 19% check public transport schedules
- 8% book taxis

The uptake of these types of interactions is much higher than pushed messaging, which doesn't feature at all within the most popular services. That said, it is evident that mobile users are more receptive to these kinds of messages as 30% are happy to receive mobile coupons when they pass a product compared to just 9% of non-mobile users (TNS Global: Mobile Life, Showrooming, Jul 2013).

Contextual messaging on the other hand appears to have a much smaller uptake, with 16% of mobile users globally accessing a stored list of products they've looked at previously whilst in store (TNS Global: Connected World Report, 2013). However, this could also be due to the nature of contextual messaging. It's so ingrained in the way we browse online that it's not always clear that it requires personal information to work. Some 25% of mobile users say that sending or displaying information tailored to their interests would improve their opinion of a brand (eConsultancy Mobile Stats Compendium, 2013) though 33% are still not comfortable sharing personal information on a mobile (MEF: Mobile Global Privacy Report, 2013).

In which case, where do the opportunities for engaging in this way lie, and what are the barriers causing people to shy away from these types of services?

Opportunities for brands to forge valued relationships

A few examples specifically within advertising messages show the use of consumer data to target and create relevancy result in a more meaningful experience for the user. Coupons and vouchers are particularly interesting to individuals when personal data is used to increase their relevancy. With more than 20% of mobile owners interested in receiving mobile coupons (TNS Global: Connected World Report, 2013) based on:

- Their interest
- Past purchases
- Or in exchange for watching a brand's mobile ad

Last year, one in eight mobile users (12.5 per cent) shared their location in exchange for a deal or special offer (TNS Global: Mobile Life, Apr 2012) and one in five mobile users stated that they find mobile advertising interesting if it is offering them a deal near their current location (TNS Global: Mobile Life, Apr 2012).

The opportunities for brands to engage within their own environments has also grown as the frequency of mobile usage in-store has increased from 64% in 2012 to 80% in the first half of 2013 (JiWire - Mobile Insights, Q2 2013). This means when a customer enters an environment (a store, restaurant, venue) brands have permission to guide them both physically, and through targeted messaging. For example, 21% of mobile users want in store navigation improved (TNS Global: Connected World Report, 2013) - think 'the brass door hinges are in aisle 52 in a giant B&Q - and 30% would like to receive mobile coupons when they pass a product (TNS Global: Mobile Life, Showrooming, Jul 2013). This data has positive implications for loyalty. Some 60% of mobile users said receiving mobile messages with a use or benefit specifically to them would maintain their loyalty with that brand (eConsultancy: Mobile Stats

Compendium, Oct 2013). This is an area Starbucks have tapped into, turning their buy 9 coffees, get the 10th free loyalty card into an app feature.

The barriers preventing fully fledged relationships

The first barrier is privacy. More than 55 percent of Smartphone users fear loss of privacy through mobile applications with geo-location services (Truste: Location Aware Mobile Apps, Jun 2013). But that doesn't stop the other 45% or even a portion of the 55% depending on their need. The types of data individuals are willing to give up are highly dependent on the value of the service or messaging they receive. Half of mobile owners are willing to exchange their email address for free wi-fi (eConsultancy: Mobile Commerce Compendium, Jul 2013) suggesting that giving away this personal piece of information is a fair exchange for browsing the web for free.

In the same vein, almost three quarters (74%) of mobile owners are happy to receive a promotional text or email from the retailer whose wi-fi they are using (eConsultancy: Mobile Commerce Compendium, Jul 2013). This implies that giving consumers access to a service puts retailers in a privileged position to send them messaging that would otherwise be seen as an annoyance, or ignored.

Intention is a huge factor with this type of data exchange. Without individuals giving an indication of their intention, behavioural data is the only information you have to work from. This creates the question of how you came to possess the information, and why you have the permission to contact the consumer based on it.

The second is infrastructure. Some 59% of shoppers say they want personalised, time, and location sensitive offers and coupons, but the industry is yet to develop scalable redemption infrastructure (Smart Insights: Mobile Marketing Briefing, Mar 2013). One of the major factors determining the future of LBS and contextual messaging is therefore the technology itself.

Having GPS or location services turned on constantly becomes a huge drain on battery life on mobile phones. This being another likely reason why those services where individuals manually request services are seeing a higher uptake.

There is also a lack of common platform, or common practice (eg Bluetooth versus NFC). Without genuinely useful mainstream platforms people often fail to identify the benefit. When these become more common, people will see how they can benefit from them, and the demand for them will grow.

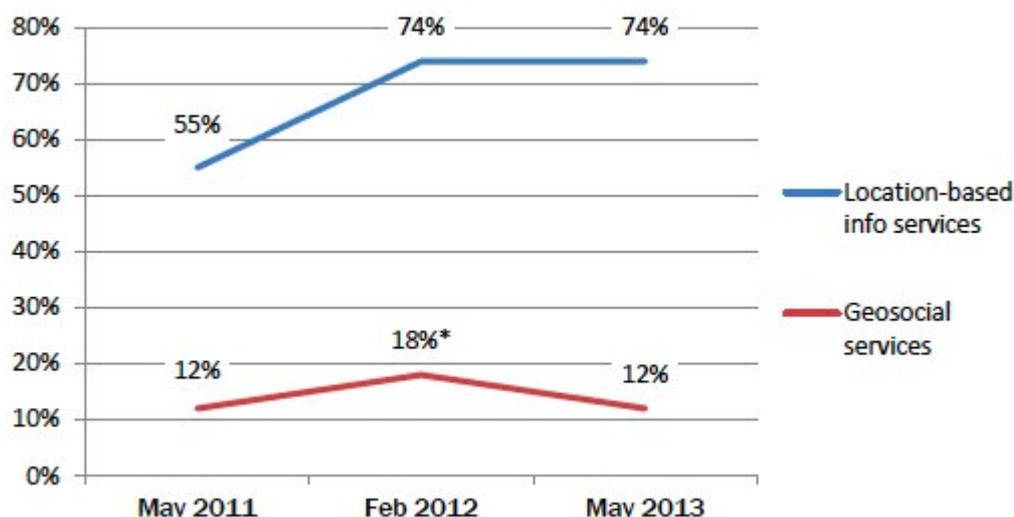
Evolving LBS and Contextual Messaging

Reward can be a key driver to participation. Foursquare's platform overcomes the lack of infrastructure and privacy concerns by creating check-ins that enable people to volunteer their location in return for rewards, rather than having this information shared automatically.

Whilst this keeps the individual in control of their data, and limits the technological strain, it may be that seeing the number of people using this type of LBS has already peaked as illustrated below (Screenwerk: Check ins may have peaked, Sep 2013). As the use of location for services and messaging becomes more

familiar, the value exchange of effort for a manual service in comparison to an automated service decreases.

Use of location based apps/services vs. checking-in:



An increasing number of solutions are being created that negate the need for always on LBS for mobiles. We've seen some early examples of this with messaging and promotions via free public wi-fi connection. Now we're seeing NFC bus stops where individuals can pull information straight from an advertisement to their phone. In the near future, with the announcement of iBeacons, we could potentially see a mainstream platform created for push messaging.

Major League Baseball in the US is testing the use of iBeacons. They've created a system in stadiums that recognizes if it's your first visit and deliver vouchers for the food stalls (TechCrunch, Sep 2013). It recognises where in the stadium people are and serves relevant content. Eventually it should be able to guide people around the stadium and show them to their seats.

These kinds of improvements in the LBS infrastructure should help normalise push style services and messaging whilst at the same time increase the trust in sharing data automatically.

So, should the individual pull or should the brand push?

As with all good relationships we believe there's an element of give and take. Brands must be ready with a great user experience that's relevant to the situation.

Whether a pull and push exchange it is important to keep a single-minded objective, based on a human insight, at the centre of the exchange. As with everything, there are different tools to suit different situations. This seems like a 'sit on the fence' answer but in reality push and pull services do genuinely lend themselves to different types of interactions. So, defining what the service aims to achieve will dictate whether it should be pulled or pushed.

For some it makes sense to wait for the consumer to ask and pull that information. It would be strange to be told every time you are near a brand's store. However, if you visit the store locator on your mobile, it makes sense to give up your location to see the one nearest you right now.

For others it makes sense to push consumers a message, to prompt or otherwise tell them something - as long as it has relevance at that moment. If individuals happen to be in the vicinity of a shop they've never been to it would be odd and intrusive to receive a promotional message. However, if upon walking into that shop they receive a coupon, it suddenly makes sense and is more valued.

Always determine what your service is asking of the individual in terms of privacy exchange. Is this deemed as normal within the category you are operating - and if not, what is the extra value you are offering? Technologically, are individuals prepared for the service, or are we lacking the infrastructure to deliver? Most importantly, what is the human insight that proves this service should exist?

Location, location, location – and context, context, context

Tim Elkington, Research & Strategy Director at the IAB discusses a vision for the future of native advertising in a marketing world of increasing localisation and contextualisation.

When is an advertisement not an advertisement? When it's a native ad. Everyone's very excited about native advertising, which put simply is an ad format developed to sit so naturally on its host that it doesn't really look like an ad. Because it doesn't look like an ad, people like it more and are more likely to interact with it. Examples include [Google Adwords](#) (which was very early) to [promoted tweets](#) and [Buzzfeed ads](#).

Where is the right place to show someone an advertisement? When they're in exactly the right location - maybe about to make a purchasing decision or when entering a shopping centre. Location specific advertising has become a reality with the increased adoption of smartphones that enable the advertiser to get their messages to consumers based on their location, possibly even down to individual streets or buildings.

What is the best environment in which to display an advertisement? One that exactly matches the context of the ad's subject matter. Contextual advertising often assesses the content of a website before dynamically deciding which is the right ad to show. The result of this is improved response and engagement levels offering the advertiser a better return on their investment.



So what is the future of native advertising in a marketing world of increasing localisation and contextualisation. Messages that don't look like ads being shown to people at the right location and in the right context is every marketer's dream. Unfortunately it's not a simple as that. Just ask Tesco. What looked like a great idea - to [assess the demographics of a queue at petrol stations using facial recognition technology](#) and then tailor ads to that queue via a point of sale screen on the way to the cash till - caused a media-fuelled public outcry and privacy concerns.

The intended message could probably be described as a native ad, it was certainly in the right location and was definitely in the right context. So why the problem? Part of the explanation lies in a knee jerk reaction against new advertising technologies and consumers' mistrust of anything that appears to track or identify them using personal information.

The Tesco example also highlights complex issues around the concept of the value exchange and consent. Research suggests that when it comes to advertising [most people are broadly happy with the value exchange](#) – being exposed to advertising is fair enough if you get to use a great website for free in return. What's more, people are probably okay with being served personalised ads based on their behaviour if they are getting something of value in return.

But other [research also suggests a need to build up levels of trust](#) during this process and for advertisers and marketers to gain levels of consent and buy in at every stage – for example only serving personalised messages to people once they've completed a transaction and become customers.

So the experience of Tesco may be seen as a guiding light for the future. Advertising (including native ads) does have a local and contextual future, but finding the right balance will take time and trial and error as consumers get used to the technology that not only makes everyone's lives better but also allows marketers to target them with ads that are tailored specifically to locations and contexts.

Another factor to add to this is the likely use of smartphones / tablets or wearable media to deliver these messages. The personal nature of this practise amplifies consumers' sensitivities towards marketing messages and points towards an exciting, though cautious, future for contextual and location based advertising.

Businesses of the future

Dr. Alison Sprague, Partner at CEG Europe, explains what local means for business plans.

'Local' has been a feature of the UK press for centuries and decades for radio and TV. Indeed, the oldest surviving local newspaper in England, Berrow's Worcester Journal, has been published regularly since 1709. The local media landscape includes 1,100 regional and local, daily and weekly newspaper titles (and 1,600 associated websites); 212 local and 55 regional commercial radio stations; and regional TV. Additional outlets include further local/hyperlocal (targeted at small geographic areas such as towns, villages and neighbourhoods) websites, local directories, cinema, local magazines, and direct mail. The various outlets range in target audience, content and scale of geographic coverage.

A combination of changing consumer preferences, technology and online trends has presented challenges to traditional local media – advertising revenues continue on a significant downward trend for printed papers. The recently formed 'Local World' is hoping to address such trends; it lists in its group: 107 papers, 500 websites, 76 publisher branded websites and more than 400 'local people' sites (an online network of local community sites). Local radio's business model comprises a mix of national and local advertising and while recently local radio revenues have increased, they remain 15% below the level achieved in 2004.

Local TV is soon to launch and will be looking to gain a share of local media advertising revenues – some 19 local TV services have been licensed and a further 30 are up for grabs. The BBC's proposed local online video service (online) was rejected by the BBC Trust in 2009 owing to its likely adverse market impact compared to its likely public value. Sky has been trialling local service 'Sky Tyne and Wear' since February 2012 and recently launched Adsmart, which enables ads to be targeted at viewers by affluence, region and life stage. While arguably 'local', Adsmart is likely to be used by national brands looking for more effective targeting, the majority of advertising on ITV's regional franchises is national.

Thus the local media economy is a mixed picture and competition for revenues between the various players is vigorous. Within this environment are numerous local/hyperlocal internet businesses. They range in scale of coverage, content, how they are funded and revenue models. Key questions to ask include: what themes/communities do they target, what are the business models and how sustainable are they? What does 'local' mean for business plans and what are the prospects for the future?

At the end of the day local websites need to attract the consumer. The chart below provides a schematic that summarises 'local' from the consumer's perspective.



(For more info see: http://stakeholders.ofcom.org.uk/binaries/research/tv-research/Salford_local_media.pdf)

Of course some of the above features will mean different things to different people. ‘My local area’, for example, could range from a couple of streets to a town to a larger city. ‘My community’ may go beyond location and relate to specific interests such as sport, leisure, and education or demographics such as age.

These factors raise specific questions for generating successful local business models: how to identify a specific community? What content does the community want? What is the minimum effective scale? How local to go? Can national brands be attracted? Which business model works best? Yelp is often cited as an effective local online business but its leverage is its scale and international breadth. (‘Think global, act local.’)

The table below provides a high level summary of some of the key business model options.

Business model	Description
Start-up	New business
Parent company support	Examples include Yelp, newspaper websites, Thompson local, Sky Tyne & Wear
JVs/partnerships	Example is Local World (Northcliffe, Iliffe News and Trinity Mirror)
Franchising	Individuals pay a fee to use brand etc. Example is Local People
Public/Trust-based	Examples: local councils/police, Talkabout Local (Fenland Farmers) Openly Local; The Detail
Target community	
Genre-focus	News, property, recruitment, dining, cars, live music, tradesmen etc.
Geography-focus	Post-code, town, ward, city, region etc.
Demographic-focus	Age, gender, ethnicity, income/wealth etc.
Revenue source	
Advertising	Search, display, classified etc.
Subscription-based	Membership fees
Transactions-based	Goods & services/ auctions
Discounts/vouchers	Wowcher, Amazon local
Other	Public funding, donations, consultancy, training

This table demonstrates the very wide range of options available and indeed most models are already present in today’s landscape. Notably, and not surprisingly, subscription-based and transactions-based *revenue* models are difficult to find at the local level - although local farmers’ produce is an example (the internet of course being a complementary channel to existing business). The principal issue is sustainability – it is difficult to believe that there are sufficient revenues to support long-term the huge number of sites around.

Looking to the future, during the next three years the economy is expected to grow more strongly and the prospects for online revenues are highly positive. But there’s already a plethora of local/hyper local online websites and competition from traditional media will continue, with local TV soon to come on stream. Models most likely to flourish are those that are local off-shoots of national/international networks and/or those with parent company support. That does not mean that there is no room for truly local standalone businesses. If the right niche is found then the advertising revenues will come. But aside from the odd exception, and shop window sites, truly internet-only local/hyperlocal commercial businesses are unlikely to generate sufficient revenues to be there for the long-term.

Creativity and context

Chris Buckley, Director of Digital Engagement at TMW, outlines what having access to rich and detailed information on location and context means from a creator's perspective.

The ability of the advertising industry to reflect the context of what it creates and shares is a significant shift for content creators and advertisers alike.

With context of advertising widely being linked to improvements and significant uplifts in key brand KPIs - including advertising recall, awareness, brand consideration, sales, loyalty and advocacy - the upsides for creators and advertisers to consider location and context are clear and well evidenced.

From a creator's perspective, the ability to get rich and detailed information on location and context is a huge opportunity and means to differentiate from others. Messaging can be tailored to reflect detailed information derived from combining users' current and previous location, time of day, shopping habits and user demographic info.

Greater understanding of context presents an opportunity to be far more focused with targeting, but also requires more careful planning and creative execution. A UK-wide banner advert that contains information that has been tailored to provide information about, for example, local car dealerships, will require a more flexible template, plus some backend technology to handle the location detection, lookup of local dealerships from a database and possibly custom images.

This is a different paradigm for a creative industry that has traditionally been focused on what you say and where you are placed as the only two significant variables to define. The future opportunities are very much more exciting, providing even greater opportunities to demonstrate consumer insight, creativity and agility in the planning and delivering of advertising campaigns.

There are many ways of determining a person's location -

- Data from a mobile device - mobile phone operators can tell, with some degree of accuracy, where a mobile phone is based on triangulation of transmitter masts
- Geolocation data from social media posts - Twitter, Facebook, foursquare, Instagram and Vine all allow users to encode their geodata in a post.
- In app advertising - Apple iAds, for example, can feed back geo data
- Apps - some apps can send back information
- IP address of machine connecting to the web (IP addresses can be obtained from emails (as long as they contain images) and web pages.
- Permission based - Users are asked for their location or for permission for their device to reveal its location
- Google searches (where users have opted in for context sensitive searches).

A brand's use of location based and contextual data is just as diverse as the means to capture this information.

- Weve, the mobile ad consortium, uses highly accurate phone data, matched with the mobile phone operators' rich demographic information to enable messaging that can be based on age, gender, previous visits to an area, current location - even speed of travel.
- Google is combining gmail content, location, previous searches, video watching habits and other application data to deliver highly personalised ads across their entire network.

- Users can be served highly refined content based on their IP address derived location - for example an email referencing the weather conditions or showing locations of certain retail outlets.

In many respects the most exciting aspect of this rapidly emerging area of marketing is its impact on consumer expectation. At point of interest advertising or in the moment advertising creates a new expectation from consumers to receive contextually relevant offers, promotions, information and opportunities from advertisers.

The creative challenge is clear: 'Don't just tell me what to think about your brand, but tell me what you expect me to do about it now'. Many brands will see this as a short term opportunity for tactical messaging, but it will be the brands that understand the importance of customer proximity and intimacy that will ultimately win out. Being with consumers at the times they are enjoying, experiencing and feeling something is an important place to be and can help drive longer term emotional connection.

As the technology and platforms consumers use make this an effortless activity, the need to advertise at the most important point of the consumer's pathway to purchase is critical.

Transforming hospitality

Dan Calladine, Head of Media Futures at Carat Global, outlines how the hospitality industry is well placed to take advantage of developments in contextual advertising and location based services.

Local is one big area of digital media that is still up for grabs – and some of the best case studies come from within the food and hospitality industry in London. The capital is currently in the midst of a food revolution and this is in part being driven by social media, often through mobile.

The last three years have seen a huge rise in interest in street food, pop-up (or temporary) restaurants, and other new forms of dining. LA has food trucks, and while London is too cold for that on a year-round basis, you do find new street food markets appearing all over the city, with people offering unusual - and often wonderful - food to a growing army of fans.

This has been partly driven by the rise of smartphones and social media. While Yelp is very dominant in the US with about 17% monthly reach (desktop only – add in mobile and it'll be higher) it has less than 1% reach in the UK.

Instead people are using Twitter and Facebook to get the news out about events that are happening. Hawker House is a new venture from Street Feast, which curates events where some of the best new food producers come together and sell to the public, with fully licenced bars.

Hawker House has its own Hashtag #HawkerHouse, and tweets from people who attend are regularly re-Tweeted. People there are encouraged to take photos, and bloggers are encouraged to attend and blog about it.

The success of events like this, largely done without mainstream media support, show how entertainment and hospitality companies should act in the future.

Social media sites, and especially Twitter, are making it easier for people like this to communicate and share information about what's happening locally. For example, recent changes mean that photos are now a much more prominent part of twitter. When pictures are tweeted they appear already part expanded in the feed – perfect for the sort of 'food porn' pics that get taken and shared at events.

What's more, location tagging means that people can see where you are when you share, even if you aren't explicit about your location when you tweet. Custom timelines also mean that people can curate lists of tweets to show off something that happened, after the event. This is one stage better than linking to event hashtags, because hashtags can get hijacked, contain irrelevant information and generally not give the picture that you want it to.

Future developments are likely to include one comparatively old technology – Bluetooth. Apple and Paypal are both independently developing technologies using Bluetooth, called iBeacon and Beacon respectively, that will be able to identify and communicate with phones when they come into 50m range.

This identification could then lead to sending coupons, more information, and even arranging very easy mobile payment – something that could really simplify organising events.

I would argue that digital media has transformed the hospitality business greatly, and will continue to do so for many years to come. It certainly makes for more interesting case studies than the usual 'business travellers at airports' case studies that you often get at conferences.