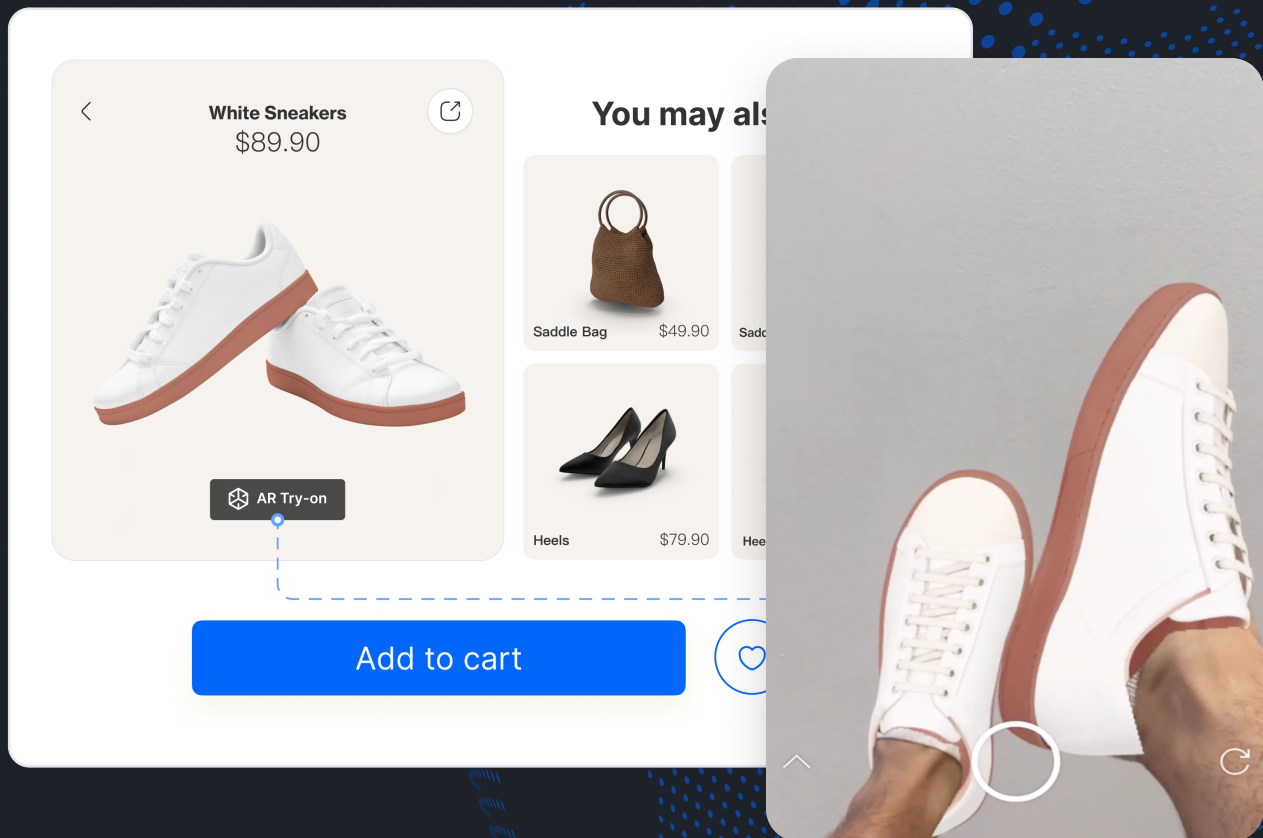




EBOOK

How Augmented Reality is Changing the Shape of Retail

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Augmented Reality is Rewriting the Rules of Commerce

Augmented Reality (AR), a technology that combines digital information with the real-world environment, has gone from pipe dream to reality in just a few decades.

Once a science-fiction concept, AR has rapidly evolved to become a science-based technology that is essential to many businesses, delivering immersive experiences that equal — and at times, even surpass traditional retail and digital shopping experiences.

Despite experiencing a period of rapid expansion, AR shows no signs of slowing down. The AR market is expected to witness strong and consistent growth in the coming years.

The Augmented Reality Market is projected to reach USD 88.4 billion by 2026	The Augmented Reality Market is expected to grow at a CAGR of 31.5% from 2021
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Source: [Markets and Markets](#)

The growth of the AR market is attributed to the surging demand for various AR applications across industries such as:



Retail & E-commerce

Build in and out-of-store, immersive customer experiences



Health Care

Treat patients with precision using enhanced visualization



Real Estate & Construction

For advanced visualization of houses and buildings



Automotive

For advanced visualization of vehicle concepts and prototype engineering



Manufacturing & Logistics

For training, repair, and maintenance processes



Entertainment

Increase user-generated content and fan engagement



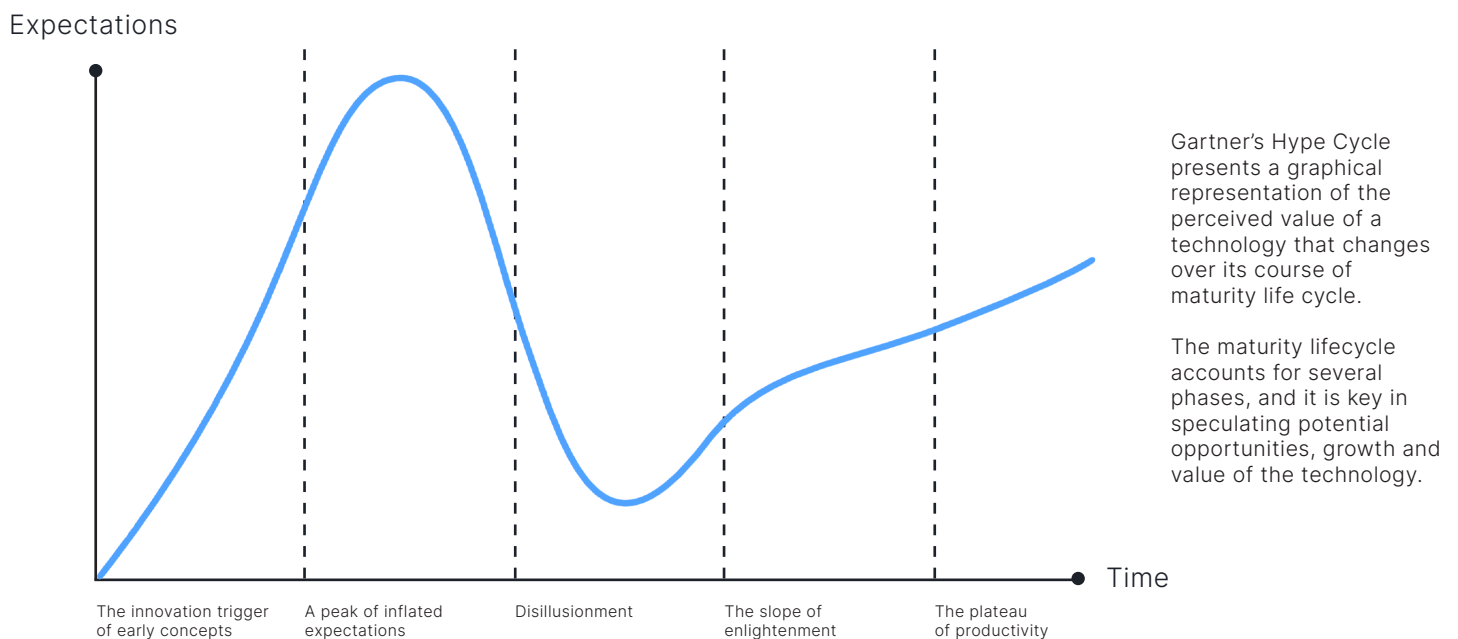
Tourism

Engage consumers with interactive elements and accessible information

Living up to the Hype

When evaluating new and emerging technologies, Gartner's hype cycle is a popular gauge for how a technology or application shifts and evolves over time.

By following the hype cycle, businesses can evaluate and understand the risks and benefits of early adoption of new technology:



AR's journey up and down the curve has been followed by many since 2005. According to Gartner, **AR has matured so quickly that it is no longer classified as an "emerging technology"** and has been officially removed from the hype cycle.

By graduating the hype cycle, it indicates that **AR has moved from "a technology to watch" to "a technology to use"**, effectively establishing itself as industry-proofed and in popular usage. This development is mirrored in the sharp uptake of AR usage, with customers and businesses alike finding value in its day-to-day applications.

Sentiments of AR Experiences

Time waits for no brand.

76%
of consumers
have already
experienced AR

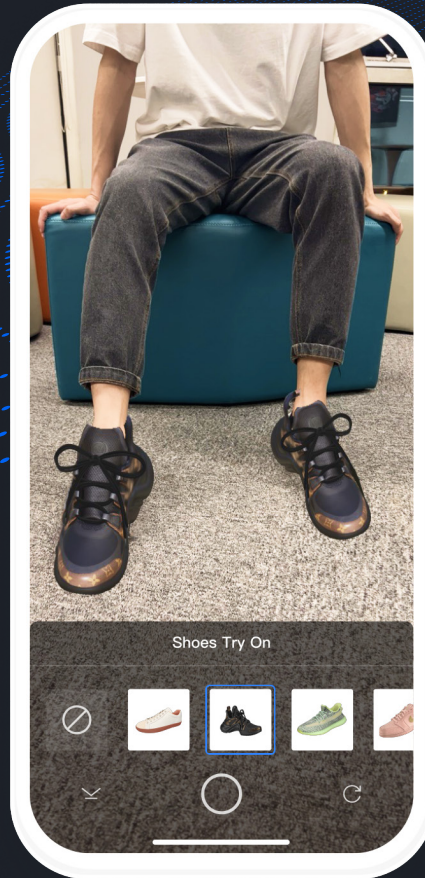
and more than half of those remaining
hoped to do so in the future.

Source: *Camera IQ's Industry Report*

In a world where consumers are inundated with information on a daily basis, businesses are constantly seeking creative ways to break through the noise, stay relevant, and attract audiences.

As AR bridges the disconnect between the digital and physical world, many businesses have deployed AR in their apps to enable realistic in-store experiences at home.

Consumers, led by the maturing Gen Zs, are craving more immersive, unique real-life experiences — increasingly flocking to brands that embrace 'retailtainment', the unique mix of shopping and entertainment.



Rajeev Aikkara, Ex-Vice President of Digital Technology at Burberry:

One thing we are looking towards, in particular, is storytelling. Technologies like VR, AR, and gaming are all going to open up new possibilities for storytelling.

AR is definitely not a new concept to them, and shoppers are looking for AR solutions to assist and guide them in their purchase decision.

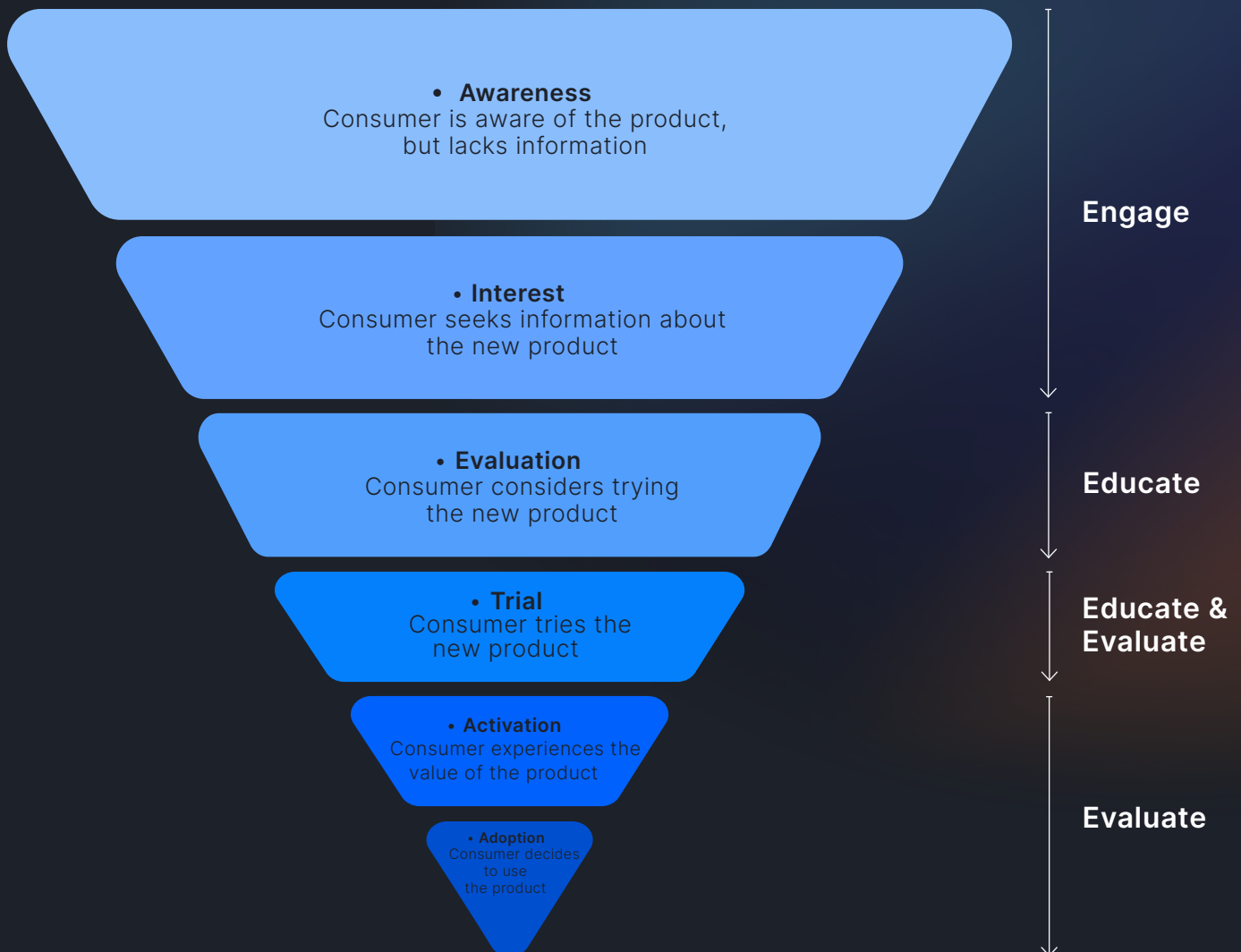
Marketing goals lie in driving memorability

In fact, research studies revealed that *memory encoding is 70% higher with AR* experiences than with regular 2D ads.

Augmented Reality in the Here and Now

Now more than ever, leading brands are leveraging AR to win the hearts of modern customers. AR is used to **engage**, **educate**, and help customers better **evaluate** products.

AR is having a major impact on how purchasing decisions are made, especially as consumers seek more personalized and engaging experiences. Put simply, the three main uses of AR neatly align with the stages of the consumer adoption funnel:



It is worth noting that the consumer adoption journey is no longer linear or mutually exclusive.

Today, modern consumers move back and forth between stages and may even skip stages entirely depending on their needs.

01. Engage

Modern consumers are becoming increasingly desensitized to today's advertising.

As David Ogilvy once said, *"You cannot bore people into buying your product; you can only interest them in buying it."*

Today's consumers crave highly visual experiences. AR greatly appeals to the younger generations, where Gen Zs and millennials are *71% more likely* than Gen Xs and baby boomers to use AR.

Brands are harnessing AR to create novel and engaging experiences for their customers, driving an unprecedented level of engagement. The unparalleled interactivity that AR provides unlocks new avenues for consumers to develop a deeper, emotional connection with brands — effectively building brand awareness, recall, and interest.



55%

of customers admitted that shopping with AR makes the experience more fun and exciting.

• Pepsi



Pepsi installed AR technology in a London bus shelter, making it appear as if a lion, UFOs, flying saucers, and other objects were headed straight for Londoners.

The production showcased Pepsi's playful personality and provided the audience with an exceptional OOH experience. Consumers were compelled to share the story with friends, creating buzz around their brand as a result.

Image Credit: Pepsi

Afterward, a video of the bus shelter's AR technology attracted over six million views on YouTube — making it one of *YouTube's most viewed advertising campaigns*.

Sales for Pepsi Max were up 35% year on year (YoY) for the month the campaign was live.

Source: *Grand Visual*

- **7-Eleven**

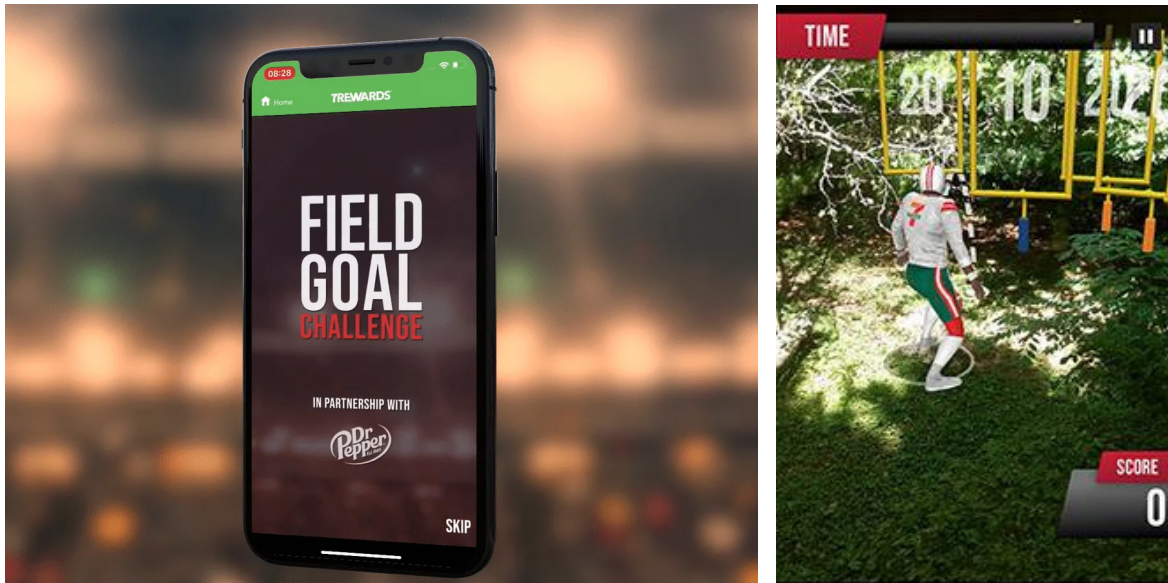


Image Credit: AR Insider

7-Eleven teamed up with Dr Pepper for a football AR experience.

The “Field Goal Challenge” AR experience leverages a phone’s rear camera to anchor a football player in a 7-Eleven-branded uniform and several goal posts in a mobile phone user’s environment.

> 2.7M

Scans over 6 months

> 2mins

Dwell time on 7-Eleven’s app

> 600K

Videos and photos shared

> 117M

7Reward points
were generated

Source: AR Insider

The key takeaway here is that consistent updates via engaging AR experiences help to form a tight bond with customers, creating a positive relationship that works over multiple years to drive trips and transactions.

02. Educate

Solving customer needs should be the *raison d'être* of a modern business — and *in today's buying process, there is a large information deficit*. Shoppers are looking for information to help them choose the right solution, and reassure them in their purchasing decisions.

Through AR, “customers can examine our products from every angle,” says Uri Minkoff, co-founder and CEO of Rebecca Minkoff, “which helps them get a better sense of quality, size, and other details that matter.” AR helps customers make the buying decision better than images alone can deliver.

Essentially, it is a merchant telling a story with a richer medium.



65%

of AR users often use the technology to find out more about a product.

• Nippon Paint

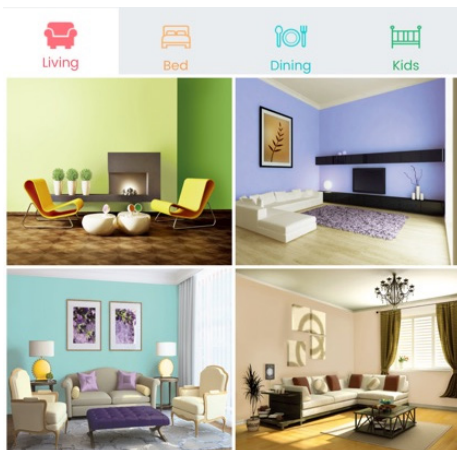


Image Credit: Nippon Paint

Imagine being able to know just what you are getting into before the first drop of paint touches your wall. This scenario is made possible *with Nippon Paint's Color Visualizer App*.

With over 10,000 colors to choose from, you no longer have to second-guess the color codes of the items you like.

Homeowners can conveniently paint around objects, preserving shadows and texture, all while giving a realistic impression of what the Nippon Paint color would look like in their homes.

• Harley-Davidson



Image Credit: Harley Davidson

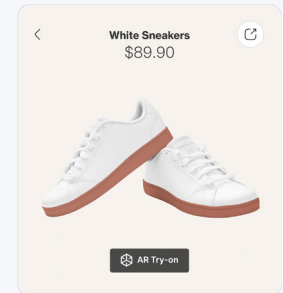
Harley-Davidson developed *an application for its customers that lets them view motorcycles in-store and customize them*.

Viewed through an iPad, the Harley Davidson AR demo lets participants swap between a vintage rusted out “barn find” to a fully-restored version of the bike superimposed over the real-world space.

03. Evaluate

“Augmented reality will be a total game-changer for retail in the same way as the Internet. Only this time, much faster,” says Michael Valdsgaard, Leader of Digital Transformation at Inter IKEA Systems.

“Try before you buy” experiences are a popular application of AR in retail. In pre-purchase situations, consumers can preview how a piece of furniture would match their homes — for instance, how a couch might fit into the dimensions of a living room, or virtually try-on clothing — all at one’s fingertips.



More than just a tool to enhance customer experience, AR has gained steam in retail.

• Home and Living

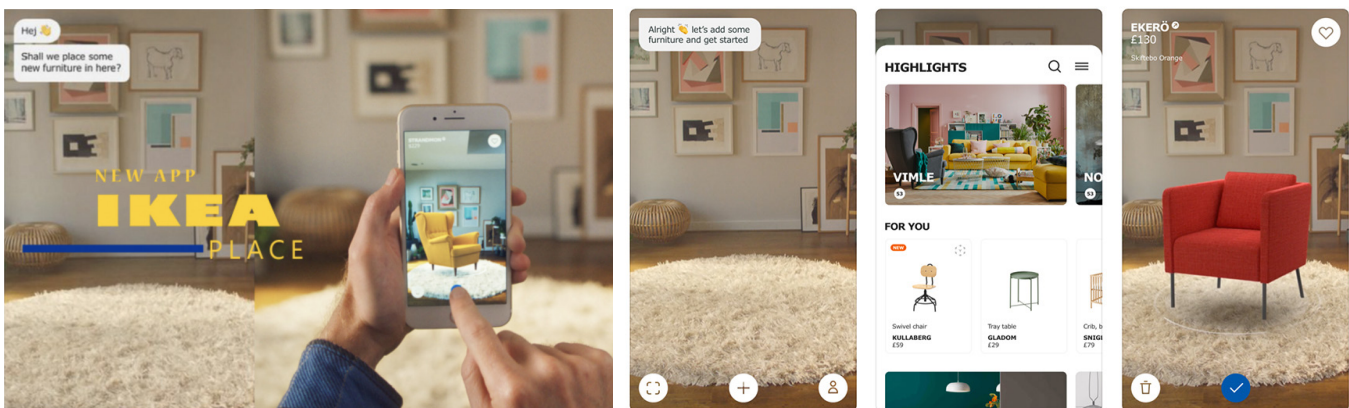


Image Credit: IKEA

The **IKEA Studio app** enables customers to design, customize and furnish entire 3D rooms — leveraging the potential of web AR experiences as a means of enriching customer engagement.

IKEA Studio makes it easier to make buying decisions in your own place, to get inspired and try many different products, styles and colors in real-life settings with a swipe of your finger.

For furniture retailers, AR can be hugely effective in driving sales. According to Apple, consumers are **11 times more likely** to buy furniture if they have had the opportunity to see how it looks in their home using AR.

• Cosmetics

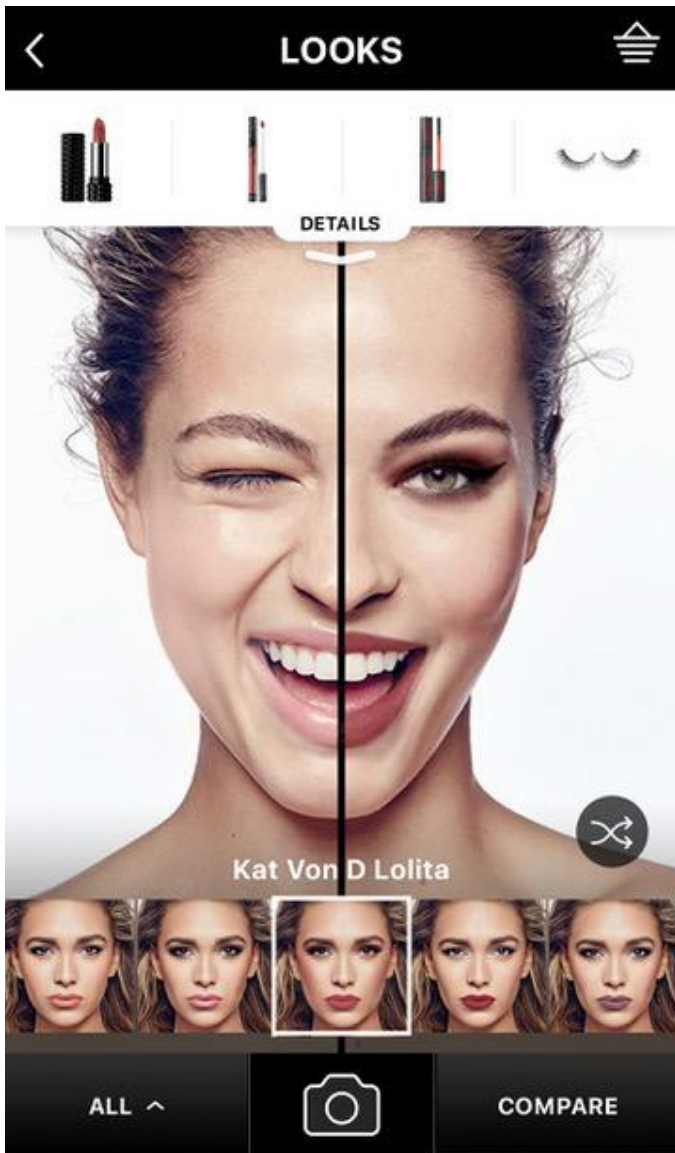


Image Credit: Sephora

Coined as “the future of beauty”, the [Sephora Virtual Artist](#) enables users to experiment with an infinite virtual library of eye shadows, lip colors, and more to find their perfect shade and perfect their lip.

28%

Uplift in AR makeup feature user adoption

16%

Increase in Usage-Per-User

48%

Increase in overall AR make-up feature traffic

Source: [Braze](#)

When online and in-store customers use technology that lets them virtually try on beauty products before purchasing them, [L'Oréal saw 3 times the rate of customers purchasing a product.](#)

- **Footwear**



Image Credit: Gucci

Luxury brand Gucci added an AR feature to its app to let users virtually try on sneakers.

A built-in photo feature lets them capture themselves “wearing” the models that speak to them and share their snaps via text, email, or social media.

With an integrated ‘shop now’ option, Gucci is seeking both to make the path to purchase smoother, and to win new brand fans on the primarily Gen Z platform.

- **Accessories**



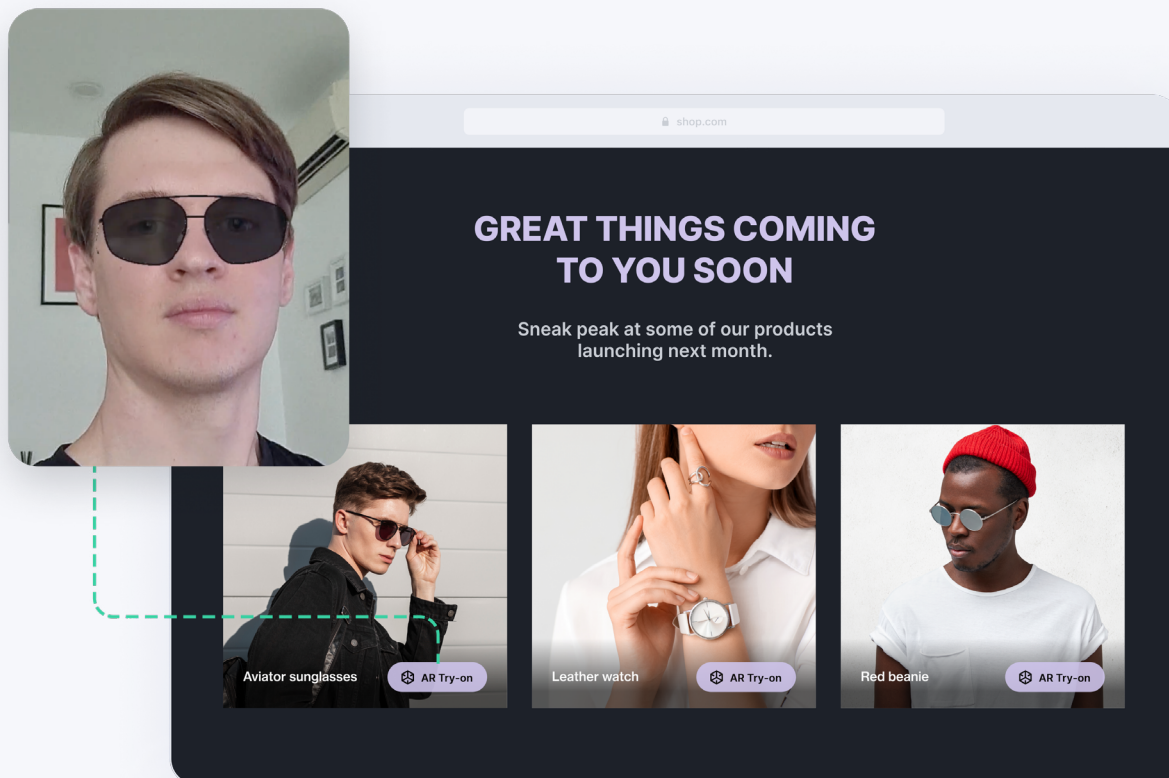
Image Credit: WatchBox

Luxury pre-owned watch e-commerce platform WatchBox has invested \$200,000 in an AR platform designed to help users try on watches at home before purchasing.

Customers can try on different sizes of watches, pick out the perfect watch, and make sure it looks great on their wrist.

Harnessing AR to drive conversions

AR creates a strong emotional bond by adding digital images to the real world. Users feel like they already own a product, which ultimately strengthens one's desire to buy. **Reportedly, there is a [94% higher conversion rate](#) for customers interacting with products with AR experiences, as individuals can better assess them and feel connected with brands.**



While boosting sales, AR also minimizes product return rates

Nearly 1/3 of all online purchases are returned because of a disparity between what the customer sees online and what they receive, according to [i95 Dev](#).

All of the above use cases are highly functional examples of AR in retail — by giving shoppers a hyper-realistic, visual representation of how a product will look in real-life, brands can better manage consumer expectations and boost customer satisfaction rates. Making customers happy the first time around helps to eliminate the costs of [handling product returns](#) from disappointed shoppers while potentially driving brand loyalty and future sales.

The Future of Augmented Reality in Retail

Phygital Spaces in Retail — Making over the Traditional Brick-and-Mortar



Retail has continued to be revolutionized by new strategies, from multi-channel to omni-channel. The future of retail lies in a similar vein of thinking with the “Phygital”.

Following the unprecedented acceleration of digital commerce brought on by the pandemic, many predicted a dramatic decline in physical retail. However, Euromonitor [research](#) indicates that 78% of all purchases will still be made in-store by 2024.

Instead, it becomes a reminder for retailers to proactively react to changes in the industry.

How can retailers be prepared for this new “phygital” world that we are all living in today?

• By combining the physical and the digital

To create an all-encompassing, immersive retail experience, businesses will need to go beyond traditional omni, cross, or multi-channel approaches. “Phygital” retail fuses the best of both channels to accentuate and transform the retail experience — providing consumers the best of both worlds.

The modern purchase journey takes place online and offline, and retailers need to be attentive to both worlds. According to GE Shopper research, [81% of shoppers research](#) online before buying a product. And according to a [2021 state of consumer behavior report](#), nearly half of consumers said, if given the choice, they would prefer to shop in person rather than online.

[Retailers](#) are also incorporating digital features into their physical products — providing shoppers with more information than ever. When a shopper identifies a physical product in store via a device, they can then browse the full range of products that may fit their needs, accessing key information such as ingredients, sustainability information, and reviews, while also being a gateway for digital marketing efforts — on the retailer’s side — for deals, coupons, or cashbacks.

A recent [Harvard Business Review article](#) noted that “the future success of retailers will ultimately depend on creating a cohesive customer experience, both online and in stores.”

- By making customer experience priority number one

The survival of retailers is dependent on how brands prioritize re-inventing the customer experience.

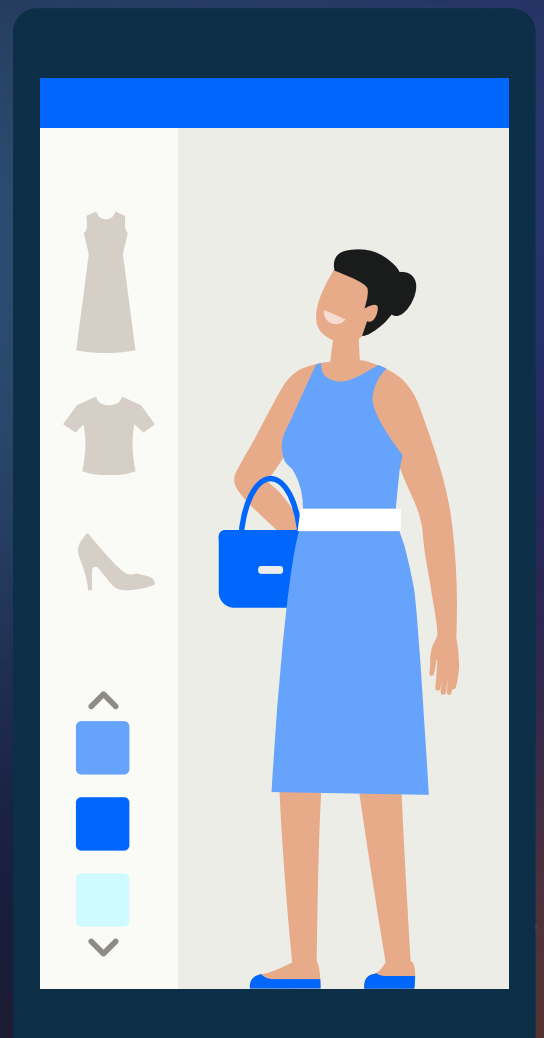
36%
of companies

are currently investing in accelerating the digitization of customer journeys and business processes, despite the fact that *77% of consumers* have changed the way they shop.

The disparity in adoption rates will allow the companies that place their bets in AR to gain an edge over the competition whom restrain.

Retailers, from grocery stores to luxury outlets, must fully understand that their customers' shopping habits have permanently changed. Consumer expectations have been changed in service, convenience, and ease of navigation on account of the rapidly increased adoption of e-commerce.

These changes must be translated into the physical retail experience — to continue enticing in-store purchases. Investing in the tools — that will allow retailers to not only manage consumers' changed expectations, but exceed them — will be the key to merging physical and digital environments.



- **Phygital Retail**

Retailers have been noticing that their brick-and-mortar customers were spending, *on average, much less time in the store yet were spending more while they were there.*

How can retailers maximize the decreasing time customers spend in the store while simultaneously improving their bottom line?

It all lies in the way the customer experience is designed.



Think human-first and customer-first



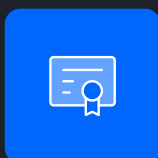
Maximize sensory stimulation
in digital space



Coherent and cohesive
communication across channels

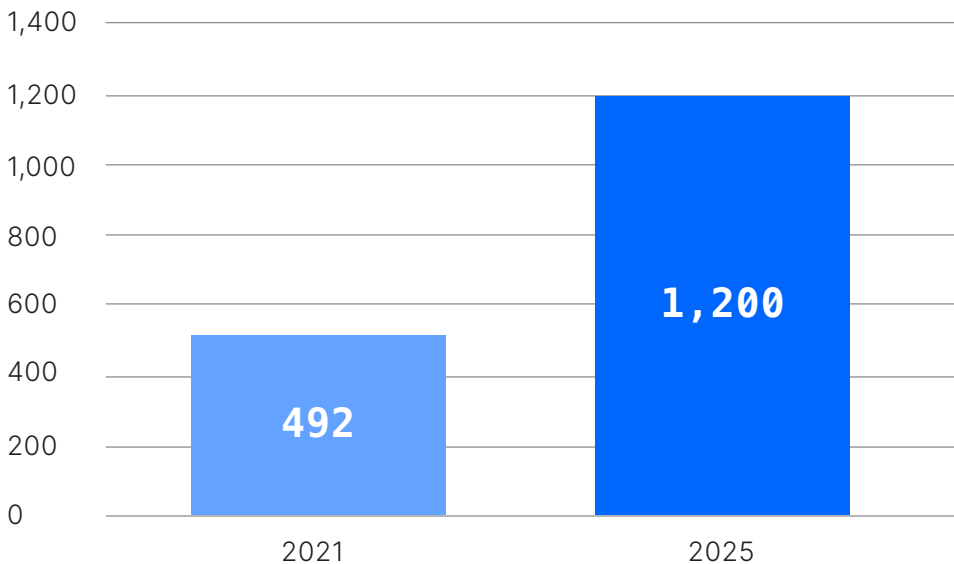


Complement different channels
with creative and attractive
phygital experiences



Understand and invest in quality
technology

Social Commerce will grow at an unprecedented pace



By 2025, the social commerce opportunity will be 3x.

Global social commerce sales are expected to skyrocket from \$492 billion in 2021 to \$1.2 trillion in 2025.

Diagram and stats source: Accenture

Social commerce is the integration of social experiences and e-commerce in a single path to purchase, enabled by a platform.

The math of retail is changing dramatically

Rather than a handful of big retailers and brands selling to mass markets, millions of individuals and smaller businesses are seen selling to one another within a vast social commerce ecosystem.

“It’s word of mouth on steroids”

— Sandie Hawkins, TikTok’s GM of North America Solutions on social commerce.

Research displays that compared to people who have never made a social commerce purchase, those who do are

1.4x as likely to buy from the same seller/shop/influencer again.

2x as likely to buy a brand they have not heard of before.

2x as likely to buy a bundle of products or services that have been recommended together.

Immersive experiences will fuel the rise of social shopping.

Content-driven

Drive discovery, engagement, and calls-to-action through content

In-app store



Shoppable Post



Mini Programs



Experience-driven

Participate in interactive shopping experiences

Gamification



AR Shopping



Live-Streaming



Network-driven

Leverage networks to obtain bulk discounts, drive sales and earn commissions.

Group Buy



Referrals



Social Shopkeeper



As highlighted by Accenture, interactive experiences will be a key pillar of social commerce with gamification, AR shopping, and live streaming leading the charge. As the purchasing power of Gen Z steadily rises, retail will be tailored toward a digitally native audience that is used to using AR in their day-to-day life.

The Metaverse

AR's potential is in its infancy right now. The metaverse, while still in its early development, is where many believe we are headed.

Accenture defines the metaverse as an evolution of the Internet that enables a user to move beyond 'browsing' to 'inhabiting' in a persistent, shared experience that spans the spectrum of our real world to the entirely virtual and in-between.

The metaverse merges offline and online environments, i.e., 3-D, immersive, absorbing, and sensorial — with elements prepared to be transformative; covering digital currency to online shopping.

Brands that have spearheaded this new platform range from athleisure to luxury. Namely, Nike has filed metaverse-related patents and trademarks, committing most fully to virtual features with their launch of the Metaverse studio. Luxury brands like Louis Vuitton, Balenciaga, and Gucci have also unveiled metaverse-centric business plans. In other consumer sectors, Walmart has also indicated intent to sell virtual goods and offer virtual currencies and NFTs.

The metaverse could unlock opportunities for retailers, but bridging the physical and the digital while creating a cohesive customer experience will be crucial.



In Summary

Augmented Reality is already delivering value in retail, and the journey has only just begun.

A generation of digitally-native shoppers is reaching maturity, and their taste for rich, immersive experiences will be the catalyst that drives uptake. Whether it is for engaging in store, educating around product features, or helping to evaluate a potential purchase, the uses of AR have already been well-established and will grow as the technology develops.

At BytePlus, our clients are already using this technology to attract new audiences, drive better engagement, and inspire confidence in their customers when making a purchase. We believe that constantly innovating customer experience is key to modern business success, and by leveraging ByteDance's research, our clients are able to reap the rewards.

"The underlying technology behind AR has developed so much in the past 5 years that the possible uses have been growing continuously. Just in 2016, we saw basic AR in the form of Pokémon GO take the world by storm — **so it should be no surprise that in 2022 as the technology catches up, the applications become truly commonplace in retail.**"



Robin Greer,
Product Marketing Manager (AR) at BytePlus

For retailers looking to improve customer engagement and make the online shopping experience more memorable for customers, virtual try-on solutions such as [BytePlus AR Try On](#) can be tapped to faithfully recreate real-life products in the virtual sphere — allowing customers to try on and make purchase decisions in the comfort of their own devices.

Learn more about what BytePlus AR Try On can do for your business here:
<https://www.byteplus.com/en/product/ar-try-on>

Who are we?

Borne from ByteDance's technology, BytePlus helps clients' businesses to grow through a wide range of intelligent technology solutions. Our dedicated team of specialists works hand-in-hand with customers to help create better products, yield better experiences, and realize business growth.