

Why Location is the Next Big Thing: Location-Based Services for Churn Reduction AND Revenue Growth

by Tim Young

Location has always been a tremendously important aspect of business. We all know the old cliché about its importance in real estate, and that same battle-cry of “Location, Location, Location” has found its way into countless other industries, from advertising to entertainment.

However, the growth of location-based services (LBS) underscores the changing nature of “location” as a concept. Subscribers are more mobile than ever, and their constantly changing spatial orientation

“Subscribers are more mobile than ever, and their location is fabulously useful information.”



is fabulously useful information. Once concrete, location is now dynamic.

These mobile consumers provide considerable opportunity for smart service providers, in part because they have demonstrated, through their usage patterns that location-based services are of increasing interest. Furthermore, location-based services provide a rare opportunity for proactive, positive interaction between the provider and the consumer. The overall customer experience can be enhanced through the smart leveraging of location.

Location-based services, as a concept, are exploding. The growth has been much more rapid than analysts forecast a few years ago. Back in 2006, In-Stat

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predicted that by 2010, some 1.1 million Americans would be subscribers to mobile location-based services. Fast-forward to 2010, and Foursquare, alone, accounts for 2.5 million active users, with Gowalla approaching 400,000. In addition, Google Trends reported in August that Foursquare sees 5.5 Million unique visitors per month, and Gowalla generates another 830,000. And these numbers are just coming from two services. Google Latitude, Brightkite, MyTown, Loopt, and other services are also out there, generating substantial numbers.

And where there are that many users, there's significant opportunity for revenue increases. That much we know. Juniper research estimates that the location market will be worth \$12.7 billion by 2014. That's a particular interesting number, because it appeared in a report that came just 8 months after a report by Frost & Sullivan that the LBS market would be worth \$3billion by 2013, indicating that the optimism for growth in the LBS arena is gaining speed with considerable rapidity. The precise dollar figure for LBS services isn't a known quantity, but the potential for growth is clear.

Beyond Increased Revenue

However, there's more to the picture than just revenue increases. Location-based services have

“GPS, like Social Networking, is both popular and widespread.”

the potential to go a long way towards achieving a very distinct level of service differentiation for savvy service providers. That is, in part, because in addition to the general location-based services listed above, there's a brand new breed of LBS that's beginning to emerge that is focused, specific, and incredibly useful for certain subscribers.

In a recent interview with the BBC, Dr. John Bates, CTO of Progress Software, outlined the possibilities of location, which he declared the “next big thing” in the telecom space. Therein, Bates notes that location is valuable for service providers especially when used in conjunction with context about the specific customer.

Bates notes that Progress is working with a major entertainment group, who is planning on offering LBS to visitors to its amusement parks. The system can keep track of where visitors are, keeps an eye on lines at specific attractions to minimize wait times, and makes recommendations for the next ride to visit, all with the intention of making the experience personal and optimal for the visitor.

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“Providers and enterprise customers can leverage location as a tool for customer retention and revenue growth.”

In addition, Bates references Lufthansa’s location-aware social networking solution, in which you can tell the service what your interests are and it will use location to create connections with other users on your behalf. The service, known as MemberScout, was developed by app developer Match2Blue using Progress’s Apama Business Event Processing platform.

While these are both enterprise examples, the level of visibility that wireless services providers have creates an even more compelling business case for the utilization of location as a customer retention and experience optimization tool. I spoke with Sanjay Kumar, Industry President for Communications and Media at Progress, and he told me that several European service providers are already using Progress’s Location Based Promotions solution to correlate customer location, usage patterns, and customer preferences to send subscribers relevant, real-time offerings. This is a present-tense example that is sure to be replicated by providers around the globe.

The impetus for this connection is summarized pretty well in a list of the top ten telecom predictions released by Progress in mid-December. Item number three includes language that sums up the motivation for service providers to use location as a customer satisfaction-based service differentiator. As competitive forces continue to build, wireless operators “will need to provide customers with unique, interactive experiences to build stronger loyalty by tapping into customer call patterns and locations, correlating with customer preferences and providing value added services to customize each customer’s experience in a unique way.”

Bates also, however, notes something of utmost importance when considering the growth of location-based-services, especially if the central motivation is customer experience maximization: These services must be opt-in. Privacy concerns are of utmost importance, and while subscribers have demonstrated that they are more than happy to relinquish a degree of privacy in exchange for specific value, services that strike the consumer as invasive or heavy-handed are counter-productive, at the very least.

However, provided that services remain fully opt-in, there are a number of reasons why location-based services are primed to emerge, increasingly, over the next few months and years:

Ubiquitous GPS

Once relatively uncommon, GPS is becoming de rigueur for smartphones (which are also becoming more and more widespread) and even less-sophisticated handsets. Berg Insight estimates that GPS was present in some 15% of handsets in Europe in 2010, but that the percentage is expected to increase to over half by 2013. In fact, some analysts project the compound annual growth rate for GPS-enabled handset sales to hit the 20-25% range between 2010 and 2013. Whereas consumer GPS was a specialized technology, often relegated to car-based black boxes just a few years ago, it is increasingly becoming table stakes in the mobile communications realm.

Continued Social Networking Growth

Likewise, just as GPS was once highly specialized, social networking is becoming increasingly widespread. Though the specific programs may ebb and flow somewhat over time, the overall concept of sharing personal information like location with the wider world is no longer “strange” for a growing portion of the population.

Value-Consciousness

The above is particularly true when there is a definite

and concrete value to the service being offered. Take Groupon, for example. Founded in Chicago in November of 2008, the collective buying site features deal-of-the-day offers to its growing pool of users (which measured more than 35 million at last count). It is now active in more than 150 markets in North America and another 100 markets in Asia, Europe, and South America. How big a phenomenon is it? Big enough to have rejected a reported \$6billion buyout offer from Google in late 2010.

Groupon isn't a GPS-driven location-based service, per se, but the implications for LBS are significant. Its users are value-minded and localized, with each community receiving local deal offers. Advertisers are happy with the service because it gives them extremely well-targeted exposure to a localized, qualified, tech-savvy demographic. Consumers are happy because they feel like they're getting a significant value. Groupon's happy, because it uses this matchmaking ability to make incredible amounts of money. Win-win-win.

Tying it all together

Therefore, with a market in which users have the will to share valuable location and personal information, the technology exists to easily leverage this information, and ample evidence exists for the benefit of providing targeted value to customers, a perfect situation emerges for service providers and other enterprise customers to leverage location as a tool for

customer retention and revenue growth.

If consumers are already primed to respond to deals localized to their city, how much more valuable would they find a service that, based on real-time location and contextual information on their likes and dislikes, offered them deals on dining and entertainment a block from the hotel where they're staying for business? Or that offered them premium tickets to an upcoming concert taking place in the city in which they happen to be vacationing? Or enabled them to find fellow university alumni to watch the big game with in their city of residence?

And what would this increased level of customization do for the overall customer experience? How much more deeply would the consumers value a service provider if their interaction with that provider was not based on negative experiences, like billing errors or service interruption, but positive, proactive experiences that bring depth and value to the mobile experience?

I know, you know, and software vendors like Progress know that location is a big issue, and that all the answers don't exist... yet. There are, however, tools out there to aid service providers and enterprise customers take full advantage of the promise of location. The possibilities are endless, and, increasingly, the tools exist to help them come to fruition.