

Location-Based Advertising and Marketing



Location-Based Advertising and Marketing is the third consecutive report from Berg Insight analysing the latest developments on the location-targeted advertising market worldwide.

This strategic research report from Berg Insight provides you with 190 pages of unique business intelligence including 5-year industry forecasts and expert commentary on which to base your business decisions.

This report will allow you to:

- **Identify** tomorrow's most profitable LBA opportunities in the mobile space.
- **Understand** the fundamentals of the ad-based mobile media revenue models.
- **Recognise** the key enablers of growth in the LBA market.
- **Comprehend** the relative importance of digital channels compared to other advertising media.
- **Learn** about the experiences of LBA campaigns by top global brands.
- **Profit** from valuable insights about LBA business models.



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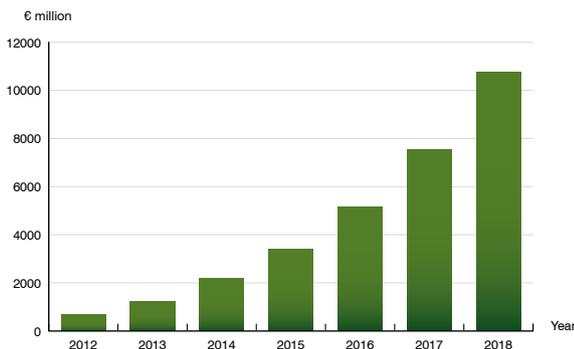


Mobile LBA to become a € 10 billion market in the next five years

The mobile channel is gradually strengthening its position in the marketing media mix as smartphones are becoming ubiquitous and drive mobile media usage. One of the key developments in mobile advertising is the increasing integration of location-sensitivity, which releases the full potential of the mobile channel. A notable divide can be made between static and real-time location-based advertising (LBA). Targeting by static variables involves using information which is part of user profiles such as place of residence and work. Real-time location targeting instead uses location information which is gathered when an ad is delivered to a mobile user. Such LBA campaigns leverage the same type of technologies to determine user location as other location-based services (LBS). Common methods include GPS, Cell-ID and Wi-Fi positioning which are all based on real-time information.

Targeting by location in combination with other contextual and behavioural segmentation greatly enhances the relevance of mobile advertising. It has been demonstrated that location-targeted ads generate considerably higher returns than conventional mobile advertising. The associated eCPM and CTR levels are several times higher. Berg Insight estimates that the total value of the real-time mobile LBA market worldwide was € 1.2 billion in 2013, representing 14.5 percent of the total mobile ad spend. Growing at a compound annual growth rate of 54.0 percent, the real-time LBA market is forecasted to be worth € 10.7 billion in 2018, corresponding to 38.6 percent of all mobile advertising and marketing. This means that location-based advertising and marketing will represent around 7 percent of digital advertising, or 2 percent of the total global ad spend for all media. Asia-Pacific is estimated to be the largest LBA market in 2018, followed by North America and Europe.

Key drivers for LBA include the growing adoption of both outdoor and indoor location technologies, as well as the increasing consumer acceptance of LBS in general. The market is favoured by the recent entry of a number of major enterprise players. Big-box retailers can leverage LBA to combat both online and physical competitors. LBA further opens up the mobile channel for new advertisers such as local merchants. The fact that LBA has higher performance has moreover translated into premium rates. The main barriers to adoption are related to the inherently limited reach of LBA which acts as a mental hurdle for advertisers. Education of advertisers and new methods for campaign performance evaluation are thus called for. Privacy issues can further not be ignored, but can be beneficially handled by privacy control options beyond simple opt-in mechanisms. The demand for geo-targeting remains comparably limited, but is bound to increase given the proven results such campaigns generate. The quality of location data is moreover expected to gradually improve. ►



LBA revenue forecast, € million (Worldwide 2012–2018)

► The LBA value chain is still forming and there are a large number of players involved in the ecosystem. The industry remains fragmented and far from mature. Many different companies are involved, ranging from LBA specialists such as Verve, Placecast and xAd, to LBS players including Intersec, Telenav and Waze, and operators such as AT&T, SFR and the UK joint venture Weve. There is furthermore an abundance of location-aware applications and media which serve geo-targeted ads, with examples such as Foursquare and Shopkick. Other stakeholders include coupons and deals providers including Yowza!! and COUPIES, search solutions such as YP, Hibu and Yelp, and proximity marketing providers like Proxama, NeoMedia and Scanbuy. A number of traditional mobile advertising players are also active in the LBA space, for example Millennial Media, Madvertise and Smaato, as well as major digital and telecom players such as Google, Facebook and Apple. The latter is together with a range of other players pushing for BLE beacon adoption which is expected to take off this year.

There are a number of key takeaways from the current trends in LBA. Geo-targeting improves the performance of mobile marketing and greater shares of ad budgets are devoted to LBA. High-precision real-time geo-targeting is still sparsely used but is expected to get a boost in the near term. Best practices for LBA furthermore include the use of sound opt-in procedures and individual privacy measures, as well as ensuring that location data is combined with additional contextual and behavioural data to increase relevance. Current important high-volume LBA formats include mobile search and SMS campaigns. New developments more-over include real-world retargeting and mobile attribution solutions. The latter can prove the effectiveness of LBA by quantifying the impact on in-store visits and purchases. Berg Insight anticipates that geo-targeting gradually will become ubiquitous and available across the entire mobile channel.

This report answers the following questions:

- How can location technology improve the relevancy of mobile advertising?
- What are the experiences from mobile LBA campaigns so far?
- How should mobile LBA be integrated in the marketing media mix?
- Which categories of companies can leverage mobile location-based advertising?
- Which are the LBA specialists that stand out of the crowd?
- How are mobile operators such as AT&T, Orange and SFR approaching LBA?
- How are traditional mobile advertising players and major digital and telecom players positioning themselves in this market?
- How well suited for LBA are the existing and future mobile media channels?
- Which are the main drivers and barriers on the market?

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Glossary

About the Author



Rickard Andersson is a Senior Analyst with a Master's degree in Industrial Engineering and Management from Chalmers University of Technology. He joined Berg Insight in 2010 and his areas of expertise include Mobile Advertising, mobile VAS and commercial vehicle telematics.

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