

Northern Illinois University Consumer Behavior

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Chapter 4 Case**We Know Where You Are**

With the ever-expanding role of technology into our present-day activities, marketers have come to realize that every mouse click on the Web and every electronic device, such as a smart phone, may help marketers maximize the likelihood of expanding their customer base. With the aid of smart phones that signal an individual's location, a number of companies today—among them Starbucks, Tasti-D-Lite, and Pepsi—have been able to obtain information in real time regarding when and where customers are shopping. These companies have been able to turn this information into virtually loyalty-card programs through partnerships with the location-based network Foursquare. With information provided by Foursquare, retailers can track when consumers visit the store, how long they remain in the store, as well as learn other information such as customers' age and gender.

Foursquare is a type of "social application meets game." Consumers who join elect to broadcast their whereabouts and sign up for the company's services. With just a keystroke on their smart phone upon arriving at a location—such as a store, bank, or restaurant—members can "check in" to earn and accumulate points, that can later be redeemed for products, offers, or charitable donations. Foursquare allows participants in the program to compete in order to become the "mayor" of a particular site or the person with the highest number of check-ins at that site. Other rewards include badges, such as the "Bender" badge, or "Don't Stop Believin" for a stated number of check-ins at bars or karaoke lounges.

Companies also have a choice of weaving Foursquare into their loyalty programs. For example, Tasti-D-Lite recently did so. When customers register their card online or visit Tasti-D-Lite's loyalty website, they can click to link the card to their Foursquare account. Doing so allows them to accumulate Foursquare check-in points as well as Tasti-D-Lite loyalty points at the same time.

In the case of Pepsi, in addition to its Foursquare program, the company separately added "Pepsi Loot," an app that focuses on more than 200,000 restaurants, including chains such as Taco Bell. As consumers travel around with their smart phone, this app points out participating Pepsi-serving restaurants on a map as well as displays their menus. It further allows consumers to sign in to these locations and accumulate points toward music downloads.

Other examples of companies that use similar programs include Macy's and Starbucks. Macy's participates in a program called "Shopkick," which sends offers to customers when they are in or near a Macy's store. Starbucks offers Foursquare "badges" after customers have visited a certain number of Starbucks coffee shops. These badges entitle Starbucks customers to a variety of rewards and privileges.

The location-base application concept has proved to be particularly beneficial in the case of consumer packaged goods, where it is important to get consumers into a store in order to generate sales. Rewards appear to be an effective means of getting consumers to participate in such programs. Firms that offer consumers added value can create the necessary drive that moves them to act.¹

1. "Big brother has arrived at a store near you," *Bloomberg Business Week*, (December 19-25, 2011), pp. 41-43; Stephanie Clifford, "Linking customer loyalty with social networking," *The New York Times*, April 28, 2010, <http://www.nytimes.com/2010/04/29/business/media/29adco.html?pagewanted=print>

Chapter 4 Case Questions

1. Companies that partner with Foursquare to implement their loyalty program claim that the results have proved to be positive in generating volume and widening consumer participation. From a learning point of view, what are the principles on which this program is based? How would you explain the success of this program?
2. Among tech company's innovative efforts to track consumers today, a firm known as 3VR in San Francisco has developed facial recognition software that can identify shoppers' gender and approximate age—information that helps retailers profile consumer demographics and tailor their promotions. Others, such as Path Intelligence Company, which tracks a shopper's phone signal and follows it through a mall, is able to recognize the nationality of a shopper by using the country code at the start of a phone number.

From the perspective of privacy concerns, what do you think about such systems—especially when they are implemented without the knowledge or approval of shoppers? What kind of laws would you propose to license and regulate such practices?

- 3. Advocates of consumer tracking systems argue that some companies that use tracking procedures should first obtain consumers' approval to be tracked. For example, in the case of Foursquare, customers freely elect to broadcast their location by signing on to the company's services. Of course, signing up is the only means by which shoppers can earn and accumulate loyalty rewards points. To what extent do you agree with the advocate's defense? Are consumers being manipulated to sign up due to their eagerness to earn the rewards? Defend your answer.**

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