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What Is Geofencing? Everything You Need to Know About Location-Based Marketing

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By Amber Kemmis

With the growth of mobile phone usage (worldwide penetration is expected to reach 63.4 percent by the end of 2019), mobile marketing has been growing by leaps and bounds.

More recently, marketers have taken full advantage of its capabilities with geofencing, an incredibly powerful way to harness the power of location based marketing.

While using geofencing for advertising is not a new concept, nor is it simply limited to mobile (more on that later), its popularity has grown along with the rise of smartphone users. (It's estimated that there are more than 5 billion smartphone users today.)

What Exactly is Geofencing?

Geofencing is a location-based service in which an app or other software program uses radio frequency identification (RFID), Wi-Fi, GPS, or cellular data to trigger a targeted marketing action (such as a text, email, social media advertisement, app notification) when a mobile device or RFID tag enters or exits a virtual geographic boundary, known as a geofence.

A simple example of geofencing is when a young woman walks near a Sephora retailer at the mall and receives an app notification that says: "Today only! Buy 1 lipstick, get 1 free!"

You can track a consumer's location through GPS, Bluetooth, and beacons, and there are three ways to utilize this technology for targeting consumers: geotargeting, geofencing and beaconing.

Whereas geotargeting is focused on delivering targeted messages to desktop users based on their location, and beaconing is focused on transmitting targeted messages and information to nearby mobile devices, geofencing is focused on the virtual perimeter you build around a specific geographic location to deliver targeted messaging.

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There are many types of alerts you can send when a user enters a geofence. The more popular types include text messages, in-app notifications and social media ads.

Geofences can be set up on mobile, tablet, and even desktop devices anywhere in the world. Geofencing can be configured to target a certain place (such as the mall mentioned above), a demographic market area, a business category (e.g., restaurants), a brand location (say, all the Sephoras worldwide), a city, or a state.

You have leads. Yay! But how do you convert them to customers?
Take a look at this guide.

Geofencing Statistics

For obvious reasons, geofencing can produce incredible results for marketers looking to roll out hyper-targeted, location-based marketing. But don't just take our word for it:

Mobile ads with geofencing have double the click-through rate.

Geofencing is compatible with 92% of smartphones.

The average consumer spends 5 hours a day on their mobile device.

71% of consumers prefer a personalized ad experience.

3 out of 4 consumers complete an action after receiving a message when approaching a specific location

53% of shoppers visited a retailer after receiving a location-based message

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Main Benefits of Geofencing



What is it about geofencing that gets marketer's excited and how can it help your marketing efforts? Here are the major benefits:

Better Targeting

With the ability to hyper-target prospects you'll not only be able to reach folks at the right time and at the right place but be able to engage them with messaging that is relevant and timely.

By targeting folks in a specific geographic area, and filtering that area by specific targeting criteria, you're much more likely to engage your prospects. Using the Sephora example above: a marketer would not send out the "lipstick" messaging to any Jane, Dick or Harry that walked by, rather would have targeted that ad to a specific demographic.

Spend Effectiveness

When your advertising is hyper-targeted, and sent at the right time and right place, your engagement numbers go up. With geofencing, you're spending marketing dollars on prospects that are most likely to take action, and spending less money on those that are not.

Improved Data Collection

Once geofencing is implemented you'll get access to a ton of insightful data metrics such as insights on which brick and mortars are performing better, which target segment has higher engagement, traffic patterns (when people are in/near your locations), stay durations, and messaging effectiveness.

By combining this collected information with online information and web browsing behaviors a business can improve user experience, increase engagement, and better understand user behavior.

This same information can also be used to target folks who have previously visited certain locations, to create customized follow-up

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messaging.

Personalized Customer Experience

Geofencing also allows you to personalize the customer experience. If you're marketing to a specific area, you can utilize the demographics of that local population and customize your promotions accordingly.

For example, if a popular, local high school basketball team is doing really well this year, you could utilize that information to create some customized promotions (for example, 1 free coffee every time the Panthers win!).

Competitive Advantage

When thinking about where to put your virtual fence, consider not just your own physical location, but where are your customers likely to be? It may not always be where you are.

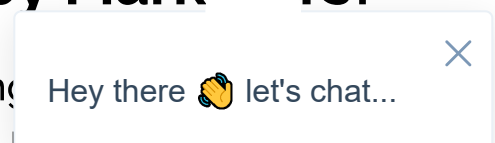
Utilizing this tactic has proven hugely successful for many big brands. Why? Because geofencing provides the ability to draw prospects away from the competition.

Back in 2016, Dunkin Donuts famously utilized geofencing technology to lure customers away from the competition by creating geofences around other coffee shops in the area and sending targeted ads to those prospects. Of the 36 percent that clicked on the offer (a coupon), 18 percent saved the coupon and 3.6 percent returned to redeem their coupon.

How Is Geofencing Being Used by Marketers?

There are a multitude of ways to utilize geofencing. Below we go through some of the most common uses.

Brand Application: Many businesses have developed their own app, which consumers download, and of which marketers use to send in-app



notifications when a user enters a geofenced area.

Text Engagement: We've all seen the "terms and conditions" required when we're asking to receive something from a business (a white paper, an email subscription, a new account set-up, etc.) and often we leave that little box checked that says something along the lines of "It's ok to send me text messages" after which a business is then free to text you promotions. But no business is going to want to waste valuable marketing dollars sending text messages every-day. In comes: geofencing. Text messages are only sent when a consumer enters a geofenced area.

Third-Party App: Let's say you don't have your own app, you can utilize third-party applications to send your own notifications. For example: a coupon app can be utilized by a restaurant to send coupons once a consumer enters a geofenced area.

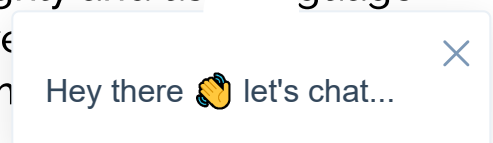
Social Media Ads: All the major social media platforms (Facebook, Instagram, Snapchat, Twitter) have geofencing capabilities. Through these platforms you define your radius, and ads are sent to consumers when they enter that geofenced area.

Web Ads: Similar to social media ads, ads are served to consumers once they've crossed into a pre-defined geographic area utilizing web search platforms such as Google.

Tips for Implementing Geofencing into Your Marketing Strategy

First and foremost, you'll want to know—really know—your target demographic. Because this is highly targeted, location-based marketing, you'll want to understand your customers thoroughly and use language that will appeal to them. A product or service advertisement in New York, should feel different from an advertisement for the same product or service in Fulton, California.

Limit Your Scope



Next, you'll want to limit your geographic scope.

You don't want to have a geofence that is too large, or it will lose its effectiveness. Take, again, the Sephora example. If the young woman was 30 miles away from Sephora, it's highly unlikely she'd be keen to travel the distance just for free lipstick.

The general rule is to keep your geofencing to a four- or five-minute travel radius (walking or driving). That seems terribly small but remember: The magic of the geofence is that it is targeted to prospects who are literally minutes away from your place of business. This will of course vary, depending on average drive times in your area.

For example: If your business is in an extremely rural area, you'll want to add a few miles to that geofence to increase your capture rate.

Clear Call to Action

This should be a given, but it's worth noting: You'll absolutely want to have a clear call to action that requires immediate action.

The reason geofencing is so effective is because you're targeting folks currently in your demographic area—so give them a clear and immediate reason to walk through your front doors.

Geofencing doesn't work if it's simply marketing messaging that amounts to a general announcement, such as a grand opening or long-term promotions like "25% Off All Week." Be more succinct and create urgency with your messaging when geofencing (e.g., Last day to get 75% off storewide!).

Multiple Marketing Techniques

Make sure to utilize multiple target marketing tech

As with any marketing plan, you won't receive a high ROI utilizing just one strategy. Mix geofencing with content marketing, remarketing, search

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engine advertising, display advertising, and video advertising (just to name a few) in order to customize and target multiple, specific audiences.

It should be noted that Google Adwords, Facebook, and Instagram all support geofencing at no additional charge.



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The Busy Marketer's Guide to Converting Leads into Customers

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ABOUT THE AUTHOR

AMBER KEMMIS was formerly the VP of Client Services at SmartBug Media. Having a psychology background in the marketing world has its perks, especially with inbound marketing. My past studies in human behavior and psychology have led me to strongly believe that traditional ad marketing only turns prospects away, and advertising spend never puts the right message in front of the right person at the right time. Thus, resulting in wasted marketing efforts and investment. I'm determined to help each and every one of our clients attract and retain new customers in a delightful and helpful way that leads to sustainable revenue growth. [Read more articles by Amber Kemmis.](#)



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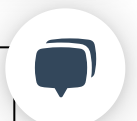
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