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*The missing link*

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**Proximity  
marketing offers  
a comprehensive  
strategy to engage  
consumers**

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# *About the authors*

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# Executive summary



**Proximity marketing** is emerging as a key strategy for marketers to connect with consumers through their mobile devices. By sending customized messages triggered by consumers' precise geographic location or factors such as weather, time of day, user preferences, and prior purchase history, proximity marketing has tremendous potential to deepen consumer engagement, build brand equity, strengthen customer loyalty, and boost revenue across a broad range of enterprises, including retailers, hotels and casinos, airports, and entertainment parks.

Responding to this promise, close to half (46 percent) of retailers in the U.S. launched proximity marketing programs or pilots in 2015, up from 15 percent in 2014, according to B2B magazine *Retail TouchPoints*. Some 39 percent expect to implement them within the next three years.

However, realizing the promise of proximity marketing isn't a given when consumers can, with a simple swipe on their mobile device, choose whether to engage with marketers or shut them out forever. An effective strategy depends on marketers simultaneously addressing three important considerations: defining their business goals; designing an effective customer experience; and understanding the technology needed to enable their strategy and realize their goals.

As proximity marketing evolves, it is clear that a successful deployment is more complex than most retailers initially imagined. Marketers must determine the right balance of content, communications method, technological sophistication, and financial investment to deliver a rich and seamless consumer experience.

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# *A compelling promise*

With consumers carrying their smartphones everywhere they go, mobile communication channels provide a logical link to many other marketing touch points — including TV, print, online, outdoor, word-of-mouth, and in-store — to connect and enhance a vast array of consumer experiences. Nowhere is this development more evident than in the growing trend for marketers to use proximity marketing, a broad category of strategies that leverage sophisticated location-based technologies and data mining to engage consumers through timely, targeted messages on their mobile devices.

Proximity marketing offers three unique opportunities. First, its content is often more relevant than most display advertising, because it's sent to those consumers who are most likely to respond at a time when they are close to the point of purchase. Second, it taps into opportunities to drive immediate consumption, which is more effective at building brand equity than attracting consumers' attention with coupons or deals before they go to the store. Third, proximity marketing leverages analytics to personalize the “next best offer” for the right time and place.

As a result, proximity marketing is rapidly becoming an essential part of every marketer's strategy to increase consumer engagement, build brand equity, strengthen customer loyalty, and boost revenue. Close to half (46 percent) of the retail chains in the U.S. **launched** proximity marketing programs or pilots in 2015, up from 15 percent in 2014. Some 39 percent expect to implement them in the next three years.

In proximity marketing's simplest form, marketers send generic messages to a consumer's smartphone whenever he or she is within a certain geographic range of a specific location. In its most advanced permutations, proximity marketing is one element in a larger multichannel marketing campaign, and depends on big data, prescriptive analytics, and mobile devices both to send customized messages to each consumer and, in return, to collect valuable data that can be used to continuously improve campaign effectiveness. In between, there's a wide spectrum of options enabling marketers to make their messages more valuable to individual consumers.

Proximity marketing — which includes hyper-local marketing, named for its pinpoint geographic precision; and trigger-based marketing, in which consumer engagement can be initiated by such factors as weather, time of day, user preferences, and prior purchase history — already appears to be paying off: Initial data shows that 53 percent of consumers are willing to share their current location to receive more relevant advertising. Additional data shows that 59 percent of consumers reached through proximity marketing are more engaged while they're at the shopping location; furthermore, 53 percent of marketers are able to create more compelling in-store offers using proximity marketing, resulting in a 24 percent increase in sales.

However, proximity marketing's potential comes with a caveat: Consumers can be barraged with advertising and promotions. Too many messages — even potentially relevant ones — can easily become unwanted noise. In the most innocuous cases, consumers will simply ignore or block messages; in a more serious scenario, they will resent the intrusion and ultimately turn away from the brand for good.

The challenge for marketers, then, is not *whether* to participate in proximity marketing but *how* to determine the right balance of content, communications method, technological sophistication, and financial investment to deliver a rich and seamless consumer experience.

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# *The consumer is in control*

How does proximity marketing work? Consider these real-life scenarios:

As you walk past a large department store, your phone vibrates. No, it is not a text message from a friend or an email from a coworker. Instead, it is a notification from the store alerting you that your favorite shoe brand is being offered at 20 percent off for today only. You had not intended to enter the store, but the discount draws you in. The result: You walk out with a new pair of shoes, and perhaps some other items in your bag as well.

Or maybe you're wandering the aisles of a home improvement store, trying to find a specific product that you researched online before coming in, and you're getting more frustrated every minute. The nearest employees receive an alert on their mobile device that a consumer in aisle 9 might need help, with information about your previous online search. Within seconds, one of them is at your side, ready to assist you.

Perhaps you and your family have just started your vacation. You've landed in a new city and everyone is exhausted from traveling all day. As your taxi gets closer to your hotel, your phone buzzes. It's the hotel app, asking if you'd like to check in using your rewards number and credit card on file. After you oblige, you realize the kids are hungry. You message room service from the hotel app and order dinner. Within minutes of the taxi pulling up to the hotel, you're heading to your room, where your food is ready and waiting. The next day, you receive a message with personalized recommendations for things to do in the area that appeal to the whole family, with discounts on local attractions.

Proximity marketing works better than traditional marketing approaches because its content can be customized down to the level of the individual consumer (*see Exhibit, next page*). However, this bonus can also be a barrier.

Proximity marketing is effective only if the consumer agrees to give advertisers access to his or her personal devices via SMS, app notification, mobile wallet, Web browser, or even email. These channels

have innate disadvantages for marketers. Mobile operating system guidelines stipulate a double opt-in from the consumer: Consumers must first download the app or permit the marketer’s message to be delivered through SMS or email, and then agree to share their location with the marketer. In addition, consumers must be able to easily opt out of future messages, such as by texting “STOP” or deleting an app. Though the double opt-in ensures that the consumer wants to hear from you, the ease of opting out enables him or her to block your messages on a whim.

Apps are an especially popular approach at present, but trends show that consumers are increasingly picky about seeking out and downloading new apps from among the tens of thousands available. As marketers realize that creating an app that stands out from the competition and functions efficiently is difficult and costs a lot of money, they’re increasingly looking at other ways to reach consumers. Non-app approaches include strategies to utilize digital wallet cards, which can easily be added to a device’s built-in mobile wallet, and Google’s Nearby. Nearby uses push technology to alert consumers to the existence of a geographically relevant app, which they can then choose to download.

For now, though, consumers control whether a message can even appear on their locked screen. Consequently, the greatest challenge in any proximity marketing campaign is designing a compelling experience where consumers want to be part of the engagement strategy.

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*Exhibit*

**How proximity marketing transforms the in-store experience**



Source: Strategy& analysis

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# ***Creating content consumers want***

How marketers reach out to their targeted prospects and connect with the right content determines whether consumers feel they have something to gain from signing on or whether they feel spammed. Marketers must adjust their own attitude from merely advertising discounts to intuiting what would most enhance the consumer experience. To come up with content that speaks to the consumer's unique needs at that moment requires the right balance between using analytics to target the most receptive consumers and building an emotional connection through compelling creative messages likely to persuade them to follow through on the desired behaviors.

Some companies aim to strengthen the emotional connection with existing consumers by engaging within the confines of their proprietary app. Using Disney's [MyMagic+](#) wristbands, which interface with Disney's proprietary smartphone app, guests at Disney resorts can map out their visit, get real-time updates for lines at nearby rides, find out about promotions, shop for specific souvenirs and have them delivered to their hotel (or shipped to their home), and even manage photos automatically snapped as people pass through popular park locations.

Retailers such as Target leverage product reviews to persuade customers to buy related items and prevent buyer's remorse. Target's app, piloted initially in 50 stores in 2015, sends product reviews and/or discount coupons to shoppers depending on their location in the store as well as analysis of their past and present behavior. The app also links to related content from social media sites such as Pinterest to give customers an idea of how other shoppers have used those products.

Marketers that don't have an existing relationship with consumers can provide a platform from which retailers can reach out to people passing through their locale. Both Schiphol Airport in Amsterdam and Mall of America in Minneapolis have created apps that act as dynamic directories for shops, services, and restaurants on the premises. Smaller retailers can have a presence on the app and leverage the larger company's proximity marketing infrastructure to push their

own messages, informing consumers about options to spend their time — and money — that they didn't know about.

Waze and RetailMeNot take a similar approach, allowing other retailers to announce timely and relevant promotions through their app networks. For example, if you're filling up your car on a cold morning and your buying habits indicate that you often purchase breakfast on the go, your phone might buzz during the three minutes when you are pumping gas with a promotion for a free hot drink if you purchase a breakfast sandwich at the station's convenience store.

Using proximity marketing to improve the customer experience isn't limited to the retail or hospitality industries. John F. Kennedy International Airport and Cincinnati/Northern Kentucky International Airport are both using apps that aim to improve travelers' queuing experience by providing real-time estimates of wait times at customs, baggage claim, security checkpoints, or the nearest taxi stand. The technology also alerts airport employees about developing bottlenecks, enabling them to react to the situation more quickly.

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# *Looking through three lenses*

Proximity marketing is evolving so rapidly and its capabilities are expanding in so many directions that even those companies whose campaigns are now delivering robust results cannot rest. Whether companies are just beginning to explore this new marketing medium, are looking to stay current, or want to get out in front of the competition, in order to determine the best approach — the most compelling message and the technology that will deliver it most effectively — they should evaluate their proximity marketing strategy through three interconnected lenses: business, experience, and technology.

Begin by articulating your business goals: How can proximity marketing help you identify and leverage the right opportunities to drive growth and profitability within your organization's operating model? Then define the elements of an effective customer experience: How can you create an emotional connection with consumers that fuses the best of both the physical and the digital realms? Finally, understand the technology needed to enable your strategy and realize your goals: What technologies already exist in your organization and which new technologies should you invest in to shape, support, and complement the overall capabilities of the campaign? How can technology enable more data-driven decision making and real-time optimization of the experience?

To capture consumers' attention and persuade them to act, marketers must master the following key capabilities in these three categories:

## ***Business***

- **Create timely, relevant content customized for specific consumer segments.** A thorough understanding of consumer market segments is necessary for marketers to identify gaps in their overall marketing campaigns and ensure that the content of each marketing medium's messages meets specific consumers' needs. Once marketers have a comprehensive picture of consumers' preferences and behaviors, they can use proximity marketing to deliver the right message to the right consumer at exactly the right time.

For example, a casino might track its VIP guests through a relationship marketing program. When guests arrive, they could be offered a welcome greeting as well as promotions for specific gaming and entertainment experiences based on their previously tracked behavior. On the flip side, VIP hosts could be alerted when those guests are in the house and meet them with their favorite drinks and personalized service.

## ***Experience***

- **Make it easy for consumers to act.** Proximity marketing is fundamentally a call to action. Persuading a consumer to engage starts with a message that not only meets brand guidelines but is easily comprehensible on a smart device. Wording must be clear and concise, especially given the limited real estate on mobile devices, and it must connect the consumer to other media channels in a way that aligns to the content strategy.

For example, a retailer and a consumer packaged goods company might collaborate on an email campaign to send consumers digital coupons for a specific brand of snacks. Once the consumer is in the store, the retailer could leverage proximity marketing to entice the consumer to buy a related product from the same manufacturer. Brands such as Coca-Cola, Procter & Gamble, Levi Strauss, and Kraft Foods reported that the number of interactions with advertised products increased 19 times and in-store app usage was 16.5 times higher for users who received a proximity marketing ping on their mobile device.

However, the most compelling message will go nowhere if consumers can't opt in easily. Reducing the opt-in steps in a recent proximity marketing pilot helped a consumer packaged goods company that sells to convenience stores increase offer downloads by 25 percent.

- **Link to a cross-platform experience.** Proximity marketing provides the greatest impact when integrated into a cross-media program for branding, product, and/or service offerings that supports end-to-end consumer experiences. To succeed, businesses must bridge the silos of physical and online engagement.

For example, Nordstrom alerts consumers who recently shopped online and are now near a store to let them know if any of their unshipped products are available for immediate pickup at the store. By integrating online functions with brick-and-mortar capabilities, Nordstrom can provide a uniform and seamless experience for the consumer.

## Technology

- **Use data to drive new insights.** Big data analytics and artificial intelligence can help companies collect and analyze exact consumer profiles and map them to geographic locations to identify patterns, gain insights, and make meaningful offers at exactly the right time and place. The collection of data combined with predictive analytics allows companies to detect opportune situations and increase the likelihood of engagement and conversion; advanced programs can take advantage of prescriptive analytics to suggest a course of action, automate immediate actions, and dynamically adapt to consumers' evolving behaviors.

As they drill down through customer segments, marketers can use cohort analysis to compare how different groups, or cohorts, of consumers behave over time. This provides a quick and clear insight into customer trends, such as how the latest customers compare with those from several years ago, or whether consumers who joined a loyalty program over the holiday season or in response to a promotion are as active as those who joined at other times. Marketers can further use cohort analysis to continuously optimize their targeting to consumers, calls to action, and content of campaigns, thereby improving ROI with every new iteration.

By measuring the content and frequency of engagement, the analytics engine can predict whether the consumer will opt in, remain engaged, and ultimately convert an impulse into action.

- **Ensure security.** From small pilots to nationwide rollouts, the security of consumers, the businesses, and the associated data must be a top concern. Management and security policies must reflect the fact that the success of proximity marketing campaigns depends on providing seamless, real-time data connectivity to all smart devices. Security protocols cannot be specific to a single device, but must span the entire connectivity ecosystem.
- **Enable rapid prototyping.** Because proximity marketing is still evolving, prototyping is necessary to determine how each business can best meet consumers' needs. Pilots should focus first and foremost on the following questions: How do we entice the consumer to opt in? How and where do consumers want to receive messages and how frequently? How can we encourage continued platform use and brand loyalty?

Rapid prototyping enables businesses to evaluate different technologies and types of messages, adapt quickly, and learn the most effective methods of engaging consumers. Using rapid prototyping in conjunction with cohort analysis allows businesses to customize their proximity marketing to different consumer segments quickly and efficiently.

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# ***Connecting across multiple channels***

This three-dimensional approach can help marketers figure out how they can most effectively tell a brand story to a targeted audience through a specific medium. However, the success of a campaign isn't explicitly determined by how well a consumer interacts with messages generated by proximity marketing, but rather by how a proximity marketing campaign enables all other brand channels to engage consumers.

To fully realize mobile's potential to enhance the consumer experience, proximity marketing campaigns must be part of a comprehensive mobile strategy aimed at linking all other marketing touch points, such as print, word-of-mouth, in-store, and online. Every single channel must be focused on building a strong relationship with the consumer, and all of the channels must work together in a holistic ecosystem that nurtures that relationship with a steady stream of connected benefits: stronger brand awareness among consumers and influencers; positive impressions among existing and potential consumers; better understanding of consumer behavior; deeper consumer interaction and engagement; a larger consumer audience; and, of course, increased sales.

The ultimate goal is to ensure that a multichannel campaign as a whole, not a specific message within a medium or channel, leaves a lasting impact on current and potential consumers.

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# *Conclusion*

As a natural evolution in the trend toward targeting consumers with personalized, timely, and geographically precise messages, proximity marketing can significantly enhance a company's overall direct-to-consumer engagement strategy. By using mobile communication as the bridge between physical and digital experiences, proximity marketing is a valuable and effective tool to deepen the connection with consumers and generate higher ROI for marketers.

However, it is clear that its deployment is more complex than initially imagined. Success requires fusing multiple perspectives across business, experience, and technology, rather than treating these as discrete challenges managed separately or sequentially. When companies evaluate their proximity marketing strategy through these three interlocked lenses, they will progress out of doing ad hoc promotional campaigns that don't fully scale and into building market-leading capabilities that will pay off at every point of the consumer–marketer relationship.

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