



Why Proximity Marketing is the Future of Customer Engagement for Retail

Introducing Geo-Loyalty, a New Way to Win Shoppers



The one-minute version:

- Physical retail is under attack more than ever before and needs to change faster than ever; thankfully technology has come to the rescue
- Traditional marketing and loyalty programs focus on the transaction at the till, and this is no longer enough on its own to build true loyalty
- COVID-19 has driven a massive boost to how consumers use their phones for shopping; retailers need to embrace this and turn it to their advantage
- Combining the huge rise of accurate location aware apps, with sophisticated real-time loyalty systems, physical retail gets ahead of the transaction for the first time and solves the biggest problem of traditional loyalty programs
- Unlike in the past, in 2021, this can all now be delivered without installing a single piece of hardware, or integrating with a single retailer's POS
- Read on to know more...

The retail landscape has been under intense pressure for several years, so much so that industry pundits have routinely forecasted a coming "Retail Apocalypse." The struggle was underway well before the pandemic with [23 retail bankruptcies](#) in the US in 2019. But, the sudden and dire impact of COVID-19 caused the largest number of bankruptcies since 2009, during the financial crisis, with [49 bankruptcies as of mid-November 2020](#), including well known brands such as Ann Taylor, Neiman Marcus, Sur La Table, and Brooks Brothers.

The business performance of shopping malls was impacted by these industry trends and, at the outset of 2020, [vacancy rates in the US had reached a twenty year high of 9.7 percent](#), the most since recordkeeping started in 2000 when just 5.3% of shops were empty. But in an industry of perpetual change, if you take a closer look, you will see that we aren't headed towards a disaster; we are turning a corner to a brand new and exciting world in 2021 and beyond.

The composition of mall tenants is changing, including some being replaced by online brands expanding into brick-and-mortar locations. One recent survey reported that in the US, more than 1,700 physical stores were part of brands with origins in e-commerce. It seems the "showrooming" concept that threatened many retailers a few years ago may now be a contributor to shopping mall success in the near term.

As this transformation continues, it is more important than ever for mall owners to lead in creating vibrant shopping environments for their tenants. But what is the recipe for success?

2020 has accelerated a trend at a massive scale when retail brands now compete for people's time and attention, more than just for their dollars. There are two objectives: One is building long-term loyalty, and the other is driving short-term sales. Success requires collecting and using data to know where people are shopping, not just on what. Understanding that a customer spent two hours in a physical store before making a purchase online is crucial information for a true multi-channel retail strategy. Or knowing that people visited three competitor stores before spending in your store will massively change your approach to marketing to them.

Proximity based Marketing is the most powerful new tool that retailers can wield to engage with and win customers. A survey of US retailers that have integrated Proximity Marketing into their strategies showed a 9% increase in profits and a 175% uptick in ROI.

Leveraging proximity based technology and making it the backbone of a mall-wide customer engagement and loyalty strategy is a powerful means by which the mall operator itself can become the catalyst of their retail tenant's future success - and their own!

In the end, it is the changing nature of consumer shopping behaviors that retailers must recognize as the force driving the importance of Proximity Marketing. Today, knowing where people spend their precious time is just as vital as knowing how they spend - and knowing both of these gives you complete insight into your shoppers. COVID has meant that people shop in physical stores less frequently, they shop more locally, and they plan their shopping more carefully; so knowing upfront when someone is planning to go shopping, or better still, knowing in real-time that they are on a shopping trip is key to influencing buyer behaviour.

Retail has never stood still, and the giants of yesterday have continually been threatened by new technology and changes to customer behaviour. The key to success is to foresee the tides of change and to adapt quickly to the new environment. For malls, that means developing new business models, a new customer centric approach, and a relationship with brands that embraces show-rooming and true multi-channel (or cross-channel) shoppers - and that means knowing not just about transactions but also about visits to your tenants' stores. Geo-loyalty is the latest innovation that is transforming the industry.

Geo-loyalty is the future of Proximity Marketing for retail destinations

In this paper, you will learn how Proximity Marketing can be used to drive footfall and sales in any retail destination. We also introduce the concept of Geo-loyalty, a confluence of Proximity Marketing and Customer Engagement and Loyalty that is changing how retail destinations interact with shoppers. We also cover:

- What is Proximity Marketing for retail destinations
- What's wrong with traditional marketing and why is Proximity Marketing the solution
- How to incorporate Proximity Marketing into your customer engagement strategy
- How shopping malls are using Proximity Marketing to create loyal customers
- Success factors in designing and running high performance Geo-loyalty programs
- What to look for when selecting a Geo-loyalty provider

What is Proximity Marketing for retail destinations

Proximity Marketing has been around in various forms for many years, and is essentially the process of using the location of customers to send targeted and relevant communications such as promotions. In the past, this has been attempted with mobile phone tracking by installing expensive hardware or, more recently, by trying to build large networks of i-beacons (remember those!). However, none of them has really worked for marketing at scale due to the complexity of hardware, and the limitations of users' phones.

This has now changed with the dramatic rise of location aware apps; from Uber to find cabs near you, to Nest to turn your heating off when you leave home. Whether we know it or not, our phones and our lives are now full of smart location aware technologies.

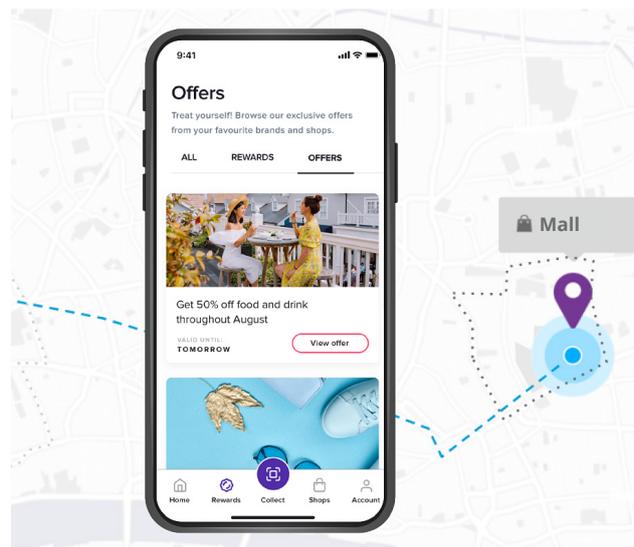
Engaging shoppers in a highly personalised manner is possible by using mobile location software in smartphones, including GPS technology, to know where people are, such as near a mall. Wi-Fi and bluetooth technology are also used by mall operators and retailers to interact with shoppers when they are in a specific area of a mall or a store, although these require unique hardware or adaptations.

The industry uses Proximity Marketing, also known as proximity-based marketing, to create business value. For example, you can personalise the customer experience based on past, present, and future location, and the behaviour of shoppers.

It's important to distinguish location tracking from proximity marketing. Although both use the same core technology of location aware apps, they differ in one key way. Vendors like Placer.io use location information collected anonymously from a multitude of apps to predict where people are moving at an aggregate level. They are great for seeing trends and predicting footfall, but this information cannot be used for marketing at an individual level. Proximity Marketing, and Geo-loyalty, collect location information with full permission from the user, such that the location information can be used to personalise messages, to trigger events, and even to reward shoppers for their visits.

Proximity Marketing is a convenient and cost-effective way to engage your core audience: people who are already in or near your mall and can be persuaded to visit and buy.

In addition, and this delivers long-term value, is the ability to collect data on your customers to better understand their expectations. In turn, you can improve customer trust and satisfaction.



Yet, with the introduction of new and exciting technologies, Proximity Marketing is quickly evolving into more than just a tactical tool – it's now become a strategic asset for mall operators and their tenants, especially when Proximity Marketing is integrated with Customer Loyalty. This technical convergence has resulted in the creation of Geo-loyalty, the future of Proximity Marketing for the retail industry.

What's wrong with traditional marketing - too little, too late

Consumers value loyalty

The 2018 Loyalty Landscape Report published by The Wise Marketer confirmed that loyalty programs still matter very much to consumers. The report cited that more than 8 in 10 consumers (82%) who participate in programs are more likely to purchase more often from a company when active in their program. In addition, over 52% of those surveyed said the chance to earn points influences them to ignore offers from competitor brands.

However, there are two clear problems with traditional loyalty programs:

1) You know too little: programs that are based purely on transactions tell you only about what someone bought and nothing about their intentions. This is OK for high frequency, highly repetitive behaviour like grocery shopping; but for fashion we are missing a huge amount of information that could be used to influence a shopper's behaviour. We know nothing about the stores they have browsed in, or even if they show-room offline and then buy online. This can all be changed by using Geo-loyalty technology; a marketing team can get a full view of stores visited, and time spent in stores before any transactions are made. This give full visibility of the shoppers intent, of their interest, and of their browsing- as well as their purchase behaviour

2) You know it too late: tracking shoppers purchases is great for analysing what they have done, but the information comes too late - they have already made the purchase. This data is useful in a mall environment where we can try to influence the next transactions, or the next visit; every marketer in the world would love to know about a shopper's intent before they make a purchase. Geo-loyalty technology can help here, too; by knowing when a shopper is on their way to a retail destination, or is entering a store, or even a competitor's store, marketers can automatically serve highly personalised content or offers that will reach the shopper at the exact moment when it is most relevant to influence their shopping behaviour.

Location aware loyalty apps, and smart real-time loyalty platforms, can work together to overcome the two biggest limitations to traditional loyalty programs - changing them from programs that reward behaviour to programs that predict and influence shoppers in real-time.

Consumers are more mobile than ever

We already know that consumers are more mobile than ever and that their path to purchase is anything but linear. There are multiple interactions with a brand that take place before a consumer sets foot into a physical store. These touchpoints are gathered through online research, reviews, recommendations, and, of course, by absorbing offers communicated via their mobile device as they make plans for a shopping excursion.

Yet, the mobile phone is more than a device - it's part of the person. Consumers carry their phones everywhere, using their chosen apps to receive highly relevant information at the right time. Companies that successfully build a mobile bond with consumers have highly engaged shoppers.

The positive news is consumers expect to be sent offers and messages via push notifications, triggered by geo-location (Proximity Marketing). Looking at the way people use their smartphones shows why you should have a mobile strategy:

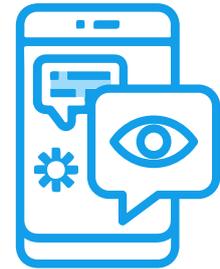
46%

of all emails are opened on a smartphone and, in some segments, that figure is up to



90%

Consumers look at their mobile phone for messages an average of



47 times per day

Consumers are extremely choosy about which apps they use actively and there must be a strong value proposition within the app, and a focus on timely relevant content for customers to continue to use it. Building a strong value proposition into the app can meet this challenge, and we'll explain how to do that later in this paper.

People want to shop local

A strong uptick in consumers expressing a desire to “shop local” has appeared throughout the course of 2020 and is expected to continue. One survey found that more than half of Gen Z respondents intend to support local businesses, with 60% saying they will continue to shop locally post-COVID-19.

This is an important demographic as they have been hit particularly hard by the pandemic. Based on an analysis of census data, the Pew Research Center reported that in July 2020, 52% of young adults ages 18 to 29 years old resided with one or both of their parents, surpassing the previous peak in 1940.

Experience has proven time and time again that this is where mass innovation is first adopted; behaviours that are first adopted and embraced by Gen Z will jump with surprising speed into other demographic groups. From Instagram to WhatsApp, this is where we need to focus to predict the tidal waves of change to how we market.

Proximity Marketing can unify the trends we document here to bring a young demographic with high-potential future purchasing power into your shopping mall, knowing that other demographics will be fast followers.

“ Geo-loyalty is the future of proximity marketing for retail destinations ”

How to incorporate Proximity Marketing into your customer engagement strategy

Customer engagement is a proven predecessor to customer loyalty. While you might have a highly engaged audience with a lower percentage of what you define as “loyal” customers, you’ll never encounter a highly loyal group with low engagement numbers. It just doesn’t work that way.

An acknowledged best practice for creating strong customer engagement in any customer group is through implementing an opt-in marketing program. This could be a club or loyalty program and, in either case, you gain the customer’s permission to collect behavioral and attitudinal data while delivering a range of communications to them. Data-driven marketing is the taxonomy we use to describe what most people recognize as loyalty programs and the term gets to the essence of the model.

The right to communicate with customers within the context of a loyalty program is one of the greatest benefits of the plan. Well planned and executed loyalty programs build trusted relationships over the long-term. The trust is established through delivery of a well balanced mix of reward and recognition. When the customer feels adequately recognized and rewarded, the brand typically benefits from increased visit frequency, growth in CLTV and customer satisfaction ratings.

How brands communicate with their loyalty program members varies, but in today’s digital world, you can bet that multiple channels will be employed. Using email and text, app-based notifications provide more choice to customers and “meets them where they are.” Including location based marketing as another communication channel ensures that customers are receiving messages when close to a point of purchase.

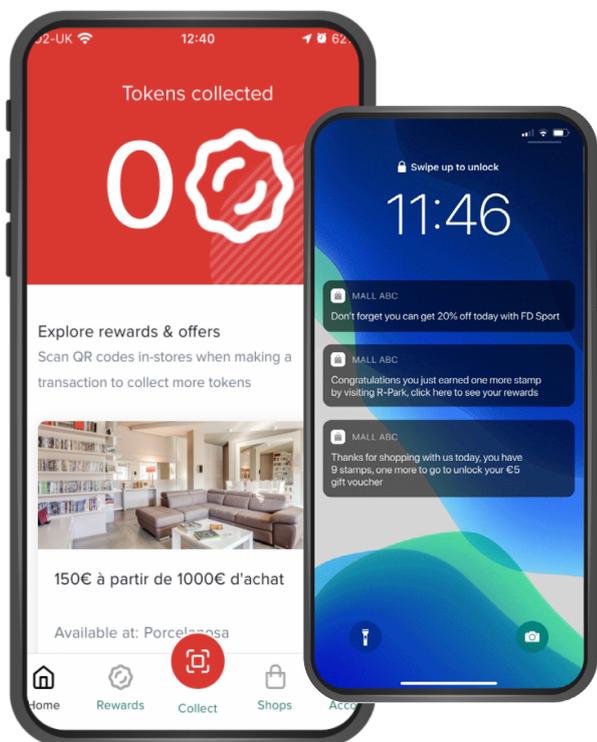


Retailers wishing to “get ahead of the transaction” are smart to incorporate Proximity Marketing into their customer engagement and loyalty strategies in order to communicate offers and information to customers while they are in the midst of a purchase journey, i.e. in their car, in a store, in the mall. Proximity Marketing is a strong enhancement to overall customer loyalty efforts.

Shopping mall operators have a special set of considerations to review as they plan to incorporate Proximity Marketing into their customer engagement and loyalty plans. The role of the mall operator is to be a useful curator of information for all the activity happening at their property. Even before promotional elements are considered, the mall can create a strong value proposition with customers using a mobile app based on its ability to provide a single, well curated, personalised and highly relevant experience. On one level, you are expected to include the basics:

- Deliver information about operating hours
- Share parking information
- Store location and navigation information
- Safety related messages - especially relevant during this pandemic year

But then, if you want your app to stay used and not get uninstalled, you need to go further:



- Highlight news and content from the brands you know the shopper loves
- Automatically open the app when they are near to your mall to present offers from brands they like
- Communicate about special events including entertainment and holiday activities that are relevant to their interests
- Give them personalised information about their loyalty status and the rewards they can get when they visit next

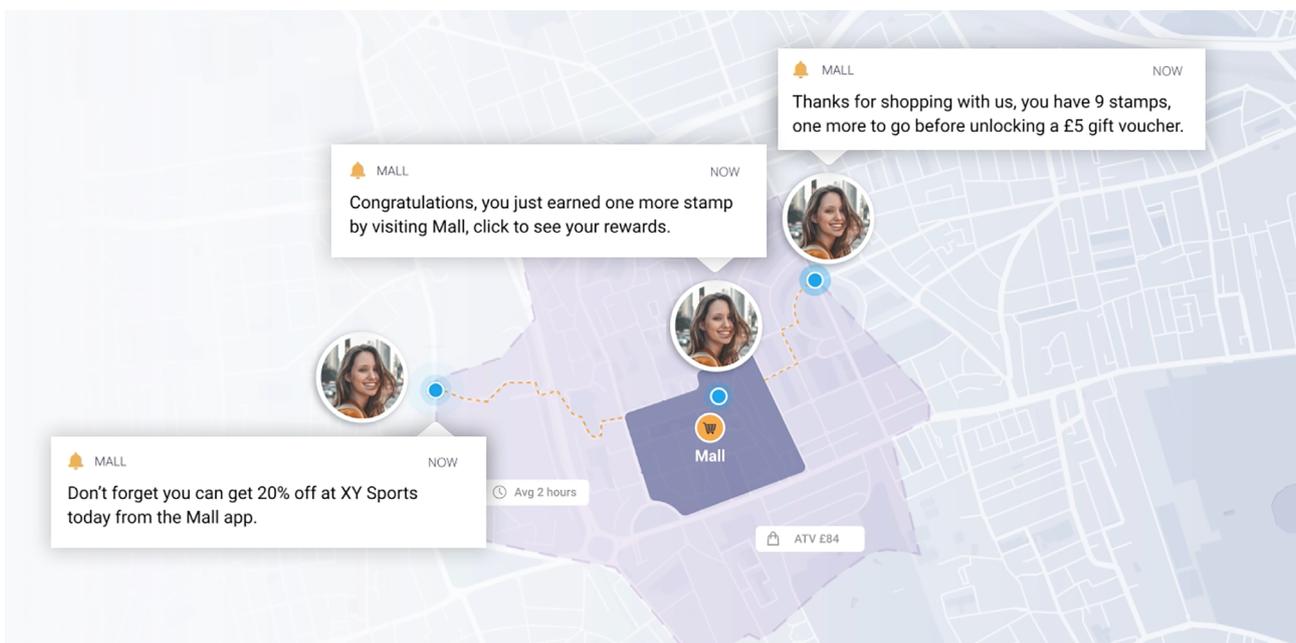
A well conceived mobile app from the mall operator should stand on its own. But having an app is just a starting point. To keep customers coming back to open and use the app, there has to be value. This is the greatest strength of the value proposition for the mall operator with its consumer population - to highlight sales, discounts and promotions from its retailer tenant base that attract people to the mall and build awareness for the marketing initiatives of specific retailers.

Partnering with retail tenants to create this value proposition is key to success. Consider, however, that the majority of the retailers in the mall already have their own customer loyalty program and you'll quickly see that the mall operator has to create something that sits above its retail population, similar to an umbrella over its entire property.

Shoppers want simplicity - they do not want 20 different loyalty programs and loyalty apps for the brands they visit, so the mall has an opportunity to present one aggregated and curated proposition, where the app is smart and delivers the shopper only the relevant content when and where they want it. Apps and loyalty programs that make consumers shopping visits easier, that remove friction, and that reward loyal behaviour are proven to be the clear winners.

How shopping malls are using Proximity Marketing to create loyal customers

There is a multi-tiered approach that can be adopted by shopping centres to increase visits, generate incremental sales and create loyal customers over time.



Acquisition and Awareness

The essence of this approach is to send a digital notice to customers via email and push notifications of a promotional opportunity to customers living in a specific mail or postal code. Sending communications at times when customers are likely to be considering a shopping trip (Saturday morning, for example) can influence that customer's day and where and what they intend to buy.

"Remember that Bill's Sports offers 20% off all hockey equipment today" is one example, though something at the mall level can be effective, too, e.g. "free parking for all visitors that arrive before noon today." This offer could be sent to customers in a database that haven't been at the mall for a specific period of time to trigger a return visit.

Opportunity for Incremental Visits/Sales

Knowing when a customer from the database is physically present in a specific area defined by geo-boundaries is an effective way to encourage a spontaneous visit. A simple welcome message can start the conversation.

Or, sending a message acknowledging and rewarding a customer when they enter the car park can be a way to create a "surprise and delight" effect, stimulating additional sales: "Congratulations, you've earned an additional stamp for visiting today. Redeem your stamps inside for a \$10 coupon good at all mall merchants." This type of offer is relevant for regular visitors who you hope to grow wallet share with during their visit.

Data-driven, Retailer-specific Offers

A rich data set can be developed over time by tracking customer visits and journey's through the mall. Which stores does a particular customer visit? Do they frequent only one brand in a particular category or several? When the customer leaves the mall, what other stores are visited and when?

Proximity-based engagement communications are real-time, and shopping mall owners can build a strong relationship with customers using the right partner and platform. The data collected helps gain a better understanding of customer preferences and habits and is proven to be a helpful source of information that can be used to re-target customers with even more personalized campaigns.

There is a nearly endless matrix of questions that can be answered through the collection of data using geo-fencing. Retailers can leverage this data to not only track the real-time location of the customer but also to set up messages triggered when the customer presents themselves in a specific zone or near a competitive store location. When is the best time in the day to run special promotions? How many of your customers are shopping at competitor shopping malls?

The insights that can be achieved through a well executed Proximity Marketing campaign are the key to unlocking long term loyalty and profits for both the shopping center and its tenants. Proximity-based marketing enables malls to send personalized app engagement based on user preferences and their proximity to the points of interest. Over time, the push notifications sent to customers about deals, discounts, newly launched products, and store openings, will drive high value for the retailers that participate.

Pro-tip - Practice “Better with” instead of “Better than”

Remember that as the shopping center operator, your promotional efforts should complement and layer on in addition to the marketing done by your retail tenants. Mall operators can have exclusive access to shopper data and share with tenants to give a far better picture of who is shopping their brand, or even more, who is not shopping their brand. In return, tenants can provide fantastic content and offers which can be used in a smart targeted way to attract incremental visitors and spend. By working together in a seamless way, they can create a truly compelling proposition for loyalty club members.

Customers should be able to redeem their equity earned in a mall program via a currency able to be used at “all participating retailers.” Acting as the curator, the shopping mall, can create and maintain a virtual wallet of retailer offers and rewards in its app. As customers become increasingly convinced of the value they receive, they will develop higher frequency habits for app usage, always checking into mall apps to see what offers are available at the time of their visit.

Success factors in designing and running high performance Geo-loyalty programs

The strategic outcomes from implementing a Geo-loyalty strategy include both increased visits and sales as well as improve customer retention at the property. More specifically, the key objectives of any Geo-loyalty program created by the shopping center will include several from this list:

- **Generate increased footfall** - Geo-loyalty has the unrivaled ability to facilitate real-time messages and deliver offers close to the point of purchase
- **Drive value-added sales** - Increase the frequency of visit, bolster dwell time and spark spontaneous or “flash” sales
- **Improve customer experience** - Encourage a more comprehensive customer journey through smart use of data and higher personalization
- **Business insights** - Build and enrich customer profiles to further target customers with personalized offers and rewards to entice them to visit again
- **Add value to business owners**, helping them make well-informed decisions and adopt marketing techniques to increase sales and promote customer loyalty

Measuring for success is important in sustaining a Geo-loyalty program. Prior to launch, your team should define the key performance indicators that are meaningful to your business. You should be thinking about defining criteria to measure sales lift such as visits, transactions, products sold, and revenue generated.

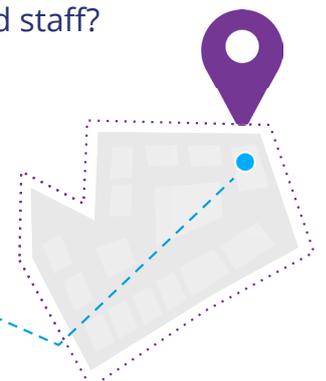
If possible, there should be a control element built into your measurement plan. To calculate the increase in lifetime (or even annual) value between loyalty and non-loyalty customers, you must do your best to establish a baseline understanding of current behaviors. With the baseline in place, you can compare post launch lift and return on investment.

Continual assessment of program performance makes possible the quick adjustments needed that can drive revenue and greater customer retention. Choosing a provider partner with a strong analytical capability and flexible reporting system allows marketers to track program success, report to senior management and stakeholders, and make critical strategic adjustments along the way.

What to look for when selecting a Geo-loyalty provider

It's important to select a provider partner with the enabling technology to operate a Geo-loyalty program. The short list of questions that you should pose to any potential supplier include:

- 1
 - Does the provider understand the shopping center environment?
 - Will the solution provider work to understand the nuances of individual properties?
- 2
 - How evolved is the technology architecture of the solution provider?
 - How flexible is the bonus engine in the platform?
 - What options are there to manage geo-zones, establish unique rewards by zone and customize communications?
- 3
 - Will the solution provider be able to work within client specified timelines to deploy technology and launch programs?
- 4
 - What is the integration process between the provider technology and any mall based technology?
 - Is there additional equipment needed?
 - How long does it take to complete integrations?
- 5
 - Will the solution provider be able to facilitate the capture of unique data necessary to build lifetime value amongst diverse shopper segments?
 - How flexible is the reporting suite?
 - What level of granularity is available to understand individual shoppers, who they visit, how long they stay, what restaurants they enjoy, etc?
- 6
 - Are services provided in a service bureau model or self-serve from the cloud?
- 7
 - Can previously created customer databases be imported and leveraged?
 - How does the partner solution manage multiple retail offers?
 - Does the solution include a virtual wallet to hold offers of different types from multiple retailers?
- 8
 - What redemption options are supported by the supplier?
 - How will offers be redeemed by customers at mall-based retailers?
- 9
 - Is the solution cost-effective?
 - How does it scale as your program grows and are incentives available for all parties to meet their goals?
- 10
 - What training is available to best utilize the solution?
 - What type of after launch support will be available to the mall operator and staff?



Summary

In response to a challenging brick and mortar retail environment, mall operators have an opportunity to turn the tide, generating increased visit frequency and higher spending, by taking a leadership role in creating vibrant shopping environments for their tenants.

Despite all the disruption experienced during the COVID-19 pandemic, research shows that loyalty programs still matter to consumers, with 82% who participate in programs saying they are more likely to purchase from a company when active in their program.

Geo-loyalty, the integration of Proximity Marketing and customer loyalty programs, is the future for retail destinations by providing the capabilities to successfully engage consumers in store AND online.

Geo-loyalty is also a key part in a sophisticated mall e-commerce proposition – allowing you to use store visit information to generate higher levels of sales. You now know exactly which stores a loyalty program member has visited and, if they did not make a transaction in the store, you can follow-up later when they are home with a personalised email showing relevant products from those stores and, with a discount code, take the customer to the mall's e-commerce store.

So hot is Proximity Marketing that experts expect investment in this technology to grow to approximately \$52 billion by 2023, representing a 28% CAGR between 2017 and 2023. Taking advantage of the Geo-loyalty opportunity benefits the mall operator, retail tenants, and creates highly engaged shoppers.

Beyond the financial benefits of higher visits, sales, and improved retention, an important outcome of Proximity Marketing is building data-driven customer knowledge to unlock better understanding of customer preferences and habits. This is a powerful business asset which can be used to progressively build digital relationships with customers, re-target them with personalized and relevant offers, and serve customers at higher satisfaction rates. This promotional focus can be supplemented with helpful messaging about mall hours, parking, safety measures, quiet times, and entertainment events, adding more value for shoppers.

Retail business owners can also use this data to make well-informed decisions based on behavioral and attitudinal data collected. Retailers will benefit from a clear understanding of the customer journey in the mall, competitive information, and can use this information to improve financial results. A survey of US retailers that have integrated proximity marketing into their strategies showed a 9% increase in profits and a 175% uptick in ROI.

To reap the greatest benefits from Proximity Marketing, partnering with the right Geo-loyalty solutions provider is a critical point of decision.

About Coniq

Coniq is the Total Customer Engagement Company for growth minded shopping centres, outlets, and retail brands. Our platform, Coniq IQ, provides a faster, cheaper and simpler way to generate revenue by understanding, anticipating and engaging customers through unique and personalised experiences in real-time across multiple channels. The Coniq platform powers over £1 billion of sales annually for its customers, with more than 20 million consumers shopping at 1,800 brands in 24 countries worldwide.

To create more loyal customers today, visit www.coniq.com.