

ARTILLRY DATA BRIEFS

AR COMMERCE OPPORTUNITY IS ALL ABOUT BRICK & MORTAR

4/23/18



It's often forgotten that about \$3.7 trillion is spent in U.S. consumer retail purchases. Of that total, \$300 billion (8 percent) is spent in e-commerce. This means that offline brick & mortar spending – though often overshadowed by its sexier online counterpart – is where the true scale occurs.

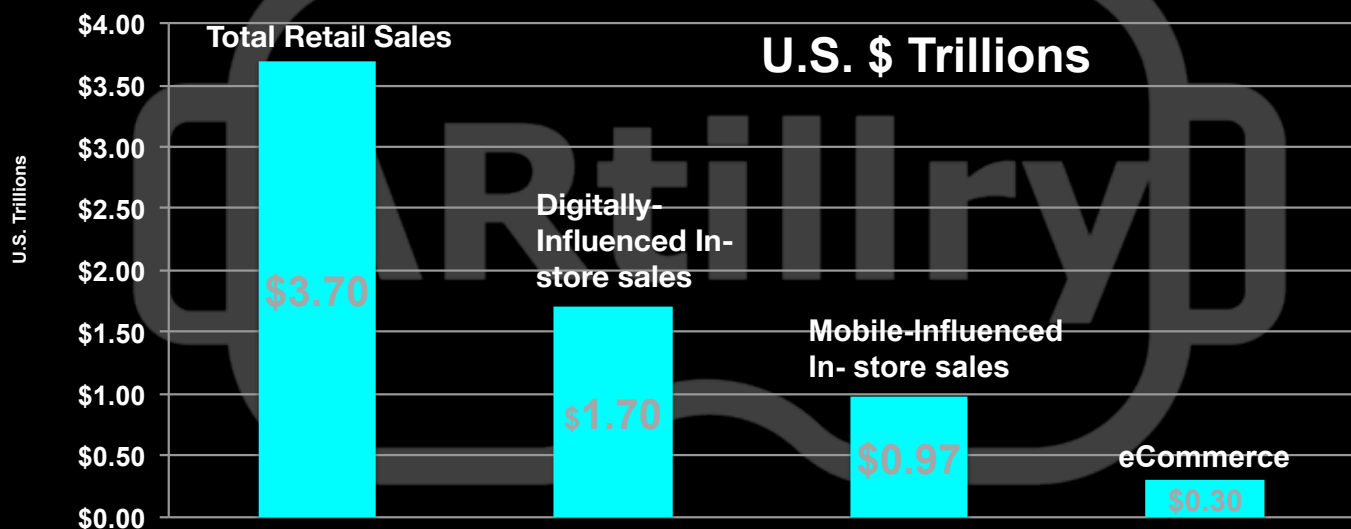
But digital media like mobile search is still impactful. Though spending happens predominantly offline, it's increasingly influenced online. Specifically \$1.7 trillion (46 percent of that \$3.7 billion) is driven through online and mobile interactions. This is known as online-to-offline (O2O) commerce.

O2O is one area where AR will find a home. Just think: is there any better technology to unlock O2O commerce than one that literally melds physical and digital worlds? AR can shorten gaps in time and space that currently separate those interactions (e.g. search) from offline outcomes.

We're talking contextual information that influences consumer spending. It's AR overlays that help you decide where to eat, which television to buy, and where to find the shoes you see someone wearing on the street. This is what we call "Local AR," and it will take many forms.

U.S. CONSUMER SPENDING

AR'S ADDRESSABLE MARKET WILL MAP TO WHERE THE MONEY IS BEING SPENT



Source: Deloitte Digital

© ARtillery Intelligence, 2018

One of the first and predominant formats where Local AR will manifest is visual search. If you think about it, AR is another form of search. But instead of typing search queries in the traditional way, the search input is your phone's camera and the search "terms" are physical objects.

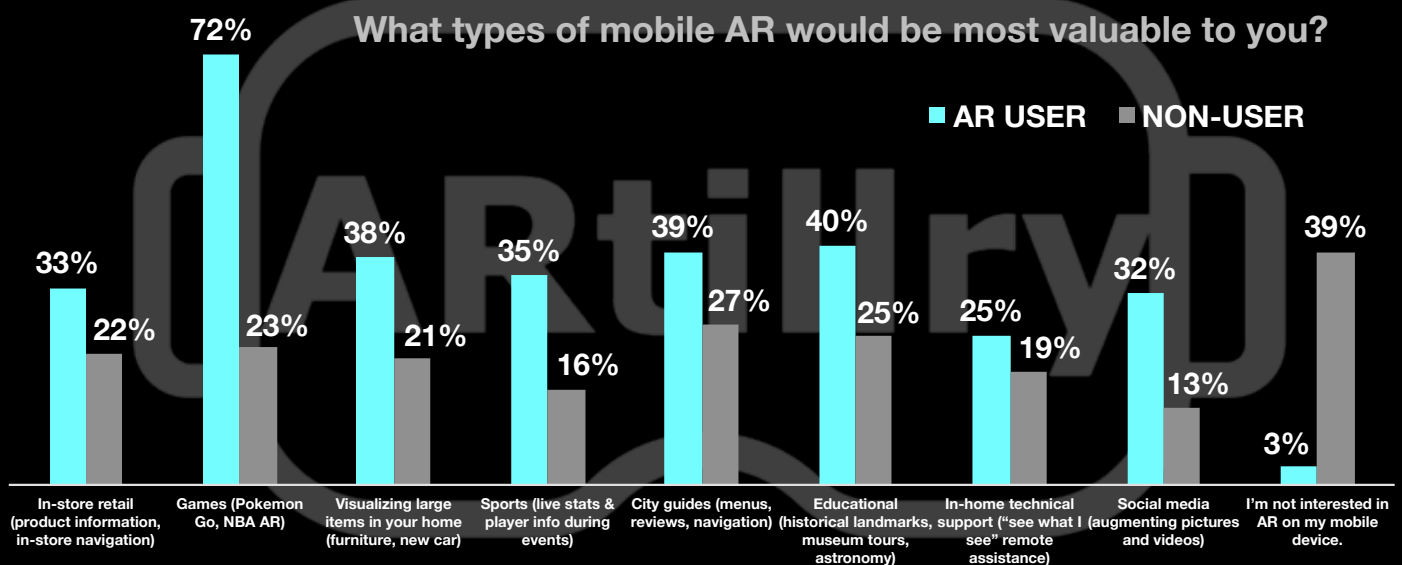
This analogy applies to many search types, but is particularly fitting to local. Traditional (typed) local search performs best when consumers are out of home, using their smartphones. This is when "buying intent" — and thus click-through-rates and other metrics — are highest.

Copyright © ARtillery Intelligence, 2018



These proximity-based searches are conducive to AR because the phone is near the subject (think: a restaurant you're walking by), and can derive information and context after mapping it visually. This really just makes it an evolution of a search query... but done with the camera.

MOBILE AR APPS IN DEMAND



Thrive Analytics
smart decisions that drive success

N= 2,198

© ARtillery Intelligence, 2018

Furthermore, proximity-based visual searches through an AR interface could gain traction among consumers if our recent survey research is any indication. Among the different categories and types of AR apps that consumers want, city guides showed strong demand (see above).

"A lot of the future of search is going to be about pictures instead of keywords," Pinterest CEO Ben Silberman said recently. His claim triangulates several trends such as millennials' camera use, mobile hardware evolution, and AR software like ARkit, which further empowers that hardware.

Stay tuned for more on this topic, including the next ARtillery Intelligence Briefing that will examine AR's local commerce opportunities, the AR Cloud and what will become an "internet of places."



Video Companion: AR in Local Commerce

(Click URL to Open)

<https://youtu.be/GSidwTWiiUM>



About ARtillery Intelligence

ARtillery is a publication and intelligence firm that examines augmented reality and virtual reality, collectively known as XR. Through writings, data and multimedia, it provides deep and analytical views into the industry's biggest players and opportunities. It's about insights, not cheerleading.

Run by career analyst and journalist Mike Boland, coverage is grounded in a disciplined and journalistic approach. It also maintains a business angle: Though fun and games permeate VR and AR (especially the former) long-term cultural, technological and financial implications are primary.

Learn more at <https://artillery.co/about>



About the Author

Mike Boland was one of Silicon Valley's first tech reporters of the Internet age, as a staff reporter for *Forbes* (print) starting in 2000. He has been an industry analyst covering mobile and social media since 2005, and is now Chief Analyst of *ARtillery Intelligence*, covering emerging tech.

Mike is a frequent speaker at industry conferences such as VRLA, ad:tech and LeadsCon. He has authored in-depth reports and market-sizing forecasts on the changing tech & media landscape. He contributes regularly to highly read online news sources such as *TechCrunch*, *Business Insider* and the *Huffington Post*.

A trusted source for tech journalists, his comments have appeared in A-list publications, including *The New Yorker*, *The Wall Street Journal* and *The New York Times*.

Further background, history and credentials can be found at:

<http://www.mikebo.land/>





Contact

Questions and requests for deeper analysis can be submitted at:

<https://artillery.co/contact/>



Disclosure and Ethics Policy

ARtillery has no financial stake in the companies mentioned in this report, nor was it commissioned to produce it. With respect to market sizing, ARtillery remains independent of players and practitioners in the sectors it covers. It doesn't perform paid services or consulting for such companies, thus mitigating bias — real or perceived — in market sizing and industry revenue projections.

ARtillery's disclosure and ethics policy can be seen in full at:

<https://artillery.co/about/disclosure-and-ethics-policy/>