

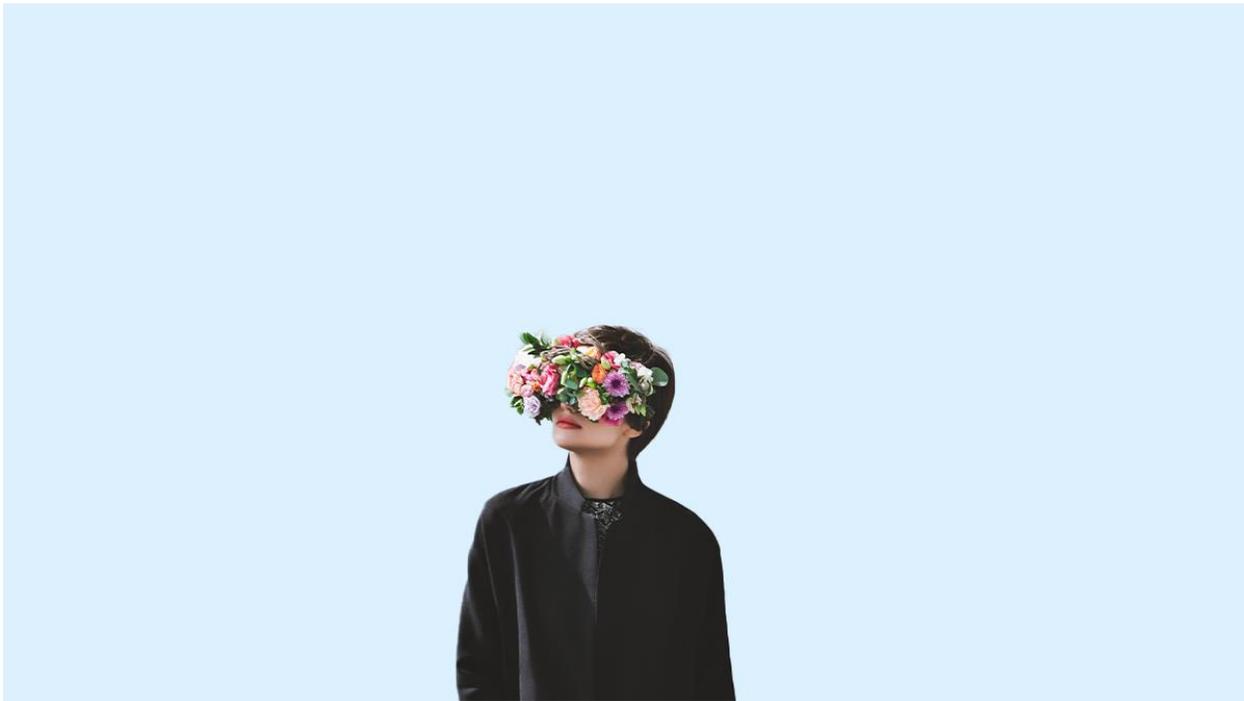
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How AR Is Redefining Retail in the Pandemic

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Summary

Augmented Reality (AR) applications have been on the rise with virtual “try-before-you-buy” experiences ranging from previewing furniture and products in your home with everyday brands like IKEA and Home Depot, to virtually trying on luxury fashion such as Louis Vuitton and Gucci. Once a nice-to-have feature, AR has quickly become an essential technology for retailers. And the Covid-19 pandemic has accelerated the shift to digital shopping by roughly five years. According to a Nielsen global survey from 2019, consumers listed Augmented and Virtual Reality as the top technologies they’re seeking to assist them in their daily lives. In fact, just over half (51%) said they were willing to use this technology to assess products. AR has proven that it can add enormous value for consumers in the shopping journey. Now is the time for business leaders and brands to not only re-imagine retail, but to catapult immersive shopping experiences into the future.

Covid-19 has supercharged all things virtual, propelling industries like retail well into the future. According to IBM's 2020 U.S. Retail Index report, the pandemic has accelerated the shift to digital shopping by roughly five years.

Augmented Reality (AR) applications have been on the rise with virtual "try-before-you-buy" experiences ranging from previewing furniture and products in your home with everyday brands like IKEA and Home Depot, to virtually trying on luxury fashion such as Louis Vuitton and Gucci. Once a nice-to-have feature, AR has quickly become an essential technology for retailers.

When Covid-19 temporarily closed jewelry brand Kendra Scott's stores, the retailer introduced an AR tool enabling customers to virtually try-on different earring styles from the comfort of their homes. Using an iPhone and the Safari web browser (no app was required), customers could safely preview the products directly on their ears and make a purchase.

With many physical stores now re-opening, hygiene and safety are a top priority. In response to the pandemic, beauty retailers such as Sephora and Ulta prohibit customers from physically testing makeup products on their skin. Retailers are instead turning to AR to help customers digitally test out thousands of beauty products to assist in buying decisions.

Launched four years ago, Ulta's virtual try-on beauty tool, GLAMlab, has seen a surge in usage since the pandemic. Engagement has increased seven-fold, and more than 50 million shades of foundation have been swatched digitally with the app post-Covid.

According to a Neilsen global survey from 2019, consumers listed Augmented and Virtual Reality as the top technologies they're seeking to assist them in their daily lives. In fact, just over half (51%) said they were willing to use this technology to assess products. I fully expect that interest has since soared as we've seen AR shift from being sometimes gimmicky to now solving real pain points for customers, especially amid the pandemic. In fact, e-commerce company Shopify recently released new data that interactions with products having AR content showed a 94% higher conversion rate than products without AR.

Retailers are also beginning to use AR technology to reimagine the digital shopping experience with virtual store fronts. In May, retailer Kohl's collaborated with Snapchat to create Kohl's AR Virtual Closet. Using a smartphone and the Snapchat app, consumers can step inside an AR dressing room, mix and match items, and make a purchase without ever leaving the app (or their home).

Items available for purchase in the Kohl's AR Virtual Closet are continually updated based on consumer needs. The experience launched with top spring styles and shifted to an assortment of active and athleisure items as shoppers searched for comfortable work-from-home apparel. The newest iteration features back-to-school season items with an assortment of Levi's products. Customers can also use the new Selfie Lens feature to picture themselves in the Levi's Trucker Jacket.

Levi's is a brand that is further complementing its AR retail strategy with digital tools like Squad, an online co-watching video app where friends can shop together. The app launched in

April as a way to recreate some of the social experiences people miss and have been craving amid the pandemic.

The next phase of augmented retail will likely be a gamified social experience. Burberry recently partnered with Snapchat on an in-store AR game, and I can see the concept being extended to digital store fronts and virtual closets where you can play, explore, and shop with friends. This coincides with a current trend popular among fashion and beauty brands such as Estée Lauder, Gucci, and Miu Miu: mobile arcade games. Burberry's "B Surf" mobile racing game even featured AR face filters and characters as prizes. Fashion and beauty companies applying this digital entertainment approach are benefitting by connecting with new, younger consumers. "We know that they are living in an increasingly gamified environment both online and offline and we are excited that they can join the Burberry community — and explore our new puffer collection — in this way," said Mark Morris, Senior Vice President of Digital Commerce at Burberry.

Which leads us to another emerging area in augmented retail and digital shopping: virtual goods as commodities. We're already seeing the sale of virtual merchandise from luxury retailers like Louis Vuitton offering digital skins (branded clothing and accessories to dress characters with) in the esports game League of Legends. Consumer spending on gaming loot boxes and skins worldwide is predicted to hit \$50 billion (USD) by 2022.

Virtual try-on experiences are an excellent use case for AR in retail: allowing consumers to preview products to scale digitally in their own homes, on their own bodies, and then instantly purchasing the corresponding physical product. But what if in addition to physical items, you could buy virtual objects, such as jewelry, apparel, or art, for which there may or may not be a physical counterpart? Here's a speculative demo I created last year imagining what that could look like in AR with Apple Pay. Additionally, here's how I imagine this idea working with video-conferencing tools like Zoom. Virtual objects are a way for consumers to interact with, try-on, and even own a part of a brand that might not otherwise be accessible.

The closest example we've seen today of AR goods for purchase has been in the art world. In March, artist Brian Donnelly (a.k.a. KAWS) debuted an AR art exhibition entitled "Expanded Holiday" in collaboration with Acute Art. The app featured AR sculptures you could rent for \$7 per week or \$30 for a month. We're also seeing hints of this new retail model in the digital fashion arena with virtual garments. But instead of dressing characters in games with these "digital skins," we're now outfitting ourselves.

I predict a rise in saleable virtual goods with a new type of augmented retail. Impacted by the pandemic, it's a trend I'm labelling the "digital lipstick effect." The "lipstick effect" has historically referred to consumers continuing to spend on small luxury items, even during recessions and economic downturns. Lipstick as a potentially accessible product becomes a metaphor in today's times, analogous to digital lipstick, or any virtual good.

As I wrote in Augmented Human, the old rulebook of how we understand and interact within the real world no longer applies, and in many ways, the pandemic has been a catalyst for this digital transformation. Physical retail must evolve in response, and AR has proven that it can add enormous value for consumers in the shopping journey. Now is the time for business leaders and

brands to not only re-imagine retail, but to catapult these immersive shopping experiences into the future.