

# Location, Location, Location

Knowing the geographic location of an online customer can help a retailer reduce fraud, meet regulatory compliance requirements and execute more effective advertising and marketing strategies. BY KERRY LANGSTAFF

When customers walk into your brick-and-mortar store, you can tell a variety of things about them immediately or with little effort: age, gender, what they're shopping for, whether they're return customers, etc. But when a customer visits your retail website, you know exactly *none* of these things—where they are, what they want, what brought them in or how likely they are to be crooks. It's an anonymous process.

But did you know that by identifying just one important piece of information about your web visitors—their geographic location—you can prevent fraud, comply with state and national regulations, execute local search and advertising strategies, and even protect yourself from online attack? Think about it: nearly every business decision you make is affected by geography—language, currency, shipping, taxes, licenses, government regulations and more. Knowing the geographic location of your online visitor can provide the same sort of data for an online transaction.

## HOW CAN I ID MY WEB VISITOR'S GEOGRAPHIC LOCATION?

The easiest way to do this is by using a technology called *IP geolocation*, which can tell you where your online customers are and how they connect to the Internet as soon as they visit your site, through their IP address. There's no need to ask for further information or store cookies in their browsers.

IP geolocation already has demonstrated business value in three primary areas for online retailers: fraud prevention, marketing and compliance. In the fraud area, a retailer can compare an online visitor's registration and shipping addresses with his or her actual location to detect suspicious transactions. Online marketers can execute geographically based ad campaigns just as they do in the offline world. Providers of digital content use geolocation to determine a viewer's geographic eligibility to access his or her content. And retailers that are subject to geography-based regulations—pharmacies, for example—use the technology to make sure they only ship products to legal locations.

## IP GEOLOCATION DEFINED

IP is short for *Internet protocol*. This quartet of number sets (217.175.242.5, for example) is an identifier, similar to a phone number, which makes it possible for one computer or network device to connect to the Internet and find another computer or device. However, unlike a phone number, which has an area code corresponding to a specific geographic area, IP addresses can be assigned arbitrarily according to the needs of the entity that has ownership over it.

IP geolocation providers map the more than 2 billion IP addresses on the Internet using a combination of technologies—including proprietary algorithms and a worldwide network of servers—and high-level human research analysis. Up to 30 different fields of data for a single IP address may be offered, including country, state, city, time zone, latitude, longitude and phone prefixes. Some vendors also provide the connection type and speed, and a flag indicating if the visitor is using a proxy server that could be associated with fraud. The system's accuracy in identifying the country where the website visitor is located and, in the U.S. the

city of origin, is in the 90 percentile. There are no privacy issues with IP geolocation. Nothing identifies the visitor or the e-mail address and no personal information is collected or stored. Providers offer access to their databases via an API query or a download.

## FRAUD PREVENTION

There's a good, albeit obvious, reason that fraud is a primary concern for online retailers. Recent statistics on identity theft, credit card theft and various types of transaction fraud project business losses in excess of \$2.5 billion. Crooks are getting smarter and increasingly sophisticated.

You may already use some type of fraud risk scoring method. You may look at whether the buyer is a new or repeat customer, the nature of the purchase (especially a very expensive one), the type of shipping request, credit card security codes and more. But one item frequently overlooked is a customer's location when he or she places an order online. By adding just this one step of comparing the customer's billing address to his or her IP address location, one retailer was able to detect an additional 70 percent of its online fraud.

Not surprisingly, some countries seem to be bastions for Internet fraud perpetrators. In 2006, Nigeria topped the list of countries where offenders used proxy servers to defraud merchants, according to the Federal Trade Commission. Obviously, a retailer knowing that an order was originating from one of those nations would be alerted to take a second look, and maybe a third, before completing the transaction. IP geolocation data can provide that information instantly, so the security rules of the retail site can sound the alarm, and even could be set to flatly reject orders from certain overseas origination points (or, for that matter, from domestic free e-mail services that also have proven to be a fertile ground for fraud).

## MARKETING STRATEGIES

Knowing the location of online customers gives retailers the ability to localize and customize their e-commerce ad campaigns just as you do in the brick-

and-mortar world. Targeting ads based on the geographic location of online shoppers enables you to deliver more relevant messaging or product information, tailored for language, currency and other local priorities—a technique proven successful for increasing sales and building customer loyalty.

Research shows that if people browsing websites see relevant content in their own language, they are 50 to 70 percent more likely to stay on those sites. One widely used geo-targeting application removes the annoying splash page, asking website visitors to select their location from a world map, as well as displaying a language relevant to the country. An international online travel portal for airline flights, hotels and vacation packages uses geolocation to detect the online consumer's location and then displays a sub site containing relevant offers in that visitor's currency and language.

Promotions can be designed to drive traffic to specific locations or push specific events available in those areas. One retailer reported that a localized ad, integrated with localized marketing programs such as radio, TV and outdoor advertising resulted in a 30 to 50 percent higher click-through rate.

Promotions can be designed to drive traffic to certain store locations or to push specific products based on inventory available in those areas. For example, a department store chain with an excess of an item at one particular outlet can target an online 20-percent-off promotion to the area around that outlet, not only generating sales of that item, but saving the expense of moving them to another store or back to the warehouse.

## COMPLIANCE

Pharmacies aren't allowed to distribute drugs across national borders. Software and hardware vendors have to comply with Office of Foreign Assets Control restrictions, which prohibit serving customers in certain countries under sanctions. Like it or not, real-world borders now apply to your online business.

This means you need to know where your Internet visitors are in order to comply with location-based legal requirements. If you don't, you may be at significant regulatory risk. By knowing your web customer's location, you can determine whether a login attempt might be suspicious and even completely block traffic from specific countries to ensure regulatory compliance.

## IS IP GEOLOCATION FOR YOU?

So what should you consider if you're thinking about using this valuable tool? Here are some suggestions:

**Analyze your business in general and your website in particular.** If you aren't able to pinpoint the location of your visitors, then you probably have been unable to fulfill the advertising and marketing potential of your website.

**Examine your fraud protection.** Without knowing where your online customers are located, odds are your fraud protection can be enhanced. Consider one large e-commerce company that decided to go with IP geolocation. The company immediately found mismatches between customers' IP locations and home addresses that previously were undetected. The result: reduction of online fraud by \$100,000 per month.

**Determine if you're spending too much time and money on charge-backs and manual reviews.** Consider the ROI on IP geolocation. The investment can pay for itself within a month if you stop just one fraudulent purchase or reduce one charge-back.

Despite all of the attributes of knowing the location of a website visitor, do not view it as a total solution. Instead, consider it an important addition to your Internet applications. While the values of IP geolocation are many, perhaps the most important deliverable to online retailers is the capacity to help apply the same principle that successful brick-and-mortar businesses have followed since the beginning of commerce: know thy customer. 