

Beacon Ad Network: The Best Way To Destroy a Developing Industry

While some beacon companies turn to Ad Networks as a savior,
doing so would destroy the industry.

By
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A year and a half ago Apple released "iBeacon," a marketing name for a software callback added to the iOS Operating System SDK. To marketing teams at Entertainment, Hospitality and Retail Companies, it was as if Apple had sent an edict as to the future of marketing. It seemed, and continues to seem based on news reports, as if beacons are now at the core of every marketing campaign. However, all those months later, the number of real world implementations are miniscule.

One of the first stated implementers of the technology was Major League Baseball at stadiums across the US.¹ Two seasons later, the technology is deployed at a small subset of stadiums and is delivering only a single welcome message² through an application that has downloads of only eighty thousand compared to the tens of millions who visit a ballpark each year.³ With the Apple iBeacon announcement has come thousands of "beacon" companies. Every company premises itself on the amazing vision of content being delivered in aisle. However, many of these companies are currently closing shop or pivoting as hardware prices dropped, initial enthusiasm has waned, and companies come to term with the fact that **large enterprises buy complete turnkey marketing solutions, not hardware.**

So far the story follows a typical arc for a technology; initial outpouring with many competitors, natural pivots and closings as the market is widowed down to the few companies providing an adequate solution. The problem is that as beacon providers have struggled to effectively sign up and integrate with enterprises, many in the industry have turned to an Ad Network as the saving grace.⁴⁵⁶ The premise and promise is that instead of convincing retailers of the value proposition, Proximity companies instead try to integrate their SDKs into a variety of 3rd party applications and hope to deliver across networks of physical devices installed in malls, retailers etc. The recent Lord and Taylor press release stated that the company had

¹<http://appleinsider.com/articles/13/09/27/mlb-stadiums-to-deploy-apples-ibeacons-for-fan-convenience-inter-activity>

² <http://www.engadget.com/2014/03/28/san-francisco-giants-mlb-ibeacon/>

³ http://xyo.net/iphone-app/mlb-com-at-the-ballpark-L84M_oY/

⁴<http://www.prnewswire.com/news-releases/conde-nasts-epicurious-becomes-first-media-brand-to-leverage-beacons-in-stores-joins-inmarket-mobile-to-mortar-platform-255335781.html>

⁵ <http://www.buzzfeed.com/josephbernstein/exclusive-hundreds-of-devices-hidden-inside-new-york-city-ph>

⁶<http://www.providencejournal.com/business/press-releases/20141020-swirl-set-to-transform-60-billion-shop-per-marketing-industry-with-launch-of-first-in-store-mobile-ad-exchange.ece>

embraced Proximity Marketing in its stores.⁷ What was not stated explicitly was that the app being used is a 3rd party coupon app and the Lord and Taylor app does not include any proximity functionality. Unnamed sources at Lord and Taylor informed us that the quoted cost for integration was in the ten of thousand of dollars but that was deemed too expensive. To a company with approximately one million in rev per store last year, this shows a disappointing precedent of being unable to produce even a small amount of value from proximity marketing. This is not the utopian or even dystopian vision of beacons everywhere, this is a big tease.

What's the danger of Proximity Marketing taking the easy road of integrating with and creating Ad Networks instead of direct with retailers⁸?

- The danger is that the public's first interaction with Proximity Marketing will be for a game app to suddenly send twenty notifications as a shopper travels through their grocery store.
- The danger is that the Retailer will lose the ability to personalize, to learn from its customers, to improve and strengthen its brand and sales.
- The danger is that the entire Proximity Marketing industry will be permanently damaged. Instantly the power of proximity will be branded by consumers as a spam mechanism for coupons.

The problem with the ad network approach is one of ownership. Because Proximity Marketing is a complex process that requires a retailer, a physical beacon, a smartphone application, interesting creative, feedback mechanisms to control rate of delivery, notice and choice and more; this is not something that fits into the standard agency model of a quarterly ad buy. When the retailer is not the owner of the experience, then the policing of the content and the relevance is left to the Ad Network which is interested in impressions not in long term value add to the consumer. Proximity technology has the promise of being a powerful weapon in the physical retailers fight against ecommerce; it lets the retailer own the physical and digital experience, giving customized experiences and value to the customer.

So what's to be done?

There are retailers who are staying the course. At Signal360 we have the pleasure of working with many NRF100⁹ retailers who chose us because of our turnkey and complete solution. Today we have won the RFP's, integrated into the apps and are deploying at major retailers across the country without sacrificing consumer experience for a seemingly easier path.

What does the future of Proximity Marketing look like? A few proximity marketing providers will offer complete and turnkey systems to assist retailers deliver in house proximity marketing. These well crafted and contextual messages will meet with mostly intrigue and

⁷ <http://mashable.com/2014/07/28/lord-taylor-ibeacon/>

⁸ <http://www.providencejournal.com/business/press-releases/20141020-swirl-set-to-transform-60-billion-shop-per-marketing-industry-with-launch-of-first-in-store-mobile-ad-exchange.ece>

⁹ <https://nrf.com/resources/annual-retailer-lists/top-100-retailers>

interest by consumers as we have seen with our implementations. As consumers become more familiar with the technology and the use cases, and on a case by case affiliate basis, brands will be allowed to deliver into the retailers apps and select 3rd party applications. This will open the door in a controlled way and most importantly keep the ownership with the retailer. Ever since the dawn of the Internet, retailers have seen many of their advantages chipped away. Not so with proximity, retailers will finally own their physical as well as digital space.

Count us in to that vision. That's something we want to be a part of. Because in the end its what will be good for the consumer and thats what matters.