Location-Based Interactions with Geographically Targeted Advertising

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Abstract

Recent advances in technology make a more fine-grained targeting of consumers possible, for instance, based upon their location. Extant investigations on the effect of location in geographically targeted advertising have focused on proximity-based co-location measures or situational variation at a location (e.g., weather) and have not taken into account the characteristics of a location itself. We suggest that location characteristics interact with targeted ads in that ads are likely to be more effective in highly developed and closely integrated locations. We conceptualize location through the lens of scaling, a perspective that captures the underlying theoretical rationale (geosocial networks), allows operationalizing location with data from open-source map data, and offers a parsimonious integration of location in advertising models. In a large field experiment of geographically targeted and not-targeted promotions of a retailer, we find that a greater location scale increases the effectiveness of the ad but reduces the effect of the discount level. Thus, location (measured by scale) could be an important driver, moderator, and control variable in advertising studies.

Keywords: *targeting; location; scaling*

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