

“Checking In” to the Future: The rise of Foursquare and other location-based service platforms

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Every once in awhile a truly disruptive, consumer-facing technology emerges. Google was one example, having leveraged a proprietary algorithm and page rank system to change how people find information; Facebook was another, using web-enabled social graphs to alter the way people stay connected to each other. Each started small, and then seemingly overnight transformed how the economy, and society, operates.

Location check-ins on mobile platforms such as Foursquare holds the potential to have a similarly transformative effect, by unlocking a key piece of information – where someone is. Taking this information, and integrating it with other data sources, it becomes ever easier to make accurate predictions of what people are about to do. What you can predict, you can potentially change – and particularly once mobile payment systems become integrated, measure.

Today such services remain in their nascent growth stage, a dynamic that could change quickly. This report explains where we are today, what the future might hold, and what companies need to think about as they try to get there.

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➤ "They help the convenience of voting. I think they draw attention to ideas and communities that have won, and build more momentum around those ideas. [...] It's a very physical thing, and [geo-social platforms] can help us."¹

—Shiv Singh,
head of digital at Pepsi,
commenting on how the
rise of Foursquare and
Facebook Places can help
Pepsi's ground breaking
"Refresh Everything"
initiative.

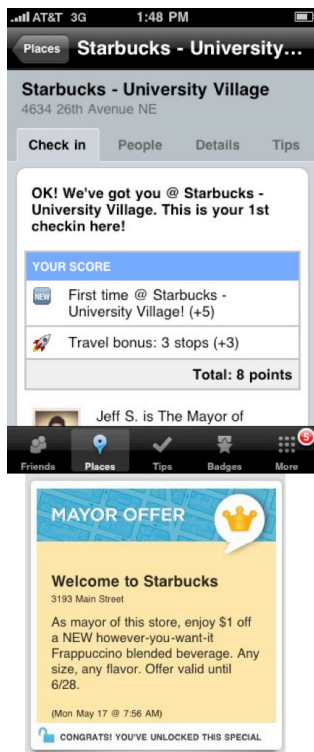


FIGURE 1: THE FOURSQUARE INTERFACE

WHAT IS FOURSQUARE?

Foursquare is a social, location-based service for mobile phones. The service aims to make cities easier to use, and more interesting to explore, by integrating geo-location data, social networking, and game dynamics into its cross-platform mobile applications. To participate in the service, a user simply adds their friends to Foursquare as they would on Facebook, then when visiting a venue—a restaurant, museum, retail location, or any other physical location—they open the application, let it resolve their GPS coordinates, and “check-in” to the location they’re visiting.

These check-ins are at the core of Foursquare value proposition to both users, and are of particular value to partner companies. The underlying reason is simple—where someone is located at a given moment in time is a powerful piece of information. Once established, and linked with other sources of information, it becomes ever easier to predict what they are about to do, and potentially impact that decision, while generating prodigious amounts of consumer data in the process.

Users are encouraged to check-in via game-mechanics that are integrated into the service. For example, if a user checks-in to one location more than any other user, they are deemed the “mayor” of that location, and typically rewarded for this achievement. Users are also given rewards ranging from reputational (“badges”) to financial (discounts) for checking into specific combinations of venues, or into specific venues at certain times, or various other actions.

For partnering companies, check-ins and associated rewards provide a great incentive for repeat business. While this may sound similar to traditional loyalty programs, there is an important twist. Instead of revealing one’s identity *after* making purchase (say, by swiping a loyalty card), customers reveal their identity when they *enter* a particular location. This shift in timing of identity revelation holds many untapped opportunities for company’s to impact their customer’s buying decisions, and overall brand experience. And of course, the process can also encourage a particular user’s friends to join them.

Location based services drive “the new localism”

Foursquare’s core offering also connects to what we call “the new localism”: a return to local, brick-and-mortar commerce buoyed by social web platforms. In the early days of internet commerce, the focus was on scaling large sites where customers could purchase things that are then shipped to their door (think: Amazon), wholly disconnected from their immediate surroundings. While this brought with it opportunities for many retailers to discover new markets (say, through an Amazon or eBay store), many rightfully saw it as a threat to their local business—particularly if they sold non-differentiated goods.

In contrast, the new wave of promising startups like Groupon, “the fastest growing company ever,”² local business review site Yelp!, Milo, and Foursquare (all rumored and/or failed acquisition targets for Google) pose no such threat; instead, they seek to leverage connections made through the social web to drive commerce at local merchants. Put another way, the rise of web commerce was associated with globalization; the rise of social commerce is more closely associated with hyper-localism.

Reality check: Where location based services are today

In many ways, the hype around location based services exceeds the true impact today. Despite Foursquare accumulating five million users in less than two years since inception, widespread uptake of location-based services is still nascent. According to Forrester Research, only 4% of U.S. online adults have ever used location services such as Foursquare on their mobile devices, with only 1% using them more than once a week.³ A big reason for the low adoption is that the majority of North American mobile subscribers have yet to adopt smart phones.⁴ But, according to Forrester, users of location-based services are a highly coveted group because they are more educated, more influential, and earn about 30% more than the average internet user. They also trend heavily towards Gen X and Gen Y and are more savvy customers that read customer reviews and ratings online.⁵

For some companies, particularly those whose brands are linked with offering leading-edge customer experiences, attracting and engaging these early adopters could pay immediate dividends. For many others, and particularly those needing to prove ROI in the short-term, the cost / benefit ratio is not favorable. In order to produce transformational, cross-industry business value, location-based services like Foursquare must continue to evolve to drive mass adoption. Privacy and security issues are an obvious (yet difficult) barrier to overcome.

But it was not too long ago that a similar thing could be said about Facebook. Once just a nifty tool used by college kids, the company has turned into a behemoth (valued at up to \$50 Billion) that continues to prove many people are willing to trade privacy for connectivity if the value proposition is strong enough.

So what do customers need to get from services like Foursquare in order to adopt it—and how can companies best capitalize on these needs, be it through the use of Foursquare, some other application, or their own, proprietary offering?

Right now, the simple story emerging is that “money talks.” Foursquare’s initial press was around how people who checked in the most at a specific location could become the “mayor”, and get something free (or at a sharp discount). But a small reward for a single user per location is hardly an incentive for mass adoption. At the other end of the spectrum, in 2010 the GAP offered 25% off to anyone who checked-in on particular day. While this has a much broader appeal and adoption, the lack of “tiers” is an issue—giving everyone the same reward, among other things, eliminates many of the benefits gaming systems are designed to deliver.

The best reward systems in the future will do a little of both—encourage ever more customers to engage, while providing different tiers of incentives and rewards to different types of customers (i.e. encourage loyalty among all customers and reward specific individuals for word-of-mouth advertising, influencer status, and long-term customer value). And ideally, companies will find ways to offer compelling rewards beyond simple discounts, which have never been a great long-term strategy for fostering true brand loyalty.

This project examines Foursquare-specific features, usage, and partnerships, as well as provides an overview of the key business lessons from location-based services at a macro-level—all with an eye on the long-term, transformative impact such services many have. These lessons can be applied to strategic decisions about Foursquare, Facebook Places, or any other check-in/location-driven initiative your enterprise might consider in the near future.

Bringing friends to the court: Examples of FourSquare partnerships

Starbucks gave FourSquare users who had achieved mayor status at their local Starbucks coffee shop a dollar off the frappuccino of their choice in a context-specific coupon that was unlocked by users in the spring of 2010.⁶

For the 2010 Olympics in Vancouver, the New York Times partnered with FourSquare and generated a list of venues in the west-coast Canadian city that had been favorably reviewed by New York Times entertainment and leisure writers. If users visited enough of the newspaper-suggested venues, they earned the New York Times Olympics badge for their profile.

Leading up to the 2010 Super Bowl, Pepsi stunned marketers by announcing it would shun highly-lucrative Super Bowl ads and instead give away over \$20 million in advertising dollars to fund "good ideas, big and small, that make the world a better place."⁷ The Pepsi Refresh Everything campaign used Facebook, FourSquare, and Twitter and garnered 61 million votes from consumers, as well as 1.6 million comments.⁸

The Gap offered 25% on all articles of clothing to users who checked into Gap stores on a specific day in the summer of 2010, in an event the company called "the BlackMagic event."⁹

Television network Bravo partnered with FourSquare and created a set of locations across America that corresponded to events and characters in Bravo original programming. Fans could then earn badges related to their favorite television shows by visiting these locations.¹⁰

Zagat teamed up with FourSquare to feature their favorite restaurants across America, which users can check-into and earn the Foodie badge for their profile. More importantly, the Zagat app for FourSquare allows users to view ratings and reviews for different venues, as well as tips from the FourSquare community. As a user checks-in to different restaurants, Zagat also keeps track of their dining history in a dining journal that can be referenced for future outings or be used to easily share opinions and reviews.

LESSONS FROM LOCATION-BASED SERVICES

Game dynamics

Foursquare has deservedly gained attention for their clever application of game dynamics to their social service—or "gamification", which became a hot topic in software and service design 2010.¹¹ The reason is that, unlike consumers of books and movies, gamers are directly and actively involved with pushing the exposition and storyline of games forward, and every experience is unique. But underlying these customized experiences is a common logic, created by the game engineers, that guides the process—particularly by doling out rewards for desirable in-game behaviors and punishments for counterproductive activities.

Total "point" tallies are a common inclusion in games, as each player competes to achieve the highest score possible. But in many games, they are often supplemented by "achievements", that provide various rewards for activities that are non-essential to progressing in the game. Such achievements are often integrated to boost the so-called "replay value," and game designers quickly learned that many players would near-endlessly pursue achievements for some combination of glory and their own self-satisfaction.

➤ **“The real opportunity isn’t for Mayors—that’s limiting and short-sighted. Knowing that the top 5% of customers generate the majority of the revenue, it’s a whole new loyalty platform. And it’s a lot cheaper than Aeroplan.”¹³**

—Phil Barrett, former vice-president of digital and mobile marketing, BStreet

Foursquare’s badges are essentially videogame achievements for the physical world. Badges are awarded at first generously, and then made increasingly difficult to earn. For example, badges may be awarded for the first check-in, more than ten check-ins in 12 hours, for visiting the north pole, for being part of a group of more than 250 to check-into a location at once, checking-in to a venue after 3:00am on a school night, and many, many more achievements.¹²

By capitalizing on the lessons learned from game design, namely that token rewards can be highly valued, and that gamers tend to strive for 100% completion of stated goals, specific behaviors can be selected for by carefully designed badges, which is exactly what Foursquare is doing for some of their partner companies. And like many of the most interesting games of the last few years (such those made by The Valve, see *Valve Software: engaging prosumers, competitors, and consumers*), it’s built on a platform that allows relatively easy modifications and experimental innovations on an ongoing basis.

Loyalty programs

Most traditional loyalty programs (think: frequent purchase cards, Air Miles, etc.) require that the customer scan their card at the end of their visit, so they can accrue future rewards. But with services like Foursquare, users reveal their identity at the *beginning* of the in-store experience through the check-in process. This means custom offers and experiences can be delivered to an individual upon in the moment—either through the mobile device used for check-in, or perhaps even via an in-store clerk being alerted to a particular individual’s tastes and preferences. This is an important difference that creates a myriad of new opportunities.

Personalization and more granular segmentation are core value drivers of new loyalty program options being created. As Phil Barrett, vice-president of digital and mobile marketing at the Toronto-based agency BStreet notes, “The real opportunity isn’t for Mayors—that’s limiting and short-sighted. Knowing that the top 5% of customers generate the majority of the revenue, it’s a whole new loyalty platform. And it’s a lot cheaper than Aeroplan.”¹⁴ Better and cheaper—music to the ears of any company trying to benefit from *the incredibly shrinking marcom expense line*.¹⁵

A number of companies are rapidly innovating on this front. For example, opt-in mobile applications like Shopkick eliminate the need for check-in altogether by offering a mobile app that runs in the background, and alerts retail locations when the device’s user arrives at a brick-and-mortar location. The user agrees to disclose their location and identity information in exchange for loyalty points (“Kickbucks”) that accrue automatically as the customer shops and can be redeemed for Facebook Credits, discounts and special offers at partner retailers, or donated to charity using the associated service CauseWorld. Shoppers can even collect additional Kickbucks by using their mobile devices to scan individual products from leading brands such as Kraft Foods and Procter & Gamble.

As of this writing, Shopkick is “fully deployed” (i.e. ability to collect and redeem Kickbucks) in more than 1,000 stores and over 100 of the largest malls in the U.S. In addition, more than 230,000 stores offer smaller rewards for checking-in¹⁶ and the CauseWorld application reached half-a-million downloads in just five months, making it the “fastest-growing location-based retail app.”¹⁷ As a leading example, Best Buy has deployed Shopkick’s in-store mobile couponing system in more than 250 of its stores.

Loopt Star is another location-based service trying to make a name for itself in the loyalty space. With Loopt Star, customers check-in at participating organizations to earn points and rewards. What distinguishes it from Foursquare is that instead of focusing on check-in and social networking, Loopt sensibly piggy-backs on Facebook using Connect (for the social graph) and Places (for added check-ins), which leaves it free to innovate and grow in the loyalty area. In doing so, the company offers more robust reward features, such as the ability to alter deals based on time-of-day, a person’s history, or specific behaviors. Users need not even check-in to participate as Loopt recommends venues and alerts prospects of “nearby rewards” as well as those redeemed by friends on Facebook.¹⁸

In the fall of 2010, Virgin American partnered with Loopt Star to promote the launch of its new routes to Mexico from California. In Los Angeles and tech-savvy Silicon Valley and San Francisco, the company offered two-for-one tickets to those customers that checked-in at SFO, LAX, or select taco stands using the Loopt Star iPhone application. Consumers checking in at one of the taco stands also got a two-for-one taco deal. According to Jill

Do check-ins have to be social?

The increasing importance of social networking platforms (e.g. Facebook) has led many organizations to focus on the connections between people, and how information is shared amongst them, as a key component of their marketing strategies. While there are good reasons for this, and many opportunities that can be capitalized on, it’s important to remember that not everybody wants to share everything they’re doing, with all their friends, all the time—and there are certain things people buy that they might not want to share with anyone, ever. However, this lack of interest in being “social” doesn’t mean that such customers might not be interested in things like (say) discounts or custom offers being presented when they arrive in a particular store, other contextually-relevant information on their mobile devices, or even the “gamification” of their experience.

In turn, some companies should consider whether they could develop their own, proprietary application that leverages some of the opportunities discussed in this report, while either eliminating the social element or providing as an optional feature. For example, if a large segment of your customers frequently buy gifts for other people, or make purchases tied to a hobby they prefer to keep private, a well-designed proprietary application could combine a mixture of incentives and gaming elements similar to what FourSquare is doing to deepen (and maintain better control of) the relationship and yet still support general anonymity. This could provide a better experience for the customer and also boost loyalty for the merchant.

A recurring theme in our research suggests there are ways to succeed in the social media world without necessarily being “social.” The most glaring example is Twitter²⁰—a social media platform where the vast majority of users just passively receive information, and accounts like @woot have amassed millions of followers by simply broadcasting deals. Similarly, as location-based service offerings continue to grow, don’t get stuck in the trap of thinking that they have to be social to make a difference, or even that you have to partner with a current leader like FourSquare; instead, think creatively about how to leverage the new technologies and approaches to profitably optimize your customer experiences.

Fletcher, social media and communications manager at Virgin America, the company had more than 1,400 check-ins in one day (to get the coupon deal) and later saw 92% of those individuals redeem tickets to Mexico. "More than 1,300 people turned out for the deal in San Francisco alone—we sold 17 full planes worth of tickets during only a three-hour sale," said Fletcher. "We got extensive media coverage, and it was the fifth-highest revenue day ever for Virgin America."¹⁹

Personalized, context-aware services

Consumers want products they'll enjoy and they also highly respect the opinions of friends and others that they know. People spend so much time on Facebook (approximately 23 hours per month per active user)²¹ because it's perfectly tailored to them: all the updates and links are about and from people who they have explicitly listed as "friends." Based on user behavior, Facebook also learns which friends are more important and therefore which updates should be highlighted in the custom News Feed. So, two users with the exact same friend lists will never have the same experience. With these friend lists, Facebook, LinkedIn, and others are also able to do a reasonably good job of predicting the "people you may know" by making smart guesses about the overlaps in two people's social networks.

What companies are learning is that explicit relationships and social graphs hold tremendous potential for personalization. In some cases, it's a more efficient application of word-of-mouth marketing—if one person goes somewhere, their friends may follow. In others, basic data about individuals using a given platform can be used to enhance the value for others, even if there is no clear connection between them.

One (relatively crude) example is Assisted Serendipity, helps tilt the odds for young bar-goers looking for love (or at least a good time) by calculating the ratio of males to females in local establishments based on check-in data. It is not hard to imagine a future where data used for recommending a venue would be even more granular, perhaps drawing data from users' online dating profiles to classify a bar's clientele. Imagine a notification on your mobile device indicating that an individual who is 95% compatible with you based on your dating profiles—your "soul mate"—is only a block away, or even at the next table.

As with personal relationships, the music you like, TV shows you follow, or movies you love are a subset of what you've been exposed to. Services like Amazon, Netflix, and OkCupid have built taste modeling into their business models and competitive offerings. This is also known as collaborative filtering; when the purchase history of one user is found to correlate closely to that of another, there's a good chance that what one of them enjoys, the other will too. As more information is collected beyond purchasing—such as ratings, repeat business, or behaviors surrounding purchases—taste can be modeled with increasing precision.

While Foursquare doesn't allow people to rate venues the way Netflix users can rate movies (though Foursquare quasi-competitor Yelp! does²²), if a user frequently returns to a location and checks-in there, it seems reasonable to conclude that they like the location, or that it has some significance in their life. Given a sufficient corpus of recurring check-ins throughout a city, a taste or habit profile of a user becomes trivial to assemble. Having assembled this data, check-in services like Foursquare presents many opportunities for companies to work together to capture as much data (and revenue) as possible. Through partnerships, companies can gain access to a tremendous amount of personal identity data about users, including information about their identity, behaviors, emotions (i.e. likes and dislikes), and relationships. Based on this data, companies can offer highly-personalized services in situ.

Customers need not share very granular information to reap the benefits of taste modeling and context-aware services. By noticing which behaviors map between users (i.e. finding other users that are similar to you), marketers using location-based data can make highly educated guesses about the customer habits that aren't explicitly shared. In addition to more targeted offerings, taste modeling generates value for customers by

introducing them to products and services that they weren't aware of, but are likely to enjoy. Foursquare is looking to implement such suggestions for users travelling to new cities, so that the landmarks and venues they visit are more likely to be enjoyed.

The Silicon Valley-based company Smart Sense has already made strides in this direction and applies artificial intelligence to location check-based services. The company's Seymour software, launching for iPhone and Android in early 2011, will combine personal information, stated preferences, social graph data, online ratings, and location data to create serendipitous experiences (e.g. recommending just the right restaurant, venue, or product at just the right time, based on where you are, who you are with, what you ask for, and your past behavior). The company is marketing the service as "your personal concierge," and hopes to also use Foursquare and Facebook Places check-in data to model users' behaviors and tastes.

Companies like Earthmine in Berkeley are looking to offer other elements needed for contextually-relevant customer experiences. The company uses 3-D mapping to tag the physical world (imagine having Terminator vision, but displayed on your iPhone). Tags about surrounding objects (trees, garbage cans, water mains, pot holes, surrounding venues, building dimensions, or apartments for rent) can be customized to reflect any context and displayed to users as they check-in to specific locations.²³

Public services can offer similar capabilities for people looking for public washrooms, health care, transportation, or tourism options. Using a combination of location data and public data, cities could create location-based services that would help citizens find a clean, well-rated washroom within two blocks; the fastest route between two points using public transportation; the best route on-foot during a snow storm; the hospital with the shortest current emergency room wait time; or simply a list of must-see, nearby tourist attractions based on the user's preferences.

THE BATTLE FOR LOCATION CHECK-IN SUPREMACY

At the end of 2010, Foursquare serves approximately five million users,²⁴ about five-times more than their competitor Gowalla, which offers nearly identical features.²⁵ In addition, the user base continues to grow at the rate of 25,000 new registrants per day.²⁶ But Foursquare has yet to have its "Oprah moment" and finds itself in the midst of some intense competition—not only is Yelp! (the social X-factor) now offering similar functionality, social networking giant Facebook is now offering check-in with Facebook Places.²⁷ With some 500 million users suddenly given the ability to check-into locations from inside of their Facebook applications, usage of only 1% would eclipse Foursquare's all-time high. Most importantly, with Facebook Places there's no need to create and manage another friend list on a separate platform.

There is also the question of if and how mobile carriers and native applications might compete. Mobile carriers have the best data, as they can track smart phone locations without requiring check-in (via GPS or signal triangulation). Theoretically, any provider of mobile applications also has access to this data. So what makes check-in-specific capabilities so popular? Currently, we see two main drivers propelling check-in services beyond simple GPS-enabled apps: opt-in eliminates privacy concerns, and active participation creates a game-like environment that encourages repeat usage.

So what to do as core check-in services become more and more of a commodity? Throughout its lifetime, Foursquare has made waves with interesting partnerships across many industries and active promotion of the Foursquare API, showing that their social/gaming layer can supplement customer experiences across a variety of verticals. Partnerships like these may point the way forward for the small but growing company, but already

some companies have indicated that Foursquare is quoting costs for certain campaigns at a price far in excess of the value actually delivered by the small base of users. In another competitive move, Foursquare also recently launched photo support, where users can upload images to places they check-into. This adds a new dimension to how the service might affect the reputation of certain businesses like hotels and restaurants. In one early example, Brooklyn-based restaurant Olive Valley has offered a contest for photos uploaded by customers—the best photo winner will receive a free dinner for two.²⁸

The bigger question is: Will Foursquare and other location based service providers survive this aggressive siege from Facebook? Our belief is that if these types of location-based services are to scale beyond early adopters, Facebook is better positioned to capitalize on this growth (and offer deep value to both customers and merchants) due to its current position as the dominant social utility. The counterpoint is that similar arguments were made in situations like YouTube vs. Google (i.e. wouldn't the world's dominant search engine be well positioned to offer the best service for searching for videos?). As we know, Google simply decided YouTube had scaled enough that they had to acquire them. If Foursquare gets much bigger, perhaps "irreversible" network effects set in.

While an interesting debate, for most companies looking to leverage such offerings, it really doesn't matter who wins—only whether somebody does. The right strategy for capitalizing on the opportunity will be generally similar whether it's Foursquare, Facebook Places, a Foursquare acquired by Facebook, or some other player.

UNLOCKING THE FUTURE: INTEGRATION WITH PAYMENT SYSTEMS

Check-ins allow you to know when your customers come into your stores; the ability to tie that to what they then buy creates enormous opportunities to develop customer metrics, gather behavioral data, measure ROI, and create more personalized customer experiences.

Social CRM²⁹ is one step in this direction, but the big leap will take place when payments through mobile devices become pervasive. Next generation smart phones such as the iPhone 5 and the next wave of Android phones will have Near Field Communication (NFC) capabilities that allow them to double as "mobile wallets." Instead of checking-in to a coordinate on a map, users would be able to swipe their smart phones across other devices, terminals, and internet-enabled objects to exchange data. While this opens the door to mobile payments (i.e. authenticated devices could easily exchange payment information via a swipe), it also accelerates the pace at which mobile smart phones are becoming car keys, hotel room keys ("please download our app to check-in"), airport boarding passes, virtual business cards, digital signatures, and personal assistants providing contextually-rich information about objects around us.

Companies like Starbucks—which has been on leading edge of new, technology-enabled experiences the last few years - aren't waiting for phone companies to step-up with NFC and are finding their own innovative solutions. The company recently announced it will be using its own custom-built technology to enable the 2-D mobile barcode scans on smart phones.³⁰ Customers will be able to host their pre-paid Starbucks cards digitally on their phones via its Starbucks Card Mobile app for the iPhone and BlackBerry that simply displays a barcode on the phone that can be scanned at the counter.

Companies benefit by not only providing greater convenience, but ultimately by gathering better data. Many marketers have a hard time proving ROI when they are experimenting with social media. In some cases, it's because the ROI doesn't exist, but in others, it's because social media conversations often don't occur on the

same platform as payments. Currently, it is often unclear if sentiments made by people online (positive and negative) translate to sales or not. But, as customers are able to review products from their mobile devices and make payments using the same devices, companies will be able to tie those ratings and opinions to specific customer actions.

We've written about cases where researchers have been able to measure ROI of various sentiments and comments made via social media quite granularly on sites such as eBay and Amazon precisely because it is easy to connect buyers' comments to their purchases and to compare similar products sold by different vendors (with different ratings and comments) at different prices.³¹ In the same way, by linking someone's online profiles to physical purchases via a smart phone allows companies to better calculate the ROI of social media.

When behavioural information gleaned from mobile devices can be linked to financial information, it will also fundamentally change how financial services companies assess risk for things like credit scores, insurance premiums, and product and service innovation. Will users' social graph and activity data become part of the credit assessment process? Already we've seen examples like MobileTeenGPS and Teensurance partner with insurance companies to leverage GPS data from transmitters affixed to teen-driven automobiles. This data allows parents and insurers to assess how safely teens are driving and even create restricted zones or travel times. With the treasure trove of data potentially gleaned from smart phone sensors, these types of bolt-on hardware devices will become redundant. What we are beginning to see is that as the social graph starts penetrating payment system, it will fundamentally alter many aspects of the economy beyond just marketing and customer loyalty.

IS YOUR ENTERPRISE READY?

Location data is becoming an increasingly important part of online service delivery, and an essential part of the mobile experience. In short, knowing where somebody is creates an enormous opportunity to impact what they might do, particularly as other information about their unique digital identity becomes more directly integrated. If such services continue to scale, it is hard to think of a single company in the world that would not be able to benefit, in some way, from them. For companies looking to get ahead of the curve, below are a few of the key questions you should be considering:

What behaviors do you want to incent? The application of gamification and loyalty programs via check-in is ultimately about creating customer interventions and encouraging certain behaviors, whether it's redeeming a coupon, taking part in a promotion, viewing a specific product, joining a social movement, or simply showing up at a location. The type of desired behavior will influence the design of rewards and incentives (e.g. what type of achievement will result in a Foursquare badge), as well as the type of metrics used. Payments through mobile devices will help metrics become even more robust as companies will be able to track exactly how well different campaigns performed at the individual level by connecting a particular purchase with a specific profile and that individual's buying behavior.

What's your customer data strategy? For companies looking to fully capitalize on the customer data opportunity, the goal should be to increase the number of company-controlled nexus points, where two or more customer data points are captured at the same time.³² For example, companies like The Gap ask for email addresses at the point of sale in exchange for discounts in order to tie a payment method in the physical world (the credit card) to the digital world (online profiles tied to the email address). By digitizing aspects of the customer experience via in-store mobile check-ins, or by connecting Facebook and other persistent profiles to sales data, enterprises can take this a step further and can increase their ability to capture rich data about customers' identity, behavior, sentiments, and value. Further, companies should strive to consolidate customer data from social media and traditional customer databases as part of a Social CRM initiative. This will allow for a much more integrated customer experience and more personalized service.³³

How well are you managing your social reputation? Ironically, the growth of check-in services and contextual information from sites like Yelp!, Zagat, Assisted Serendipity, and a variety of others means that “location, location, location,” becomes less critical for success. Simply being in the vicinity of a high-traffic location might prove to be good enough. Although the importance of capturing foot traffic will never go away entirely, increasingly, traffic to physical locations will be influenced by a business’ online reputation and popularity. As potential customers check-into a location they will seek out and select the best options in the neighborhood based on the reviews and ratings of others, not the flashiest sign or most visible storefront.

Do you have a content strategy? Social media is not all about customer-created content. While this is certainly important to drive community, the company must also provide high-value content and/or contextually-relevant database information in order to stimulate conversations, create value for users, and drive traffic. If a user checks-in to a location or scans a product, what information will they receive? If you want to create a mobile app, what content or data will it deliver? Will this information be shared with a user’s network, and if so, how will it be shared?

In some cases, the content might just be the deal of the day, customer reviews, or a promotion code; however, mobile applications can go a step further to provide unique and useful information. Information can be product related: for example, when a customer enters a store and scans an item of clothing with their smart phone at the teenage clothing retailer Wet Seal, the mobile app displays images of user-created outfits and complementary accessories also sold in the store. But there is also a future for what many marketers are calling “content marketing,” or gaining brand awareness and reputation by becoming a source of trusted content. Blogs and other “open intellectual property” strategies are already doing this to some extent and many government organizations are actively pursuing “open data”; the next step will be for companies to consider what types of data and information they can deliver, and what the platforms will host that data—including mobile, web, and location-specific.

CONCLUSION

The rise of the Web 2.0, like the rise of the Web that preceded it, is littered with stories of new technologies and business models that did not live up to the hype originally surrounding them. But every once in awhile, something truly disruptive emerges that has a dramatic, economy wide impact. Google’s search algorithm and page rank system was one, altering the way most web users discover information online; Facebook’s underlying social graph was another, fundamentally changing the way 500 M+ people stay connected to their networks of strong and weak ties.

Location based check-in services have the potential to have a similarly broad impact, by creating a new source of information to leverage—where someone is. Taking this information, and integrating it with other data sources, it is becoming increasingly easier to then predict what people are about to do. What you can predict, you can potentially change. And once integration with payment systems become pervasive, you can measure things unimaginable just a few years ago.

So while it’s true that such location check-in services remain in their nascent growth stage, and that the immediate ROI on investing in them often just isn’t there today, this perspective could quickly prove short sighted. Where somebody is, and what they’re about to do, can be game changing information—particularly in relation to marketing, loyalty programs, and customer experience delivery. Forward thinking companies should be prepared to take advantage if / when such services scale beyond their early adopter user base—and the most innovative will be thinking of ways to drive that adoption forward themselves.

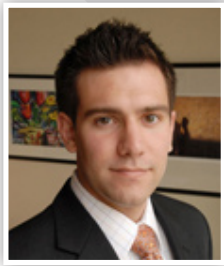
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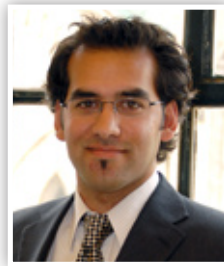
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