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Location is Elemental ™

At the Intersection of E-commerce and IP Intelligence: Geolocation Strategies for Today's Online Retailer

Retail Has Come a Long Way, Thanks to Technology

There's little doubt that technology innovation has changed—and continues to transform—the shopper-seller relationship. During the '90s, the majority of consumers still shopped in person at retail stores, even as the Internet opened up an entirely new channel to sell goods and services. In the new millennium, more retailers found themselves gravitating toward e-commerce as a viable means to reach consumers. However, consumer acceptance was slow as shoppers worked to move past their fears of conducting business online. They "shopped" online, but still bought in-store. Today, this trend has made an about-face. Now, consumers are more likely to shop in retail stores to touch and feel, but buy online because prices are better. The rapid adoption of smartphones and tablets further enables consumers' ability to shop online–right from the aisle of any brick-and-mortar store.

Driven in large part by new mobile technology, e-commerce growth shows little signs of fading. eMarketer estimates that global e-commerce revenue will reach more than $2.3 trillion by 2017.[1] And, mobile commerce is on the rise. In 2014, desktop-based digital commerce grew 13 percent (to $236.9 billion) while mobile-based commerce more than doubled that rate with a 28 percent increase (to $31.6 billion). The mobile monetization gap remains. Currently, mobile commerce accounts for 60 percent of digital retail engagement as measured by "time spent," but only 13 percent of dollars.[2]

Also fueling the global e-market will be the rise of borderless shopping communities. These locally global marketplaces use new models that provide sellers of any size, anywhere in the world, with the opportunity to expand their operations internationally—without the extensive costs customarily associated with establishing local delivery methods, warehouses, etc. Sellers will be able to promote their products to international shopping communities, and only allocate resources based on real-world demand.

In today's ultra-competitive online retail market, possessing accurate and reliable data about your audience has never been more crucial, regardless of whether you're the specialty retailer on the corner or a Fortune-500 corporate giant. What mthis yearmunications with customers. To truly engage consumers now and into the future, retailers must learn how to harness user-specific data to provide timely, personalized and relevant communications. Applying key parameters, such as geographic location, allows the right messages and content to be served to the right people at the right moment in their decision-making process.

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This whitepaper discusses how companies can incorporate Internet Protocol (IP) Intelligence—the wealth of information gleaned from a customer's IP address—into their e-commerce initiatives to better—and instantly—connect with online shoppers. Strategies discussed in the paper include those aimed at decreasing website abandonment and increasing time spent on sites; driving both online and offline sales; and strategically addressing a growing international audience base.

E-commerce is Strong and Only Getting Stronger

2014 was a stellar year for retail e-commerce across the globe. For the United States, growth rates versus the prior year remained in double-digits to significantly outpace growth at brick-and-mortar retail, bringing the digital retail commerce total to $268.5 billion in the United States alone.[3]

Sales continue to grow and the top-selling categories continue to evolve. Most recently, in 2014, sales in Digital Content & Subscriptions saw the most growth over 2013 (27 percent) followed by Consumer Packaged Goods (21 percent) and Apparel & Accessories (20 percent). Interestingly enough, sales in Computer Software actually experienced a decrease of 4 percent during that same period.[4]

According to Juniper Research, global e-commerce sales will increase by nearly 17% to $1.7 trillion by the end of 2015.[5] Leading this charge are China, the United States, and the United Kingdom who alone are projected to generate over $800 billion in online sales this year while a new wave of growth has seen emerging markets in Latin America and Asia-Pacific soar by 20 percent and 30 percent respectively.

Much of this spike can be attributed to growth in emerging markets; the rise in mobile and social commerce; and the ability to sell into new markets that were previously unreachable. Furthermore, as the distinction between retailer and etailer becomes increasingly blurred, more shoppers will turn to the web to research products, seek recommendations and ratings, and weigh purchasing decisions, thus continuing to fuel the growth of global e-commerce.

Whether today's e-commerce consumers are direct shoppers (those who know what they want and shop quickly for it), bargain hunters or information seekers, they more than likely will start their online shopping in one of two places: at a specific merchant's website or on a comparison shopping site.

With the average user's time spent visiting websites clocked in seconds, not minutes, companies have only a short window of opportunity to make a direct connection with visitors.

Making a Good First Impression Pays Big Dividends

Site usability plays a huge role in attracting and retaining the attention of online buyers. Retailers that cannot create an instant connection with shoppers will more than likely be left holding the bag as customers and prospects take their business elsewhere.

Although the Internet now makes it possible for consumers globally to shop online, many companies are beginning to understand that merely constructing a website does not mean an instantaneous spike in sales. E-businesses have come to realize the importance of engaging the global customer in a way that has previously been difficult in cyberspace. By implementing technologies with strong geolocation capabilities, online enterprises can now stock their virtual shelves with goods and services that meet users' needs based on geographic location as well as interact with customers on a local level across multiple devices—much like the offline world.

When analyzing the role of location in the offline world and the way it affects products, pricing, promotion and distribution, it makes sense to present online shoppers with merchandise and information that is relevant to where they live. For example, seasonal items may actually have a longer shelf life in certain regions, so why not keep cold weather gear on virtual shelves for visitors from the north or highlight bikinis during the month of December for visitors from Miami?

Additionally, for international retailers, why not show the rest of the world that the site caters to a global audience by automatically redirecting users to a country-specific website or presenting pricing in native currency? Merchants can also proactively drive offline sales by highlighting the nearest retail locations or presenting coupons for in-store use based on a shopper's geographic location.

With the online business world clamoring for new and better ways to expand reach at a relatively low cost while enhancing end users' web experience, technology promises to deliver an in-depth view of the Internet that will allow for more tailored messaging and content by illustrating the inter-relationship of geography and e-commerce.

Digital Element's IP Intelligence and geolocation technology, in particular, can empower organizations to bring crucial offline decision-making factors to the world of online commerce. By identifying information about online visitors and shoppers such as where they are located, e-merchants can serve relevant merchandise, content and promotions—in real-time. In today's crowded retail space, making a good first impression—one that shows that a company is working to make life easier for its online audience—can go a long way in decreasing shopping cart abandonment and increasing repeat site visitors.

Create a First-touch Advantage With IP Intelligence

Reaching out to consumers online involves a complex myriad of steps that begins with the first customer "touch." Instead of simply trying to sell something online, businesses are vying for ongoing consumer dollars and loyalty, which involves engaging the customer in a way that can be difficult in cyberspace. Companies can improve their e-business practices and use their online channel to perform a multitude of tasks, quite simply, by making the first online interaction a meaningful one.

One marketing tactic that has been missing in the online world is the ability to effectively reach out to consumers without first asking for something in return. For example, in the current e-business world, for users to receive information that matches their unique tastes, they are required to give away a piece of themselves in the form of personally identifiable information such as name, age, etc. And, more often than not, consumers are unwilling to part with such valuable—and personal—information for fear that it will be mishandled or sold to a third party.
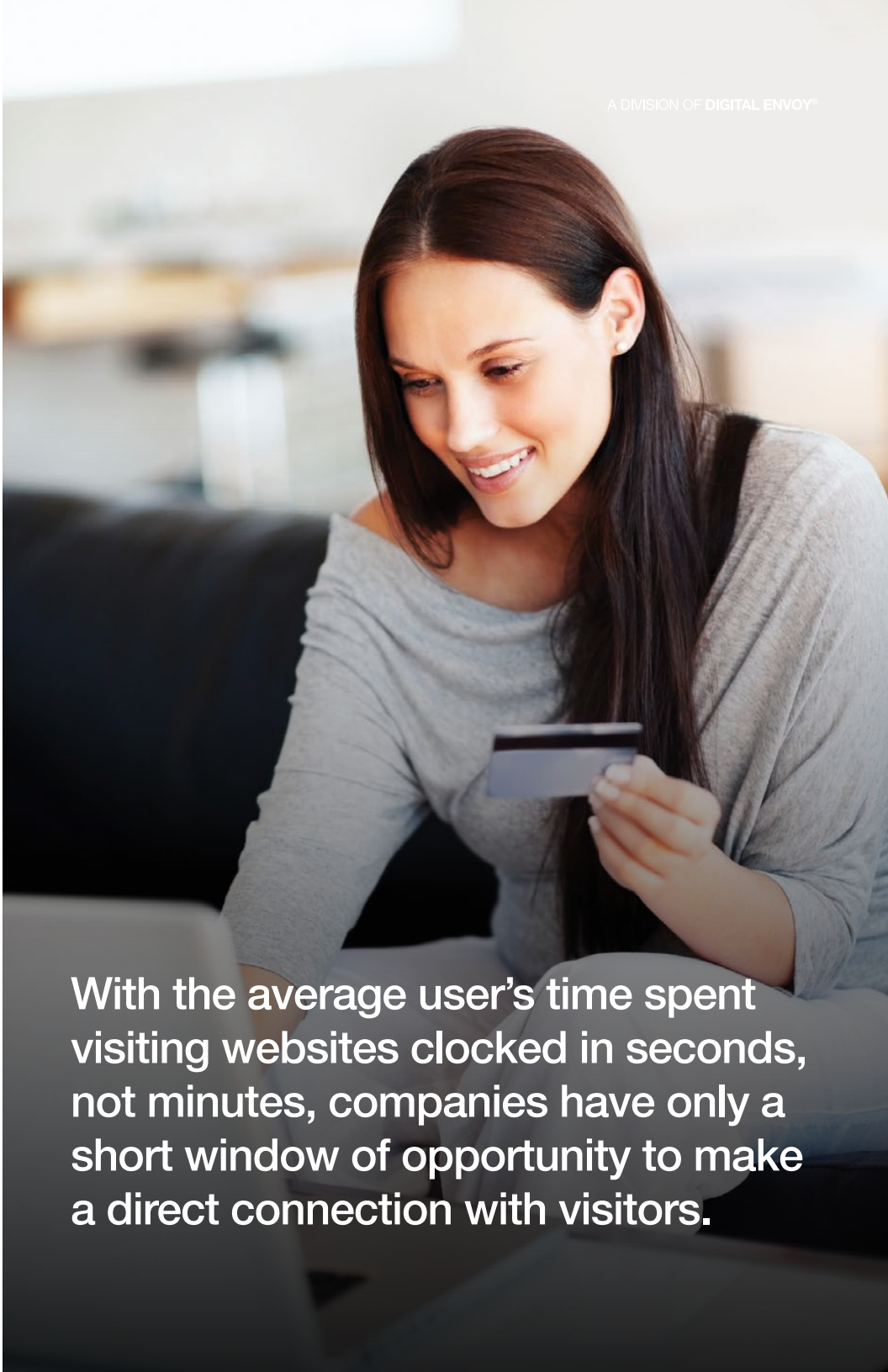
But, what if companies could reach out to customers without asking for anything in return and begin the relationship process from the moment they visit a website? Though impossible in the past, this new type of business intelligence—IP Intelligence—can improve the way companies begin growing their long-term customer relationships.

Appeal to Consumers Where it Matters Most–Close to Home

IP Intelligence provides comprehensive information about an online user such as geographic location (country, region, state, city and ZIP/postal code), as well as connection speed, Internet Service Provider (ISP), language, domain name, demographics, Wi-Fi and mobile connections——all based on a user's IP address.

By utilizing IP Intelligence, enterprises now have a way to reach out to an untapped and previously hard-to-reach online audience—the unregistered user—and begin to build a solid relationship by offering products, services or useful information that appeal to the user where it matters most—close to home.

Previously, there had not been a way to reliably extract such information about online users unless they provided the information. Not to mention, using third-party databases and other such methods to gain customer insight have proven less than accurate. Some widely used techniques such as cookies, which plant a small file on the user's computer to trace online activity, are considered extremely invasive by a growing number of Internet users who are turning them off to avoid being watched by "Big Brother."

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By utilizing IP Intelligence, retailers now have a way to reach out to an untapped and previously hard-to-reach online audience— the unregistered user—and begin to build a solid relationship by offering products, services or useful information that appeal to the user where it matters most—close to home. For example, if a prospect visits an online retailer for the first time, chances are it is a hit-or-miss experience as to whether or not products shown online match the tastes of the visitor. But with IP Intelligence, retailers have a much better shot at automatically targeting the user in a way that is relevant, such as showing localized promotions, offering community-based information and services, or serving up rich media content if the IP-address—or user—is deemed to have a high-speed connection.

IP Intelligence Gives E-Merchants Multiple Solutions with Multiple Benefits

Whether used as a standalone technology or as part of an enterprise platform, IP Intelligence provides benefits across multiple e-commerce applications.

Content Localization

Because e-tailers have an estimated eight seconds to make a good impression online, they need the ability to present visitors with customized content on the fly to help simplify and enhance the customer experience. For example, an outdoor outfitter may present promotions on goose-down parkas to those visitors from Chicago (in the middle of winter) instead of top-of-the-line swimwear. That same retailer may also automatically show the nearest retail location instead of asking users to "Select a Store."

For big-box retailers, IP Intelligence allows them to automatically set pricing regionally. And, as retailers continue the trend of building social networks within their websites, they will need a mechanism to deliver customized content (i.e. information, products, coupons, promotions, etc.) that resonates within these socialized communities as well as regionally-based buyer groups.

Language

With web demographics encompassing a wider spectrum of users from around the world, a language gap has developed for companies offering global e-commerce websites.

Speak The Language

Speak to your customer with IP Intelligence

IP Intelligence enables companies to expand e-commerce across cultures and markets by offering a solution that recognizes an end user's location and automatically delivers content that is specific to their location in their preferred language.

By offering web content to end users in their native languages, e-businesses are able to drive the e-commerce process. In fact, research demonstrates that shoppers are three times more likely to buy products from websites in their native languages, while two-thirds of online shoppers will immediately click away from a site in another language. If an online business does not make language accommodations, it will more than likely shut out a large percentage of its global purchasing population.

Taxes and Tariffs

Tariffs and taxes vary from country to country, and the challenge of compliance has been an ongoing problem for the e-commerce industry. For example, the European Union (EU) value added tax (VAT) rules require non-EU vendors selling electronically supplied goods and services to EU consumers to determine and charge VAT based on a customer's country of residence. Global e-commerce vendors can now turn to IP Intelligence technology to automatically pinpoint the geographic location of online customers based on the information provided by their IP address once they log on to a website.

The benefit is twofold here. Online shoppers are more informed about the impact of such tariffs that many times significantly drive up the cost of products and services. And, by taking advantage of accuracy rates of well over 99 percent at a country level and more than 97 percent at a city level worldwide, e-businesses can be confident that they are complying with such regulatory issues.

Currency

Just as important as providing language-specific content, so, too, is the need for any global e-tailer to offer currency-specific pricing to enhance the success of its international sales revenues. The true challenge comes as international online businesses try and quote prices to customers in multiple currencies that remain in a constant state of fluctuation in today's volatile, global economy.

However, this is no longer an issue. IP Intelligence enables online businesses to automatically sell their products and services in local currencies without risk. For example, a foreign exchange solution not only enables American online merchants to automatically display guaranteed, final prices in local currencies, but also allows them to receive exact and expected payments in U.S. dollars—without foreign exchange risks and associated costs.

Fraud

IP Intelligence enhances the value of existing risk management solutions by establishing a real-time authentication checkpoint.

Fraud continues to be an enormous concern for e-businesses in a global marketplace. Unlike the traditional offline world where banks often absorb the cost of fraudulent credit card transactions, online merchants are typically responsible for these charges.

IP Intelligence allows e-tailers to identify suspicious behavior such as repeated site access from countries with a high rate of fraud or allow them to automatically reject orders from questionable overseas IP origination points.

Digital Rights Management

Online merchants are confronted by a variety of national laws, especially those that relate to exclusive Internet distribution rights for digital media assets. With traditional media, content providers divide distribution rights based on geography, but it has been a challenge for e-businesses to erect geographic distribution borders on the borderless Internet.

Without the ability to establish territorial rights, companies would be limited in their ability to distribute products because there would be no way to enforce access rights. Yet, with IP Intelligence technology, companies can now administer their online businesses successfully by addressing content issues such as copyrights and syndication by permitting or restricting access to their products based on the location of website visitors.

Fill the Mobile Gap with IP-based Geolocation Technology

With over 3.6 billion unique mobile subscribers at the end of 2014, half of the world's population had a mobile subscription (up from only 20 percent just a decade ago).[6] Growth is led by China and India, which now account for more than 30 percent of world subscribers. Mobile device sales have already passed PC sales, and Gartner predicts tablets will follow by the end of 2015. And with adults now spending 21 percent more time each day on mobile devices than on desktops, the mobile shift is showing no signs of slowing down.[7]

In most instances, in order for retailers to take advantage of location-based services to deliver targeted ads, promotions and/or coupons, mobile users must opt-in to GPS tracking applications on their devices. What happens, then, to those people who don't opt in to GPS tracking? A large percentage of mobile device users who choose not to opt-in to location-based services actually exists.

Without this targeting capability, retailers may be losing between 40 to 50 percent of their

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revenue opportunities. However, marketers can still successfully target those users "on the go" with IP-based geolocation technology. This solution helps fill the mobile gap, allowing retailers to target mobile users by location as they move between wireless and WiFi networks.

IP-based geolocation gives retailers the capability to touch mobile consumers in some type of personalized fashion based on location (and without invading users' privacy). Retailers can now serve customized and localized content to consumers who access the Internet from either public WiFi hot spots or home wireless networks. And, studies are starting to show an increase in the number of people accessing WiFi. According to Cisco, 80 percent of the time, people connect to the mobile Internet from their home, office, or other indoor location—all areas that are addressable by Wi-Fi. [8]

So, for example, if a consumer is having a cup of coffee at the local Starbucks in Leeds, England, (Postcode LS8 2ET) and using his mobile device on the Wi-Fi network there to search for upcoming concerts, then Live Nation could show upcoming shows at the 02 Arena.

IP-based geolocation technology is not by any means meant to replace true mobile geolocation—but just to fill the gap and give marketers the ability to localize some content and messages where they would simply not have had that capability previously.

Engaging Consumers, Creating a Virtual In-store Experience Are Key for Future Success

IP Intelligence is becoming a pervasive technology, fundamentally reshaping e-commerce applications and associated transactions.

So, in deploying a global e-commerce initiative, it is important to remember that customers can be from anywhere in the world via the Internet and that languages and customs are different everywhere. By automatically building IP Intelligence into an e-commerce platform, companies can gain an advantage as they begin to build solid, global relationships based on connecting with consumers within the parameters of when, where and how they want to be reached as well as providing relevant, personalized information that resonates with their culture and lifestyle.

While the online channel is simply one piece in the development of long-term customer relationships, it is becoming increasingly important as more and more consumers turn to the Internet as a primary source of information and research. Additionally, the brisk growth of mobile will continue in 2015—and beyond—as consumers become more familiar with shopping via tablet devices and smartphones. These web-enabled mobile devices will continue to transform the e-commerce channel by offering innovative ways to engage consumers and give them a virtual in-store experience 24/7.

By using IP Intelligence to more effectively reach key consumer segments in new and meaningful ways, e-businesses can help drive new sales, identify cross-sell and up-sell opportunities, and grow the long-term value of their customers–across all their channels.

About Digital Element

Since 1999, Digital Element has been providing global geolocation solutions that bring anytime, anywhere relevance and context to online initiatives – from desktops to mobile devices. The company's patented technology has been certified and accredited to deliver real-time access to accurate and reliable location intelligence without invading internet users' privacy. For more than a decade, many of the world's largest websites, brands, ad networks, social media platforms and mobile publishers have trusted Digital Element's technology to target advertising, localise content, enhance analytics, and manage content rights as well as detect and prevent fraud. Visit www.digitalelement.com for more information on how to bring the power of location to the online world. Follow us on LinkedIn and Twitter @DigitalElement and like us on Facebook.

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For more information on how to uncover new levels of insight about online users, please visit www.digitalelement.com. Digital Element is a business unit of Digital Envoy.

[1] http://www.emarketer.com/Article/Global-B2C-Ecommerce-Sales-Hit-15-Trillion-This-Year-Driven-by-Growth-Emerging-Markets/1010575

[2] 2015 U.S. Digital Future in Focus Report by comScore

[3] http://www.emarketer.com/Article/Global-B2C-Ecommerce-Sales-Hit-15-Trillion-This-Year-Driven-by-Growth-Emerging-Markets/1010575

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