

WHITE HORSE

DIGITAL FUTURES GROUP

Lost in Geolocation

Why Consumers Haven't Bought It and How Marketers Can Fix It

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Table of Contents

Table of Contents	2
Introduction	3
Executive Summary	4
Findings	5
Perceived Benefits	5
Market Adoption	8
Barriers.....	9
Users.....	12
Merchant Access	15
Conclusions & Recommendations.....	16
Appendix : Methods	19
References	21

Introduction

Location-based services like Foursquare have been a source of fascination among technophiles for some time now. But to date they have failed to achieve widespread adoption among smartphone users.

Have mainstream users begun to use geolocation services, or are the people using them still primarily early adopters? If the more general audience of smartphone users is in fact holding back, then why is that?

To find out, White Horse conducted a survey of 437 US smartphone users from February 16-23, 2011. We explored the following:

- whether location-based services (like Foursquare and Facebook Places) are reaching the tipping point
- what barriers might be preventing acceptance
- who is using these services now
- how marketers might address barriers, and engage consumers, to better utilize the medium as it matures

Executive Summary

Our research generated four key findings:

- Location-based services have not yet reached the tipping point.
- The chief barriers today are a lack of clear benefit and privacy fears.
- Users are mostly young, active contributors to social networks.
- Marketers will need to create and test new geolocation experiences that are not generic but relevant to a particular brand and audience.

Findings

The population sampled consists of US smartphone users aged 14 or over. Throughout the document we will refer to three groups of respondents.

- User: has used one or more of the geolocation apps
- Non-user: does not presently use any of the geolocation apps
- Aware non-user: a subcategory of non-user who knows about the apps but does not use them

Perceived Benefits

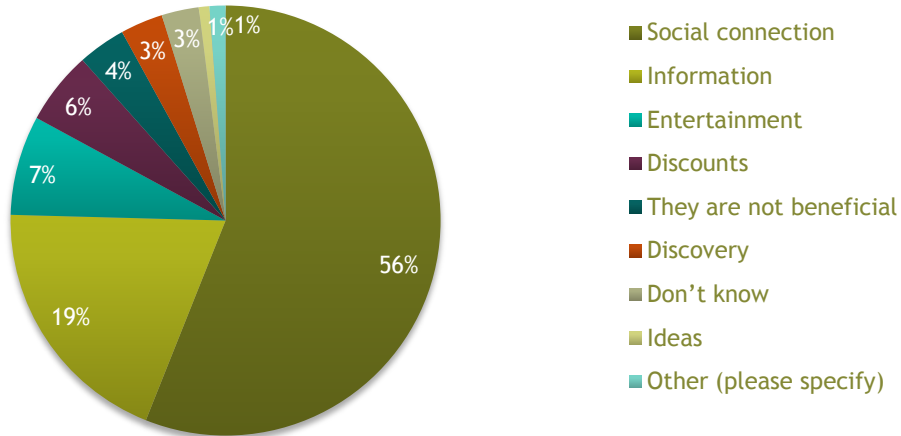
Today, location-based apps are fundamentally a type of social networking tool.

The majority of people familiar with these apps say that the most important benefit people will experience is “social connection” (56%, n=253). They also say that the key benefit for them, personally, is “connection to other people I know or could meet” (41%, n=253). This perception holds true regardless of the particular location-based app with which people are familiar.

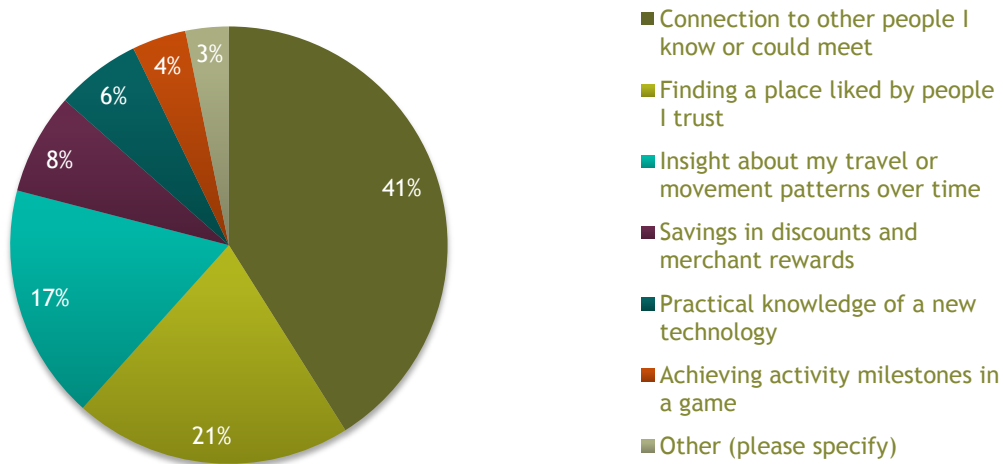
Surprisingly, discounts and deals are not strong conscious motivators. Nor are gaming and entertainment.

Only 6% of people familiar with these apps feel that the benefit to most people is “discounts,” and only 8% believe that the benefit to them personally would be “savings in discounts and merchant rewards.” And while apps like Foursquare and Gowalla have incorporated game mechanics as key components of the experience, consumers do not seem to regard “entertainment” and “achieving milestones in a game” as among the most important benefits.

"What is the most important benefit of these apps to people who use them?" (n=253)



"What is the most important benefit of these apps to you, personally?" (n=253)

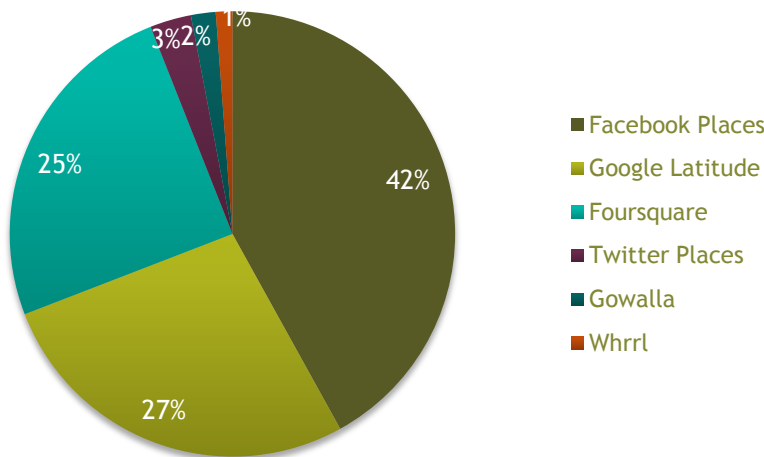


Facebook Places is the “primary” or most frequently used app.

As shown in the chart below, 42% of smartphone users consider Facebook Places their primary app, while roughly a quarter of the sample each choose Google Latitude and Foursquare, respectively. Twitter Places, Gowalla, and Whrrl collectively account for only 6%.

But true market penetration is a function of consumer engagement, not just gross adoption. We believe that Facebook Places has such strong adoption numbers because of the incidental lift provided by the success of the Facebook mobile app. At the time of this writing, Facebook mobile is the most downloaded app on the planet. (People have downloaded it from one source, the independent app store GetJar over 112 million times.) If even a quarter of that number were in the US, user experimentation alone would make Facebook the leader in terms of gross market penetration.

"Which of these apps do you use most frequently?" (n=169)

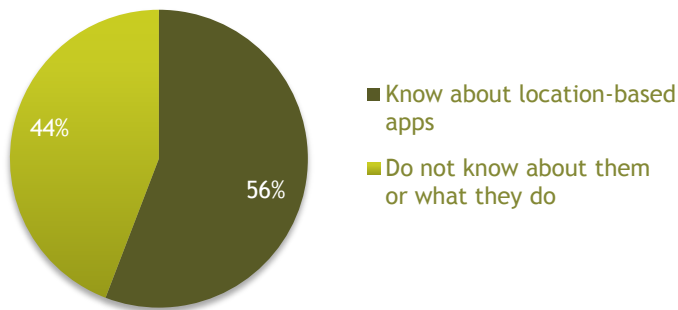


Market Adoption

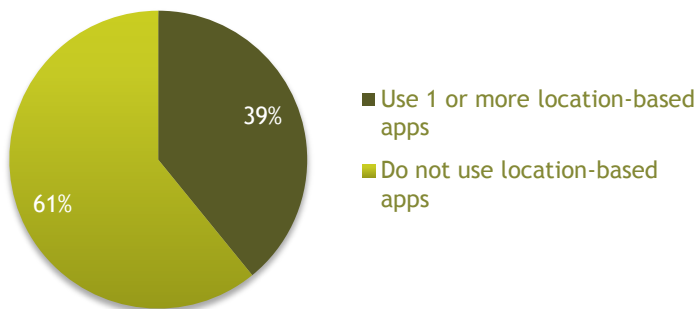
These services have not yet reached the tipping point among smartphone users.

More than half of smartphone users are aware of these apps (56%), but only 39% use them. Most non-users do not know anything about these apps or know very little.

Awareness of location-based apps (n=437 smartphone users)



Usage incidence for location-based apps (n=437 smartphone users)

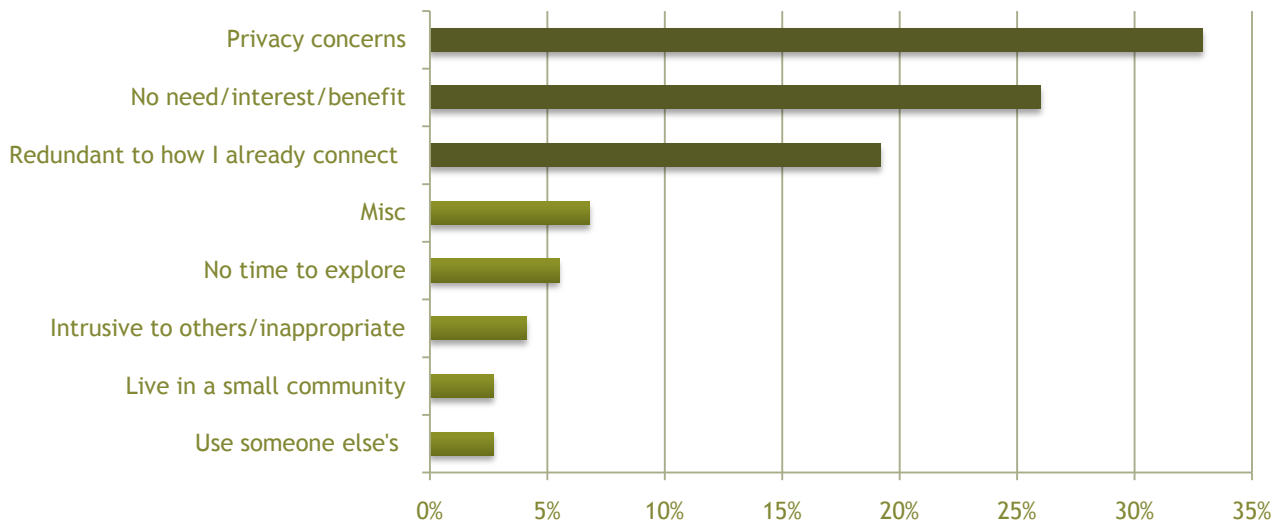


Barriers

Those non-users who do know something about them are not yet favorably disposed.

We asked people who were aware of but not using geolocation services about their reasons for not using them. The chart below shows their answers. 73% of them gave reasons that were unfavorable rather than favorable or neutral (57/73).

Why smartphone users don't use geolocation apps (n=73)



The chief barriers today are a lack of clear benefit, and privacy fears. A third of aware non-users cite a privacy issue as a reason for not using the apps (24/73).

These non-users share things like:

“They sort of freak me out. I'm not sure that it's good to always let others know my location” (woman, age 20-29, Atlanta GA).

“I am concerned (about) unwittingly disclosing too much personal info” (man, age 20-29, Paramus NJ).

“It's not very safe to constantly let people know where you are. If I want to meet up with a friend I'll text them or call them directly. Someone I don't want to see or a dangerous stranger could follow me if they know where I'm at by using these types of apps” (woman, age 20-29, El Paso TX).

Another quarter of non-users simply find the benefits unclear, and consequently, the apps unnecessary.

“I’m not sure why anyone would care that I was at a certain restaurant, etc” (man, age 40-49, Nashville TN).

“I just don’t think it’s a significant benefit that is worth time, memory space, or data usage” (woman, age 20-29, Richmond IN).

“I don’t think people really care about where I am. As I don’t care much about where they are” (woman, age 20-29, Vancouver WA).

Most others feel they’re communicating sufficiently with others in their network *already*.

They have Facebook, they have text messaging, and they have voice. Why do they need another way to connect?

“Facebook has everything I need to connect to people. I do not need to (using another) social network” (male, age 14-19, Corvallis OR).

“I can stay connected in other ways without having people know exactly where I am at certain points in the day. I prefer to do what I have to do and interact with people either in person or without them knowing where I am” (woman, age 20-29, Columbus OH).

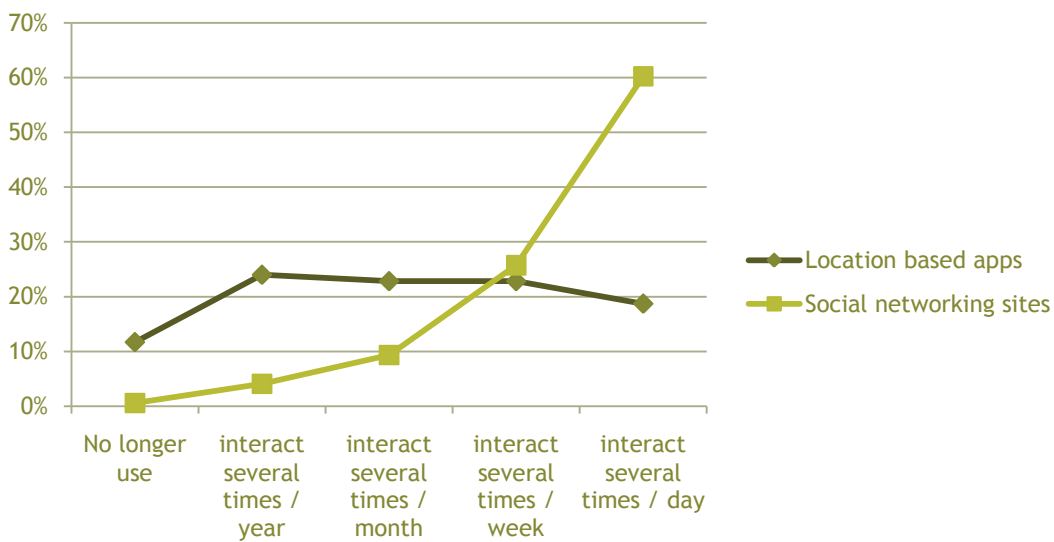
“I stay connected to people I know in other ways” (woman, age 30-39 Merrimack NH).

A small group of 20 users indicates that they actually stopped using location-based apps at a certain point. Most of these defectors express relatively low confidence that their privacy was secure while they used them. When we asked, “On a scale of 0-5, to what extent do you believe your primary app keeps your privacy secure?” 16 of 20 defectors rated the app from which they had defected at 2 or lower.

Usage frequency is markedly lower than with social networking sites today, which suggests room for growth.

As a benchmark, the majority of people who use the apps today check-in several times per week, not several times per day, as they do social networks. Only 19% of location-based app users check in at least 1 time per day, as compared to 60% who update their social networking sites with the same frequency.

Interaction frequency (n=171)



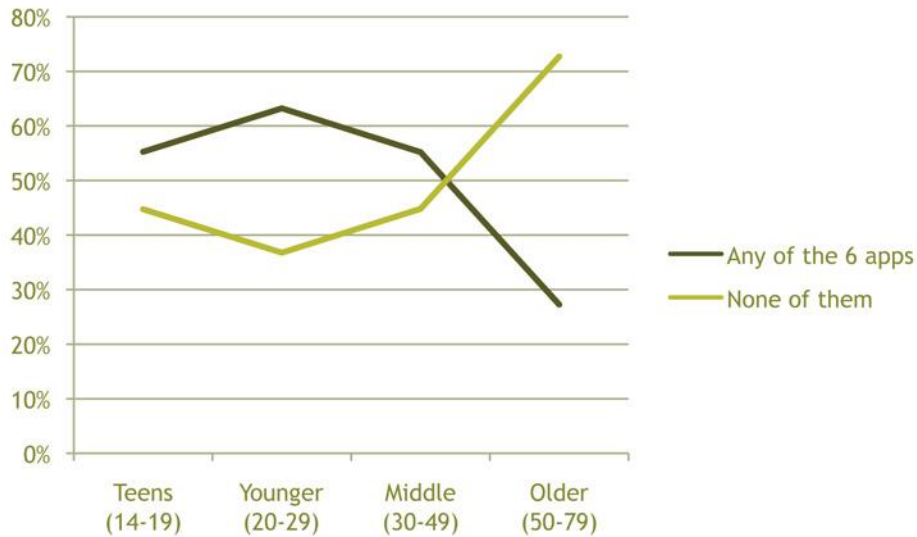
About 12% of the users stopped using location-based services, but virtually none of them stopped using social networking services.

Users

Users of location-based apps are mostly young, active contributors to social networks.

Awareness of location-based apps is highest among young adults (people in their twenties) and lowest among those over 50.

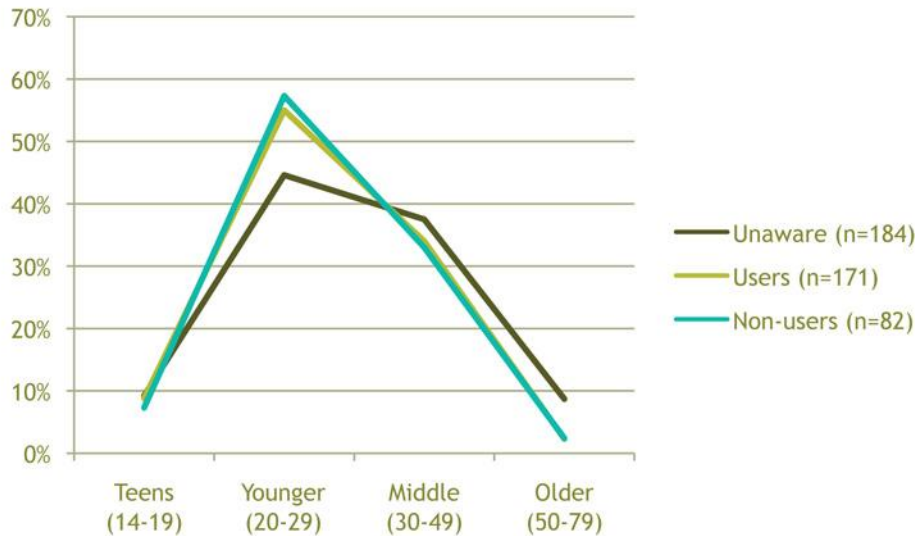
Which apps do you know about? (n=437)



Age is a factor in awareness, but not necessarily in usage.

As shown on page 13, the age profiles are similar for users and non-users, but not so for the unaware. While an older person is less likely to know about these apps, they are no less likely to have used them—so long as they have passed the hurdle of awareness.

Age distribution of app users and aware non-users vs. the unaware (n=437)



Non-users tend to be female (65%, or 53/82).

Privacy worries appear to drive this gender divide. The majority of comments concerning privacy came from the women in our survey.

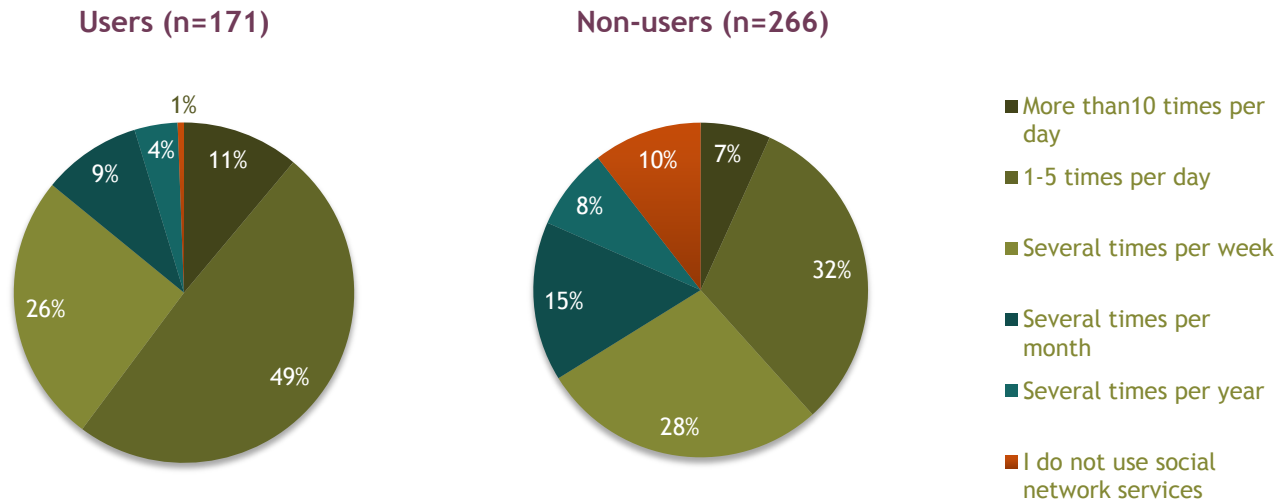
More than 99% of location-based app users also utilize social networks like Facebook.

Nearly all users of location-based apps are already using some social networking service, such as Facebook, Twitter, or Myspace (99.4%, or 170/171). By contrast, 10% of non-users report that they do not use social networks either. (See pie charts on page 14.)

86% of location-based app users say they interact on social network services at least several times per week (vs. 67% for non-users).

“Interact” means they contribute actively to social networking services, providing status updates, comments, “Likes” and other information. Nearly half of the users contribute at a frequency of 1-5 times per day, while only a third of all non-users contribute at that high level of frequency.

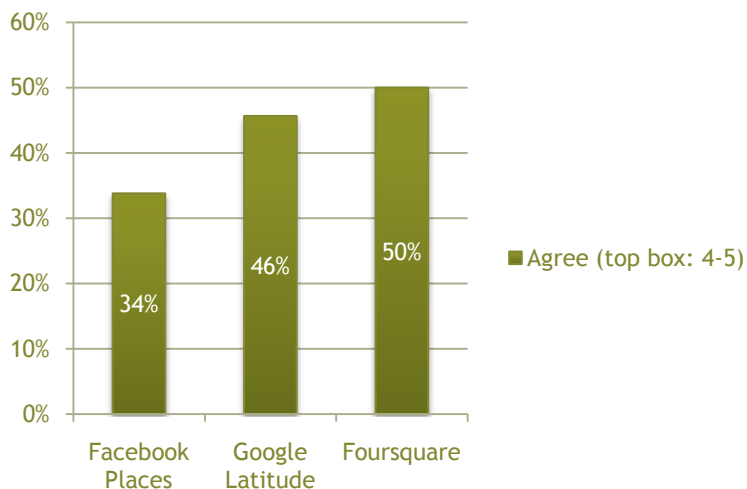
"How frequently do you interact on social network services?"



Users of dedicated geolocation apps are more likely to consider themselves influential regarding such tools than are users of Facebook Places.

We asked users to specify, on a scale of 0-5, the degree to which others seek their opinions “when it comes to new internet or mobile services and tools, such as location-based apps”. Below are the results for the top-box rankings, cross-tabulated to the app that they listed as the app they used most. As shown here, in comparison to Facebook users, 16% more Foursquare users and 12% more Google Latitude users considered themselves influential.

"Others seek my opinion more than I seek theirs" (n=159)



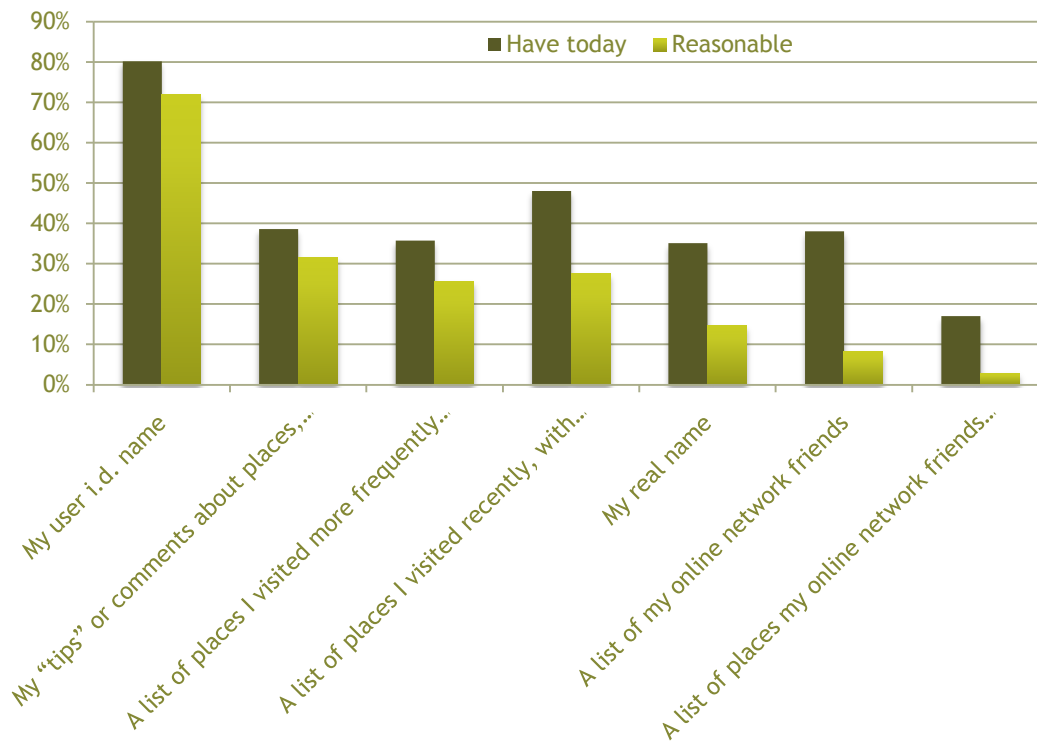
Merchant Access

At the moment, users don't perceive fair value from granting access to information about their networks.

Users of geolocation believe they are giving away a lot of information already. And they are. But given the lack of clear benefits, they feel uncomfortable about this, especially when it involves information about their social network.

As shown in the table below, the items consumers feel it is most unwarranted to ask them for today are their "real name," a "list of their online friends," and of a "list of places their friends have visited." To the extent that a geolocation experience requires such information, marketers must make a strong benefits case must to reverse the current perception of fair value.

Information consumers think merchants have vs. what is reasonable to have (n=171 users)



Conclusions and Recommendations

Most brands with promising location-based content are better off building than buying in.

Third-party geolocation services do not provide the relevance consumers are seeking, according to our study. Location-based services have not crossed the innovation “chasm” because people do not yet perceive them to add benefits beyond existing social networking tools.

This means brands must focus on what they uniquely can provide to consumers based on location. They will have to craft experiences that are more *relevant and controlled* than those available to consumers today. By relevant, we mean the experience must add something of value to the conversation with consumers, which will extend and enhance the relationship with their particular brand. By controlled, we mean that the experience should allow consumers to create networks appropriate to the experience, and to choose the personal information they share according to a clear understanding of the benefits they stand to gain in return.

An outdoor retailer might provide coordinated guidance for local hikes or environmental projects, for instance, while a bookstore might offer news of nearby events and signings. Content that brings people together, whether delivered through a mobile website or a custom app, ultimately provides a better connection than a shallow endorsement of check-ins.

Marketers do not need to wait for third-party app developers to pave the way. They already have concrete tools to deliver better location-based experiences, such as White-label geolocation platforms like Double Dutch, and APIs that deliver location-based mobile content. Brands that get into the game now and figure out the right mix of incentives can shape the terms of the conversation. Those that do not will confront a learning curve for development that has grown only steeper.

Help consumers use geolocation for new social purposes, not just communications.

From a consumer experience perspective, the promise of adding location into the social network equation is not just to help people establish and reinforce their social connections. (“Why would I want to tell them where I am? I can just call the person.”) Instead, we conclude that it is to leverage the power of those connections to achieve specific goals within place-based transactions.

Defining the goals for these new experiences is a job that should involve consumers directly. Some goals can be financial, to be sure (deals, upgrades). But other important goals include status-oriented goals (recognition of connoisseurship, appreciation of quantity and quality of recommendations), and more purely experiential goals (exposure to new or rare offers), to name a few. Marketers will need to posit experience-goals that make sense for their particular brands to endorse, build appropriate interactions, and test rewards and incentives.

Build a social media presence before moving into geolocation.

Geolocation services are an extension of social network experiences. They may live within existing networks or new ones created for specific purposes. In both cases, their success will depend on engaging those customers who are most active in social media, based on an understanding of their “native” social experiences in existing communities, whether physical or digital. To think that users will adopt a branded geolocation app that is unmoored from existing social experiences is not realistic. Instead, the approach we recommend is to mine existing networks for rich insight about customer behaviors and needs, and use this information to generate ideas for appropriate location-based experiences.

Address privacy concerns directly and transparently.

Control is the basis of a sense of security in this space (Boyd 2010). Currently, geolocation apps handle data in ways that consumers can neither understand or nor control. Straightforward, easily understood terms of use will help build trust and encourage adoption. Efforts at transparency will also focus on helping consumers understand the important tradeoffs they must make to be able to have the best possible geolocation experience.

Develop a brand-appropriate geolocation experience based on the model of dedicated geolocation services like Foursquare. But pay close attention to what Facebook Places is doing.

Influencers continue to gravitate to an app like Foursquare not just because it is new (it has been on the scene for over two years now) but because it offers a more engaging experience than simply checking in. Foursquare aims to “make cities usable” by leveraging game mechanics and status rewards. And though, at only 7.5 million users, it is dwarfed by Facebook, it has experienced six times the growth of Twitter in a comparable period post-launch.

Facebook, on the other hand, is poorly set up to provide a geolocation experience that is engaging out of the gate. Having encouraged users to develop hundreds of “friends”, Facebook now confronts its size as a liability in relation to the privacy concerns that surround geolocation. But with a base of over 500 million users, Facebook is a force to be reckoned with. We think Facebook Places will eventually provide an array of tools for a much better geo-location experience than it offers today. It will do this either by acquisition or through more intensive development of its own, dedicated geolocation products.

Some brands may wish to wait for that. But innovative brands would do well to learn more about what works and doesn't in this space by experimenting with the approaches that dedicated apps have been testing and refining. These include experience goals, game mechanics, smaller networks built from the ground up, and social incentives to participate.

As a user-centered design agency committed to delivering the optimal consumer experience across all digital channels, White Horse is in the business of helping brands innovate in their use of emerging technologies like geolocation. For questions about our study, or to explore how we can make geolocation work for your brand and your customers, please email us at sales@whitehorse.com or call 1-877-471-4200.

Appendix: Methods

Online “Workforce” Survey (MTurk)

White Horse enlisted survey respondents through an online “workforce,” Mechanical Turk (or “MTurk”) where workers earn small incentives to complete piecework.

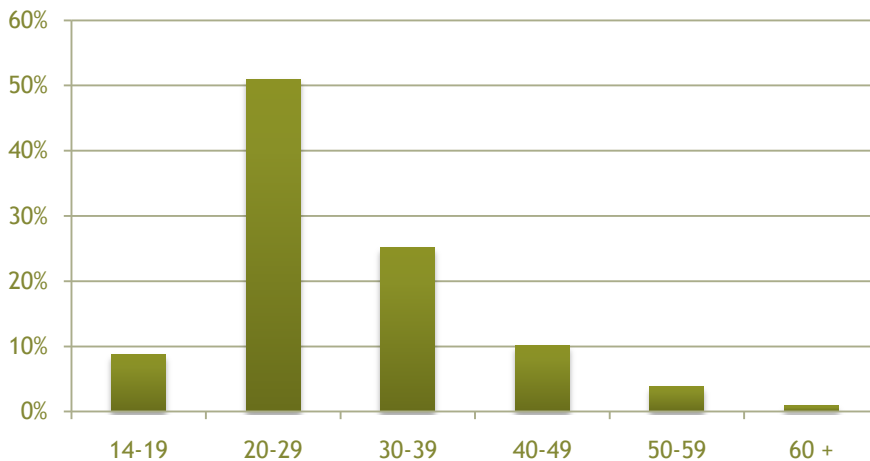
Previous studies indicate that MTurk is a reliable source of survey data. In a study of over 3,000 MTurk workers, Buhrmester et al (2011) found that it yielded good reliability for surveys. However, MTurk workers tended to be younger and better educated, as well as more often female and lower income, than the US population as a whole.

We submitted our survey as an online “task” for volunteer workers to complete entitled “survey on smartphone apps”. The survey ran 8 days, from February 16-23, 2011, and included a total of 437 people. We required only that respondents live in the US, be at least age 14 and own and use a smartphone. Apart from these basic requirements, we imposed no quotas or restrictions.

Sample Characteristics

Consistent with findings of previous research, our sample is younger than the general population of US smartphone users. A majority of our respondents (51%) is in their 20’s (223/437).

Ages of US smartphone users (n=437)

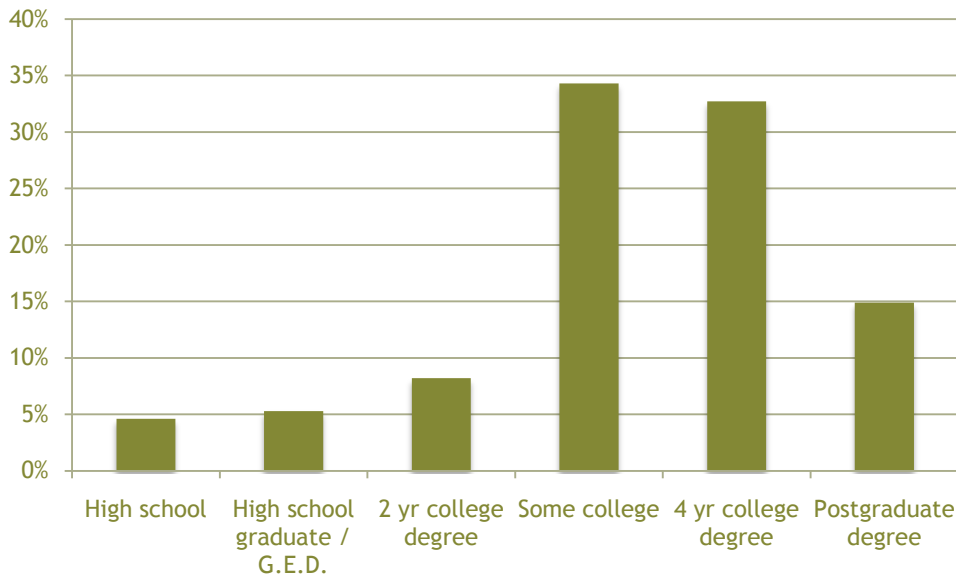


However, contrary to the gender ratio that previous research has predicted for MTurk users, the ratio of men to women in our sample is roughly equal (52% female/48% male). This aligns with a recent Forrester Research report showing that while smartphone users have been predominantly male historically this trend has been slowing (Golvin 2011). We did note strong differences between men and women in their relative adoption of geolocation, as discussed previously.

48% of smartphone users in our sample have at least a 4 year college degree, which is consistent with Forrester Research’s recent data involving over 1100 smartphone users (Golvin 2011).

Below is the distribution of our respondents by educational level.

Educational level of smartphone users (n=437)



Our sample is well distributed across the continental US and includes participants in 46 states. The geographic distribution of respondents matches generally the presence of urban centers across the US. The only states not represented are West Virginia, Montana, Alaska, and New Mexico.

The six geolocation apps that we asked about in our survey included:

- Facebook Places
- Foursquare
- Twitter Places
- Google Latitude
- Gowalla
- Whrrl

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