

AdAge

**Second annual study:
Rapidly evolving
technology and an
experience-driven
economy are making local
more vital than ever.**

THE PROMISE AND POWER OF LOCAL MARKETING

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Second annual study: Rapidly evolving technology and an experience-driven economy are making local more vital than ever.

Local marketing is essential for creating a unified and personalized customer experience across multiple channels, platforms and touch points. If executed well, it can drive traffic to retail stores and other local businesses and deliver high conversion rates and ROI. Today, the rapid adoption of voice as a search tool means that brands have an even greater incentive to get local right. Voice queries are inherently more local than text searches. And with voice,

being good at local search is no longer good enough: There is only one result that counts.

Recent technology changes at the major digital and social platforms have made it more difficult for marketers to conduct local campaigns in ways that might have worked just two or three years ago. Google, for example, now typically serves up integrated returns on all of its channels and includes local content such as maps in organic search results. Yet

Fig. 1 – Effectiveness of executing local campaigns

Percentage rated as very/extremely effective	8-10 Ratings (2018)	8-10 Ratings (2017)
Optimizing your website for mobile	53.9%	58.8%
Using local SEO keywords	38.6%	41.9%
Building locally relevant social engagement	33.5%	34.7%
Focusing on local experiences to create content	33.5%	32.7%
Creating local content	31.8%	35.9%
Personalizing campaigns	33.1%	33.8%
Optimizing presence in maps	27.6%	31.5%
Encouraging reviews from local customers	21.6%	29.8%
Optimizing campaigns for voice search	12.3%	N/A
Focusing on local content experiences	N/A	30.7%
Other (research, search, website, local brand recognition, creativity, data privacy)	44.8%	48.9%

Source: Ad Age survey for DAC



Angela Hsu,
senior VP of
marketing and
e-commerce,
Lamps Plus

many marketers continue to manage each of these channels in isolation, often working in silos and with separate agencies—an increasingly outdated approach that adds an additional burden to an already complex and challenging discipline.

Perhaps in response to this challenge, some marketers have begun to scale back their spending on local campaigns, according to the second annual local marketing survey conducted by Ad Age on behalf of DAC. While local spending jumped almost 10 points in 2018 to 20 percent of overall ad budgets, marketers said they plan to pull back significantly to 12 percent over the next two years. Meanwhile, spending on national campaigns is expected to drop slightly from current levels while international campaigns will see a small increase.

Marketers struggling to make local work for them might see cuts in this area as a no-brainer, but they're actually setting themselves up to fall further behind savvy competitors that stay on top of local trends and technologies and use them to full advantage.

“Search and social platforms are all centralizing data and trying to integrate experiences because that’s what their audiences expect, but many brands are having a difficult time keeping up,” says Nasser Sahlool, VP of client strategy at DAC. “Marketers are understandably getting frustrated—local is not getting any easier—so they cut the budgets. However, it makes no sense to pull back if consumers are demanding that full, omnichannel experience from the brand to the hyper-local level.”

Given current market trends, now is a critical time for brands to bolster the fundamentals of their local strategy, Sahlool says. “All marketers want to deliver on that personalized, customized experience. But in order to have a conversation with customers on a one-to-one level, marketers must first be able to go from many to a few. Nearly every technology platform is moving in that direction. And with voice technology quickly becoming ubiquitous, this is no longer a discussion about what will happen tomorrow. It has already happened yesterday.”

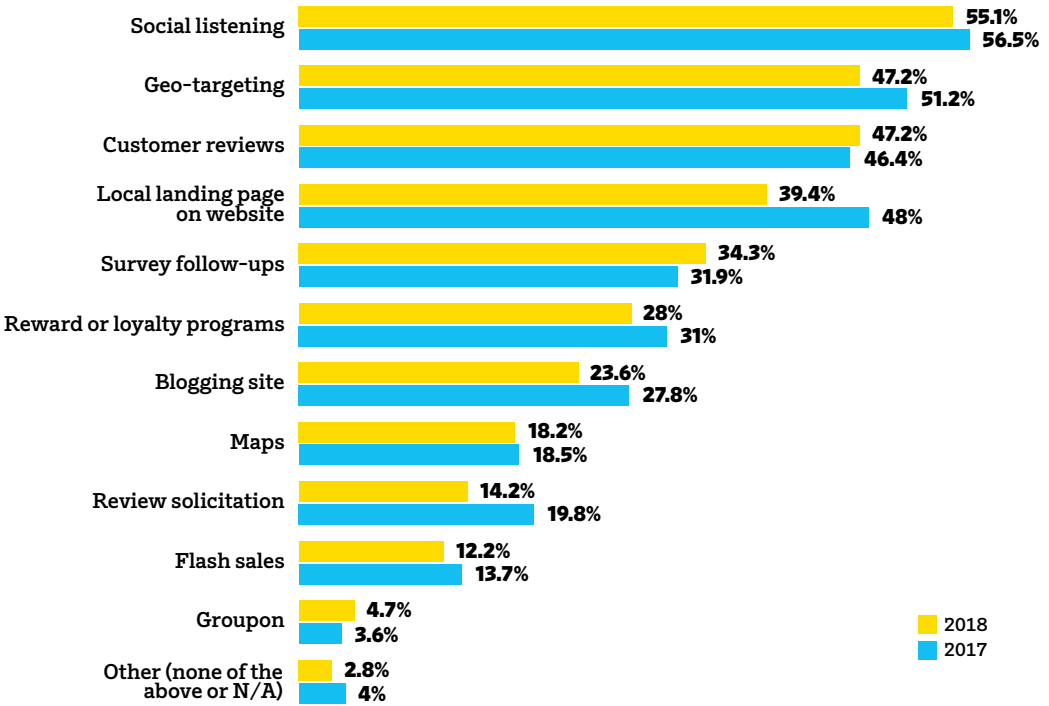
Mobile advancing, but challenges persist

Mobile and digital campaigns are being funded more aggressively, according to the Ad Age-DAC survey. In 2018, 57.3 percent of local marketing efforts include digital and 42.6 percent included mobile campaigns, versus 53.1 percent and 35.0 percent, respectively, in 2017’s survey. “We’re definitely seeing that mobile search is where local is trending in terms of driving traffic to our retail stores, though we still get a high conversion rate from desktop searches,” says Johnny Russo, associate VP of digital marketing and e-commerce at footwear and work apparel retailer Mark’s.

Angela Hsu, senior VP of marketing and e-commerce at Lamps Plus, says that investments in mobile campaigns targeting residents who live near stores have boosted both online and offline sales. Lamps Plus runs Local Inventory Ads (LIAs) to display product availability at the nearest store location, along with its address, hours and directions.

The Promise and Power of Local Marketing

Fig. 2 – Strategies to improve effectiveness of local campaigns



Source: Ad Age survey for DAC. Base: 254 respondents (2018); 248 respondents (2017)

Fig. 3 – Technologies used for locally targeted campaigns

	Past two years	Currently	Plan to within the next two years	Do not plan to use
Site retargeting	44.7%	64.7%	48.6%	23.1%
Channel targeting	32.9%	57.6%	47.3%	29.7%
Behavioral targeting	38.2%	60.1%	61.3%	20.1%
Third-party data	46.1%	60.5%	47.7%	27.5%
Geographic targeting	47.4%	73.5%	57.7%	15.3%
Geo-fencing	27.6%	45.0%	51.8%	34.9%
Database targeting	46.7%	67.6%	51.4%	21.0%
Facebook advertising	57.9%	80.7%	51.8%	13.5%
Facebook Newsfeed	55.9%	73.9%	45.0%	24.0%
Promoted pins/display on maps channel	10.5%	18.1%	41.0%	58.5%
Conversion zones	11.2%	16.0%	26.6%	73.8%
Streaming music	20.4%	21.8%	23.9%	68.1%
Using local SEO for key words	44.1%	68.9%	51.8%	18.3%
Search optimized for voice	2.6%	13.0%	42.8%	61.6%

Source: Ad Age survey for DAC

“Our store call volume and inquiries about products featured in our ads increase as spending on LIAs and on our mobile campaigns increase,” Hsu says. Indeed, the ability to geo-target customers effectively is one of the most commonly cited areas in which local marketers are succeeding, based on the survey.

Despite these successes, challenges persist for local marketers. Asked to rank how difficult they find executing locally targeted digital campaigns on a scale of 1 to 10 (with 10 being most difficult), the survey’s marketers gave an average response of 5.89, versus 5.6 in 2017. Reasons cited included budget constraints and lacking the resources needed to create local content, difficulty in managing location data in-house and ability to navigate the changing digital landscape. Notably, the percentage of respondents who rated their ability to implement individual tactics as “very or extremely effective” was lower nearly across the board.

The drop in effectiveness of optimizing for mobile was particularly significant as the tactic is increasingly viewed as the most important in the local marketer’s tool kit. This year, 86.3 percent of marketers gave optimizing for mobile an importance score between 8 and 10 (with 10 being extremely important), a six-point increase over 2017. Nearly all of the other tactics surveyed were considered somewhat less important than last year.

In recent years, marketers often prioritized apps and other new technologies over investments in mobile websites. Now, however, most marketers acknowledge the need to put more resources into improving the mobile experience. “Like most retailers, we’re seeing a huge shift from desktop to mobile traffic,” says Shelagh Stoneham, senior VP of marketing at Chico’s. “We now think strategically about everything we do online as mobile-first. We have optimized the checkout experience to make it easier and slimmer. We added a one-click payment solution in PayPal Express and are exploring others, as well as investigating ways to increase mobile site speed.”

Marketers appear to be relying more on traditional tools, such as survey follow-ups and customer reviews, in order to improve the effectiveness of local campaigns (Figure 2). Only slightly more than one-third (34.6 percent)



**Shelagh Stoneham, senior
VP of marketing, Chico's**

of marketers are using digital technologies to customize or personalize campaigns, down almost 16 percentage points from last year. Still, the effectiveness of local/digital personalization was reported to be greater this year, with an average score of 6.88, versus 6.63 in 2017.

The quest for attribution and ROI

Marketers continue to measure the success of local campaigns primarily through conversions, clicks and ROI. For many marketers, however, the ability to attribute individual local strategies or tactics to purchases made in stores is an ongoing measurement challenge. “We take directional cues from our store sales data to optimize our spending, but it’s not perfect,” Hsu says. “We have tools to measure traffic, calls and sales, but the challenge is connecting these offline data sources directly to specific online spend activity for insights on what’s working and what is not.”

Similarly, Mark’s conducts local/mobile campaigns using “polygoning” or geo-fencing techniques (i.e., targeting customers within a defined radius of stores) but does not know for certain which purchases result from which ads. “We know we’re sending more traffic to stores, but we don’t have the benchmarks to compare to two years ago,” Russo says. “It’s month-over-month sales data compared with proxy traffic numbers from a Google or Facebook,

which no one has definitively linked to sales just yet.”

Both retailers hope to increase conversion rates by updating their local tactics involving Facebook. Mark’s recently began inserting a map into a Facebook Canvas ad unit that allows users to bypass the retailer’s website and be directed to the nearest store location. For a new store opening in Austin, Texas, Lamps Plus used Facebook’s geo-targeting capabilities to promote a lighting upgrade campaign to qualified local residents, while partnering with several local influencers who shared store photos on their social feeds. “Employing both search and social strategies should be considered when developing a local marketing plan,” Hsu says.

It is unclear whether the recent data privacy breaches at Facebook have had any influence on overall marketer sentiment. While use of Facebook advertising and Facebook Newsfeed in local campaigns jumped considerably this year, marketers plan to use fewer of those tools in the next two years (Figure 3). In general, the distribution of digital technologies used for locally targeted campaigns looks quite similar to last

year, with two noteworthy exceptions: using local SEO keywords and optimizing for voice search, both new to the survey this year. Given the explosive growth of smart speakers and personal digital assistants, it is no surprise that use of the latter tactic is expected to more than triple over the next two years (see “Capitalizing on the switch to voice,” page 7).

Delivering a personalized experience

Excelling at local marketing is not just about having the necessary resources or being able to master the tools and technologies. At its core, local amounts to delivering the personalized, one-to-one experience that stems from truly understanding a customer’s wants and needs. Indeed, when marketers in the survey were asked what they found difficult in creating and reaching customers with locally targeted campaigns, included among responses such as “We’re new to the space” and “Little support from the C-suite” was the following: “We need to know more about our customers.”

As an example, the Fit4Less chain uses a variety of mobile/digital tools (e.g., Google Post) to

Chico’s bucks the retail climate

Forget global warming. To get shoppers to the stores during the 2017 holiday season, Chico’s went local with a “climate distortion” campaign in which it featured different merchandising and assortment looks based on shifting customer demands in various parts of the country.

“Retail strategy is often based on what has historically done well at particular times of the year. In the past, even in warmer areas, there has been an increase in demand for cooler weather pieces in the fall,” says Shelagh Stoneham, senior VP of marketing at Chico’s. Using customer feedback from various sources, her team noticed a change in that trend prior to rolling out the holiday collection—that is, warmer areas no longer had the same demand for those heavier pieces. “The customer mindset is shifting to more of a buy now/wear now framework,” Stoneham says.

Chico’s customized its creative for different regions and developed a multichannel geo-targeting campaign that included email and social/paid search ads, as well as traditional tactics such as window displays and outreach by local store associates. “As with any local campaign, it is a recipe and you must have the correct ingredients to make it work,” Stoneham says. “We started by truly listening to what our customers told us, made a plan, and used all the geo-targeting tools in our arsenal to make sure we served them the message that we had the styles that they wanted to wear right now.”

The result was a very successful holiday season, according to Chico’s. “The targeted social ads were our two highest-performing nonpromotional ads by revenue for the holiday season and drove strong performance from both an ROAS and revenue perspective,” Stoneham says.



drive membership sign-ups online each time it opens a new gym location. Ann Jolliffe, marketing manager at Fit4Less, says these local campaigns work best when tailored to reflect the cultural traits of customers in that area. “Some of our members are always on digital devices while others still read printed flyers, watch television on actual TVs and might not respond to a tagline phrase that is trending on social media,” she says. “Any message or medium that we use has to make sense for our target audience, especially when we are trying to deliver a personalized and localized experience.”

Success in delivering those experiences will come as organizations begin to integrate more of their local functions into a cohesive strategy, says DAC’s Sahlool. According to the survey, there are some encouraging signs in this regard. When asked who handles policies for planning and buying locally targeted digital media, 39.0 percent of respondents said that the strategy was a collaborative effort between the company and its agency, a three-point increase from last year. However, the collaboration figures for implementation, measurement and reporting/

analysis remained roughly the same.

“We’re starting to see some organizations begin to coalesce their silos,” says Jenna Watson, VP of media at DAC. “At a high level, it is a positive sign when there is a shift from the CMO role to a chief customer experience officer. It means that companies understand they can no longer get away with creating disjointed experiences for the customer.”

Summary

Marketers are entering a new age of integration of enterprise strategies with local tactics and channels, making local marketing more complex. As the 2018 Ad Age-DAC local marketing survey shows, many marketers are responding to this with reduced spending projections but they’re pausing in their commitment to local at precisely the time they should be redoubling their efforts.

Consumers today expect more personalization from brands, so marketers at the local level need to maintain or exceed the level of service customers want in a one-to-one relationship. For brands, retailers and businesses of all kinds, committing to local is critical to long-term success.

Capitalizing on the switch to voice

Adoption of voice technology is easily outpacing the early days of mobile phones or desktop Internet—and by extension, so is voice-based search. Consider: Smart home speakers from Amazon and Google have been on the market for less than two years, yet one in six U.S. adults now owns a smart speaker.

By 2020, half of all searches are expected to come from voice-enabled platforms.

For local marketers, this growth has tremendous implications. Research has shown that voice-based searches are much more likely to be local than text searches—in fact three times more likely, according to one study from online advertising firm Chitika—because they are longer, more conversational and include more specific questions. For example, rather than typing

in “Starbucks” on a mobile device, a visitor to New York might ask: “Where is the nearest Starbucks in Times Square?”

Recent studies have also shown that consumers are becoming more comfortable using voice technology in public places, another likely accelerator for local mobile/digital search.

Marketers can capitalize on these trends by adopting SEO-style optimization for voice search, which includes adding more “natural language” content to websites, says Christi Olson, search evangelist at Microsoft Bing.

“That doesn’t mean you have to create a page full of FAQs to try to ‘trick’ the search engines,” Olson says. “Think about ways to connect the customer experience and goals of your business to how the search engine operates. That will allow you to provide more relevant

information to the end user.”

Olson says that because GPS devices tend to automatically produce location-based results, consumers are increasingly leaving out terms like “near me” or “close by” in voice/search requests. Rather than develop website content with countless permutations of such wording, marketers instead should provide detailed company information at every local level down to the individual neighborhood or street.

Says Olson, “Microsoft store websites contain individual pages that detail not only the store’s physical address but also contain other neighborhood identifiers, so that if a voice search is: ‘Where can I buy a Surface Pro near [Industrial Seattle district] SODO,’ it will show up because it knows that SODO is near that physical location.”

Ad Age Custom Studio

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About the Survey:

Ad Age secured Advantage Business Research to conduct an online survey for DAC. Advantage Business Research was responsible for all phases, including programming, coding and tabulation. Final survey findings are based on 254 marketers who qualified after answering the screening questions and completed the full survey. The survey started Feb. 7, 2018, and closed March 5, 2018. Margin of error, at a 95% confidence level, is +/- 6.3 percentage points.

About DAC

DAC is one of the largest independent digital marketing agencies in North America, with a growing international footprint in the U.S., Canada and Europe. It specializes in the localization of campaigns, creative, content and calls to action and uses strategic insight, performance marketing, proprietary technology and digital intelligence to drive results.

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