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The Case for
Proximity Marketing

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

By Alex Romanov, CEO, iSIGN Media

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.

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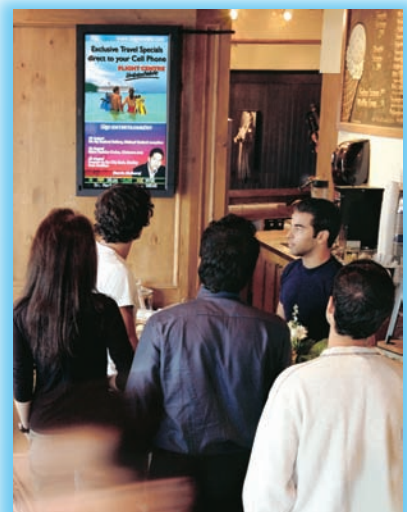
Give customers faster, more accurate access to the information they want — not the information they don't

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 – andconveys 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 containscan 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.

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.

> **66 By integrating proximity marketing, content on digital signs can become far more skillfully matched with shopper interests. 99**

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.

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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.

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. [6]

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. [7]

- **Consumers per month who see digital signage: 71 million** [1]

- **2010 spending on digital out-of-home advertising (primarily signage): ~15% increase over 2009** [2]

- **Proximity marketing spending for 2010: ~$200 million** [3]

- **Anticipated proximity marketing spending for 2011: $760 million** [4]

- **Anticipated proximity marketing spending for 2015: $6 billion** [5]

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. [8]

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%.[9] 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.

And among those interfaces, the most popular and rapidly-growing is mobile. Already, some 91% of Americans carry a mobile phone.[10] Within a year, fully half of Americans are expected to own and use a smart phone. [11]

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).[12] 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 alternativemarketing platform for two basic reasons;

Two basic reasons:

1. For consumers:

Proximity marketing delivers information and purchasing opportunities ina 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.

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 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 forcustomers 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.

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.

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.
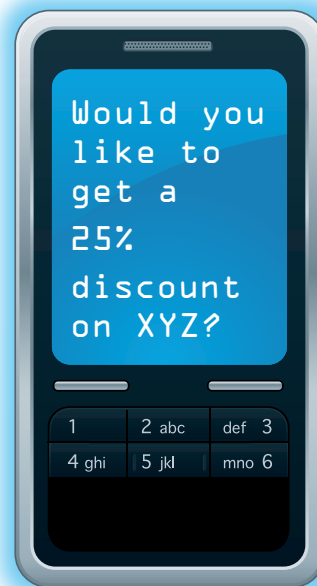
● **Be sure your solution can handle the technical requirements of your campaigns.** Not all marketing campaigns are suited to all platforms. Video campaigns, for instance, are unusually bandwidth-intensive and will require a communications protocol capable of keeping up with the rapid transfer of large 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.

● **Consider the case for multi-lingual.** 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.

● 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.

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 s creens, 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.

About the author:

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. Contact Alex at **alex@isignmedia.com.**

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About iSIGN MEDIA:

Attract. Transact. Measure.
Best-in-class proximity marketing solutions from a proven leader

iSIGN Media stands out as a pioneer and industry leader among proximity marketing providers today. iSIGN's patent-pending solution, which supports most media players and engines in various applications, empowers retailers to deliver the right offer at the right place and the right time – ultimately resulting in accountable, measurable advertising.

Founded in 2006, iSIGN was one of the first to market with a Bluetooth™-based solution for a range of up to 300 feet, superior performance, and a superior customer experience. iSIGN also offers one of the most flexible, scalable proximity marketing platforms, capable of supporting a rich array of different content types, including bandwidth-intensive video.

iSIGN's solution respects user privacy via opt-in functionality, and it doesn't collect or require personal information such as cell phone numbers or customer names. Information is instead associated with a unique technical identifier linked to the particular mobile device, and anonymously analyzed for subsequent business purposes and targeted marketing campaigns. This translates into customer peace of mind, yet gives retailers the power to understand their customers' needs and interests in unprecedented detail. The customer is never asked for personal information, and the retailer doesn't need it to deliver effective, welcome marketing campaigns and obtain an outstanding ROI from the solution.

Also directly pertinent to anticipated ROI is the fact that iSIGN's expected total cost of ownership (TCO) is among the lowest in the industry — in fact, according to recent studies, it is the least expensive of all available proximity marketing solutions. Delivering targeted, rich marketing campaigns to customers therefore involves less business risk and ongoing investment than ever before, while also yielding dramatically improved positive response levels when compared to traditional marketing platforms such as mass-mailing or telemarketing.

Today, iSIGN provides interactive mobile advertising to organizations in many industries around the world. Business partners include IBM, for whom iSIGN provides the software for all proximity marketing packages; AOpen, for whom iSIGN is the OEM software solution provider; and BlueStar, with whom iSIGN's technology is distributed globally in key markets. iSIGN works closely and collaboratively with them to offer the best possible proximity marketing, branding and messaging, and data analytics platform to its diverse customer base.

> ❝ **The Numbers Are Really Big. Insane, I mean. The billion-plus phones sold per year. The number of active subscriptions, which is greater than half of the human population. The number of new Android devices that check in with Google every day. The line-ups outside Apple stores for every new iOS device. The hundreds of thousands of apps. The ridiculous number of new ones that flow into Android Market every day. Everywhere I look, I see something astounding.** ❞ [13]

iSIGN is a leading developer of location-based interactive proximity advertising solutions that deliver rich media, permission based messages, free of charge to cell phones using Bluetooth® connectivity. The Company's patent-pending advertising platform combines the precision of direct marketing and the tracking potential of the Web to deliver more cost effective and ROI-driven advertising than is possible via print, radio and television. iSIGN is based in Richmond Hill, Ontario with R&D and customer support operations in Vancouver, BC. iSIGN is a business partner of AOpen America Inc., having an OEM agreement for the embedding of its IMS software in AOpen's digital media players and IBM, as their Solution Provider, POA All Models. iSIGN's software solutions are also distributed by BlueStar Inc. to their network of Value Added Resellers. iSIGN is publicly traded in Toronto (TSX.V) under the symbol "ISD". Additional information about iSIGN Media can be found at **www.isignmedia.com.**

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