

**PALPABLE MEDIA**

## **XR FOR RETAIL 2021 INTELLIGENCE REPORT**

How Retail is Taking on New Technology to Reach  
Broader, Global Audiences.

# **XR FOR RETAIL INTELLIGENCE 2021**



XR FOR RETAIL 2021 INTELLIGENCE REPORT



The Big Picture:

# 2021: What a Difference A Year Makes

The global pandemic that struck in 2020 has had a devastating impact on the retail world, from which it will not soon recover.

Coresight Research reported 30,000 stores closed in the US, 50% of them in national malls, which were already in crisis prior to 2020. McKinsey estimates that fashion companies will post approximately a 90% decline in economic profit in 2020 over 2019.

**In this 2021 XR for Retail intelligence report, we will explore the XR technology solutions that are driving brand engagement, product discovery, purchasing intent, and sales.**

We identify methodologies and industry case studies that are shaping the retail revolution from wholesale to consumer business; from gaming and e-commerce to in-store activities.

While we fully expect in-store experiential activations to return in full force 2022-2023, this report focuses mainly on immersive and interactive "anywhere" technologies, Augmented and Virtual reality, and their implementation as part of a broader need for retail industry innovation.





## The Big Picture

Experience is everything: with the Lowe's AR app, you can view an item in your space. Or, you can virtually learn to use power tools in VR.

# Virtual is Real Value

- Augmented Reality
- Exploring Different Platforms
- Evolution of E-Commerce
- Buying off the Runway
- Digital Fashion
- Virtual Influencers
- Wearables & Merchandising



# AR Mobile Engagement

**Augmented Reality gives customers a personal experience, & drives sales**

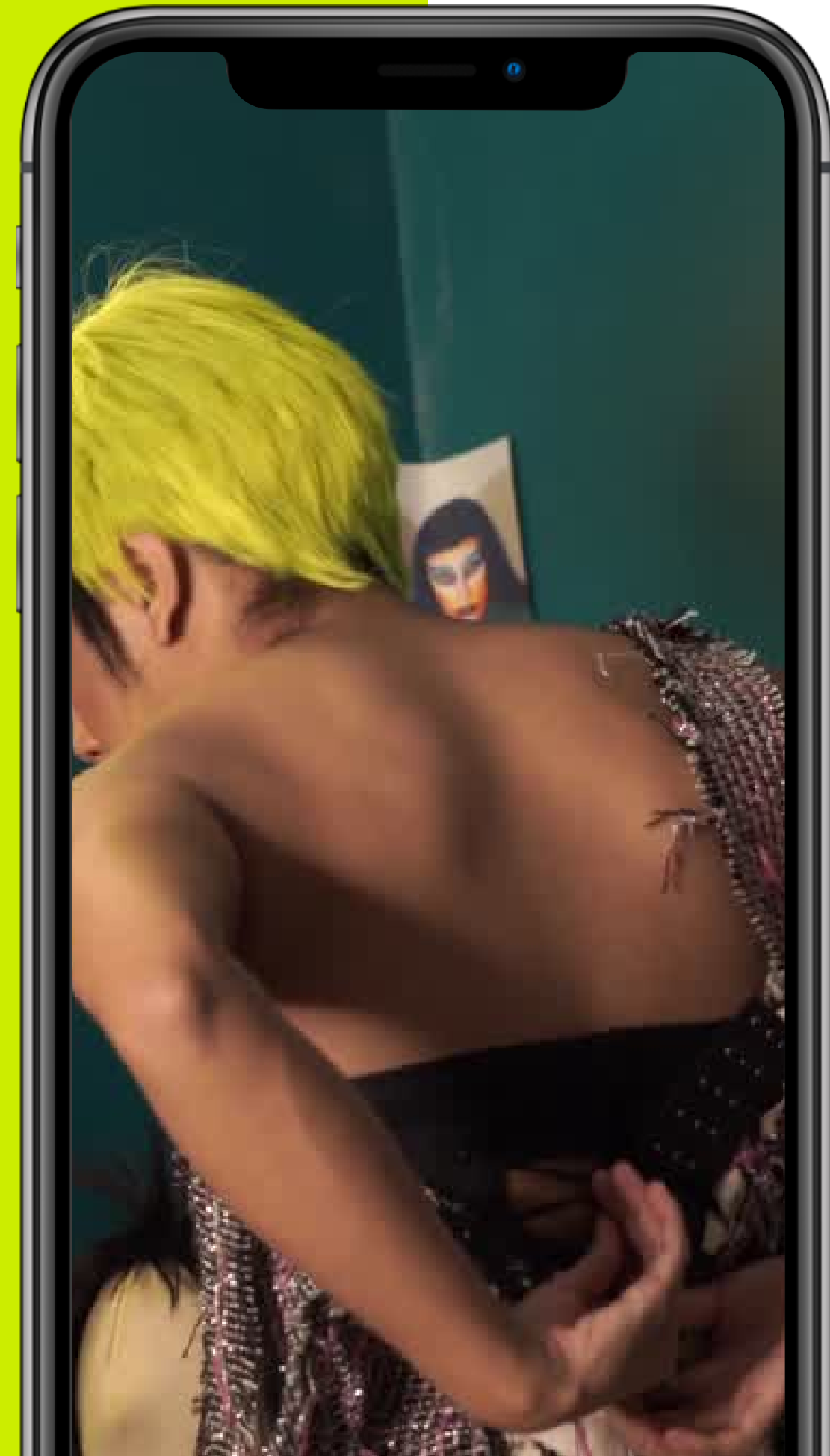
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120 Million people tried Augmented Reality to trial new products in 2020. And that is just the beginning.

This year, advertisers are expected to spend about \$2.4 billion on #augmentedreality advertising, up 71% from \$1.4 billion in 2020, according to research firm eMarketer.

Consumer applications are broad: from Healthcare to FMCG to retail. In retail Shopify reported a 94% increase in conversion rate for products that feature AR or 3D content, indicating the success of AR in the online shopping experience.

1.9 billion people per month will use AR in 2022, and 3 billion devices worldwide are currently AR-enabled. 71% of shoppers would prefer to go to stores with a “try-it-before-you-buy” AR experience. (source: Elevux)



# Retail AR: How it Works



*Did you know? Shopify reported a 94% increase in conversion rate for products that feature AR or 3D content, indicating the success of AR in the online shopping experience and potential for that to become a standard across retailers.*

01

## Check your Size

Nike created an app that allowed people to measure the size, shape and volume of their feet and then "try on" a pair of shoes with visual assistance using a branded AR app, NikeFit. The benefit: increased sales, fewer returns, shipping and stocking expenses.

02

## Try it On Now

AR allows customers to try on looks without having to first find the pieces of clothing or shoes in their size followed by multiple fitting room visits. Try on outfits, see full-size models, suggest new looks, help customers purchase items online and have them shipped home. An additional benefit is loss prevention and reduced inventory turnover. AR displays can offer useful information, such as technical details and tutorials, as well as promotions and special offers.

03

## Magic Mirrors

Customers are invited to stand in front of cameras attached to large, freestanding screen displays and virtually swap out looks without having to get undressed!

04

## Store Windows

From Topshop and Zara, high-street retailers use store windows to sell clothes even when closed. Shoppers can use QR codes, or a branded app to activate experiences, see sizes and availability of items, customize & purchase.

05

## Showroom in Your Home

Kohl's shows how to bring the Showroom to you. Scan your space and experience a showroom in your home. A solid post-covid experience that brings the store to you.







# Retail AR: Try Before You Buy

71%

71% of shoppers would prefer to go to stores with a “try-it-before-you-buy” AR experience.\*up 10% from 2016. The tech exists, but the pandemic has hastened adoption

75%

However, early adopters and key demographic GEN Z is already on trend, actively using AR in apps like Snapchat.

70–75% of people aged 16–44 are aware of AR.\*

Since the beginning of 2020, AR engagement accelerated 20% in 2020, with **conversion rates up by 90% among users** who engage with AR vs users who do not.





**DIOR**  
B27 SNEAKERS

Ask us about  
augmented reality  
marketing.

# Augmented Shopping

How does the shoe look on his foot? How does the top of the sneaker meet the cuff of his pants leg? "It's one thing when a shoe looks great on display," Mr. Chen said. " but...

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*"When it's on your foot, it's just different."*

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Shopping filters have led to a flurry of "flexing", or showing off, as users have rushed to share images of themselves "wearing" Gucci and other brands.

Nearly 19 million Snapchat users have tried on Gucci products using the filter, Snap reported.

(source: NYTimes Dec 2020)

 Dior partnered with Snapchat to create a series of fashion footwear filters



# AR Marketing: What You Need to Know

01

## It's Marketing, Not Sales

Just because you have created an experience permitting customers to "try" a product doesn't always drive sales.

People may use the app to "flex" or show off; to signal socially that they are in the "in" crowd; or use existing items - like makeup they already own - to create a look as seen in AR. They don't always buy.

02

## Engagement is Everything

Typically, users stay engaged with augmented reality experiences three times as long as they do with traditional e-commerce websites.

This means buyers tend to be more comfortable and confident in their purchases, which should increase satisfaction, lower exchanges & returns.

03

## Emphasis on Reality

Realistic body try-ons will necessarily project an aura of accessibility. Of realism, not fantasy. Some brands may resist.

While desiring "body-positive" options, some customers will want the added glamour of commercial settings, imagery and advertising.

04

## Keep it Physical

A majority of US shoppers still want a brick-and-mortar experience (per Retail Drive).

AR apps can be used for "showroom shopping." Later, customers to visit stores to purchase goods. Additional marketing incentives can help drive foot traffic. Finally, these apps will help management know what inventory to stock.

05

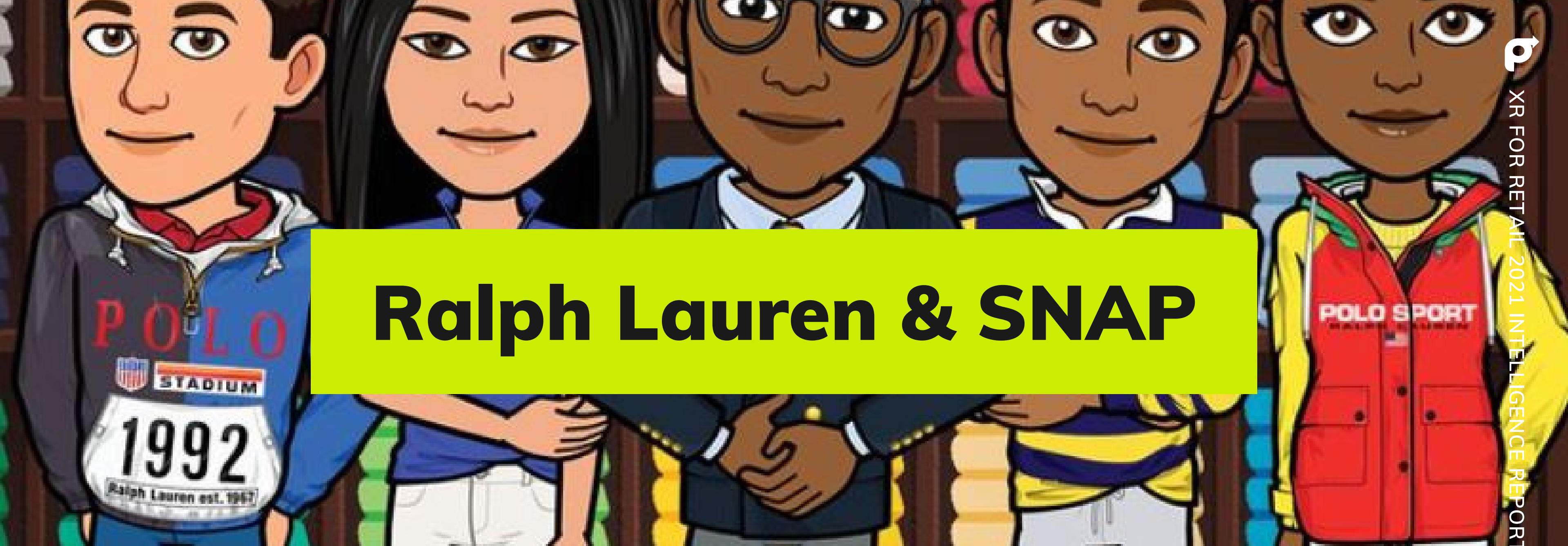
## Make it Fun

How can you get customers to keep using the app?

Can you create an in-store game? Deliver easter-eggs that can be used as points against sales price?

Does your brand have a mascot, a story or history to recreate? Explore all possibilities!





**2H 2020: Ralph Lauren's design team created an extension of the physical collection, with a branded and customisable wardrobe for Bitmoji; the first of its kind to live within Snapchat and the Bitmoji app.**

Snapchat and RL also created an Augmented Reality (AR) regional mural initiative. The murals, known as the Polo Public Art project, are a series of interactive street artwork featured in New York, Chicago and Dallas by local street graffiti artists commissioned by Ralph Lauren. The graffiti is intended to reflect the spirit of the various cities in their designs, while celebrating the classic Ralph Lauren Polo Shirt.

The wall art is enabled with AR animation via Snap Codes, to bring each mural to life and further engage fans.



# DREST

Social Styling Game &  
Fashion Sales App

The most engaged players spend as much as  
33 minutes per day in-app.

## Styling Game Gets Serious

"Are you ready to become a high fashion stylist? Find your fashion game with DREST when you cast the world's top Supermodels in your very own Photoshoots."

Gaming: Users style the latest collections from Armani, Bottega Veneta, Chloé, Christian Louboutin, Gucci and Prada (and many more).

Try Before You Buy: Users "try" outfits on "size-inclusive" avatars to aid them in making real-world purchases, which are suggested by algorithm and often in limited supply.







# The Young Techs

"It makes sense: just as Gordon Gekko defined fashion in the 1980's, Techies are leading the sartorial look of the moment. Gamers are the new superheroes."

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- Catherine D. Henry, CEO, Palpable Media



# Runways in Gaming

Balenciaga to debut its 2021 fall-winter collection will be showcased via video game.

Balenciaga's video game is called Afterworld: The Age of Tomorrow, and is set in the year 2031. It was released in December 2020 and features "the largest volumetric video project ever undertaken" by the Spanish brand.

The game asks the player to navigate the 'hero' through distinct zones, that will see various interactive tasks and narrative storytelling. When you 'win' the game, players will be given a free real-life breathing exercise

<https://www.youtube.com/watch?v=R86zw9Nu4TE&feature=youtu.be>

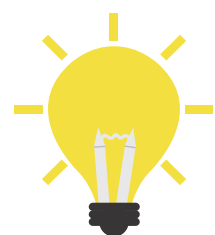
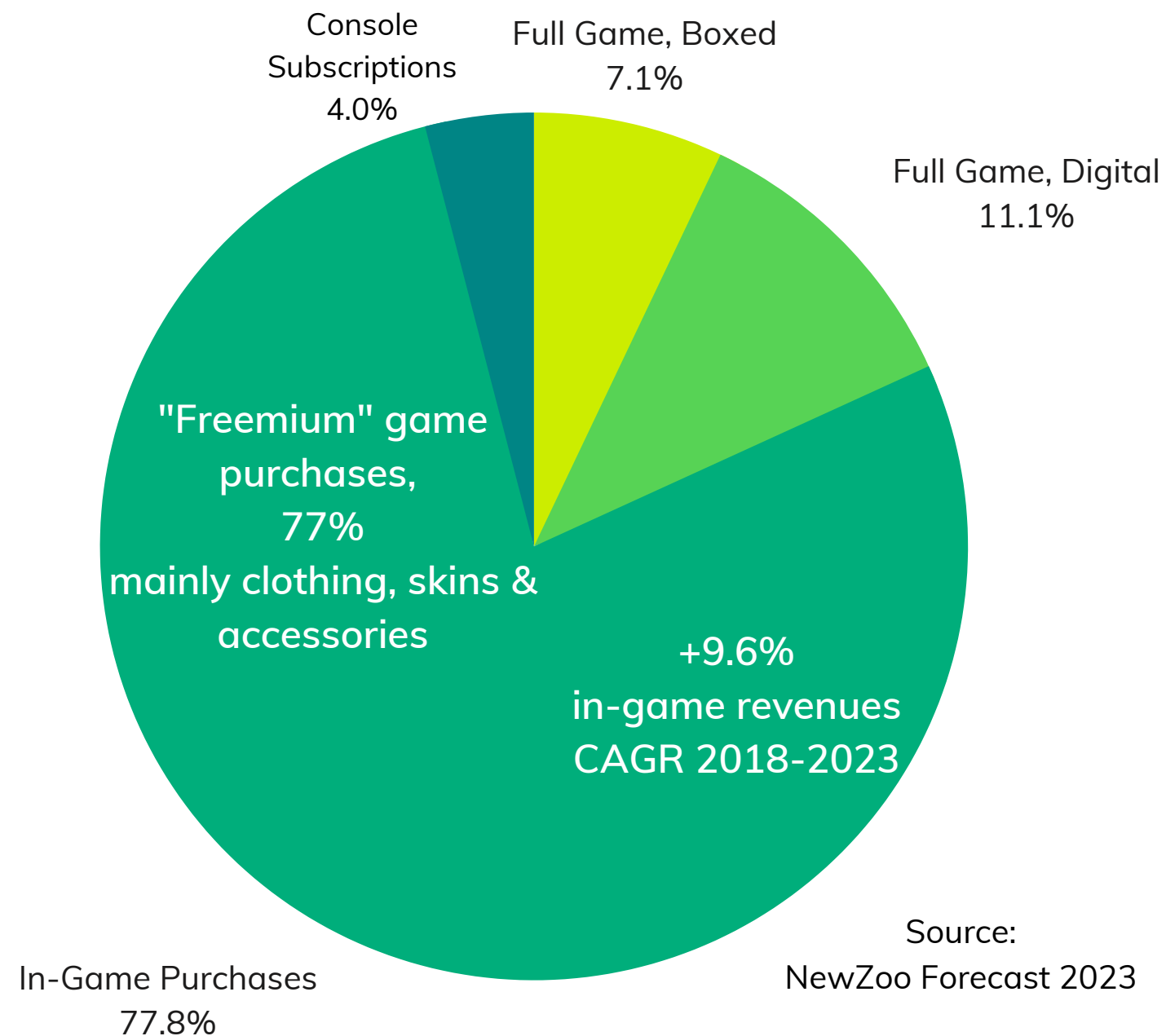
## 2021: Virtual Shows

Brands have been using gaming platforms to sell skins for nearly 10 years. The difference now? Gaming platforms are replacing in-person, live runway shows due to the pandemic. But will it last?

Gucci, Balenciaga and other brands are investing heavily into virtual platforms to broaden reach & appeal. Gamification lets brands sell both virtual and physical goods online while increasing brand engagement, PR & social buzz.



## Retail in Gaming Drives 77% Revenues



### Did you know?

Big spenders (called “whales”) spend, on average, more than \$15 a month on skins.

## Skins in the Game

The demand for "skins" in gaming is a huge growth driver 2021-2024

Digital games grossed \$12.0B in December 2020, a 15% growth from the prior year and the highest monthly revenue total ever, according to research company SuperData.

League of Legends, the highest-grossing PC game of the month, is free to play but makes tons of money on skins. The same is true for Fortnite, which generated \$4.2bn from 2018-2019 making it the most profitable online game for two consecutive years. According to surveys, Fortnite players spend 59% of all their expenses on character outfits.

F2P titles accounted for 80% of \$120.1bn spent on digital games in 2020.

Newzoo estimates the world has 2.7 billion gamers, a number that it expects to surpass 3 billion in the next three years.



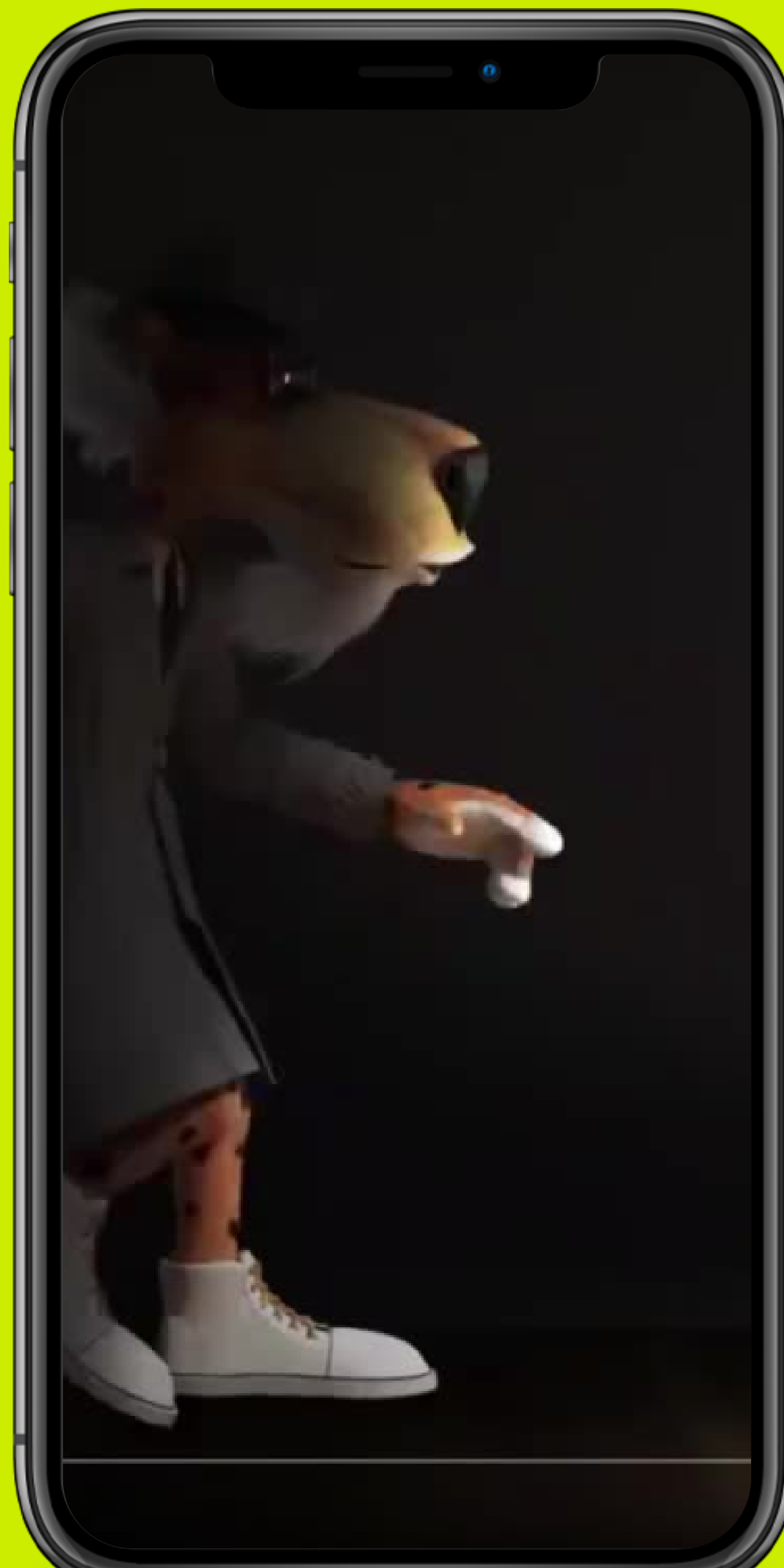


# AR Sports and Event Marketing

## 2021 Superbowl Ads Capture CPG Retail Marketing

Snapchat turned 1440 frames from its commercial into markers that unlock the AR experience for the "Steal Cheetos" campaign - users just had to open the app and scan - and voila! Free Cheetos!

CBS Interactive, Yahoo sports and Verizon all activated interactive content for users. What else do these companies need? Advertisers and partnerships.







# IMMA for IKEA

## The Virtual Influencer who Moved into Ikea

In September 2020, the Virtual Influencer Imma announced to her 300k followers that she would be moving: to a storefront apartment in Harajuku, Tokyo.

She lived in an IKEA expanded store window display for three days as part of an omni-channel promotion for the brand, and a new Ikea retail location.

Passersby could watch Imma come to life, as she spent that time cooking, cleaning, Instagramming, and chilling with her dog, Einstein.

## These Hot New Brand Ambassadors aren't real

Another popular "Virtual Human" influencer is Lil Miquela, who has 2.9 million followers and earns an estimated \$19 million per year in brand advertising!



## Virtual Human Brand Ambassadors

From chatbots to brand ambassadors expect to see more Virtual Humans attract, engage and support customers across the retail value chain.



# Retail AR: Barriers to Entry

## Strategic Fit

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To build a branded app or work within an existing platform?

What business goal are you trying to achieve? Knowing the best formats and platforms are a critical first step.

## Finding the Right Resources

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Hiring and merging internal teams with external expertise isn't easy. Even when you have the strategy laid out, developing and maintaining a library of product assets and uploading them requires experts.

## Expense

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Scaling the scope and strategy to deliver a small, effective campaign may be a good way to begin to test the waters.

XR campaigns should be an extension of your activities, and need not be a prohibitive expense.

## Accessibility

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Android or IOs? How will customers find and use the app? Do they have to download it, or can they just use a QR code? Can they create their own content?

The level of interactivity and shareability is key.





# V-Commerce

photo credit: Chicago Tribune

The Rise of Virtual Reality for Retail 2021-2023.



## Trend watch 2021: v-commerce

# The Big Shift

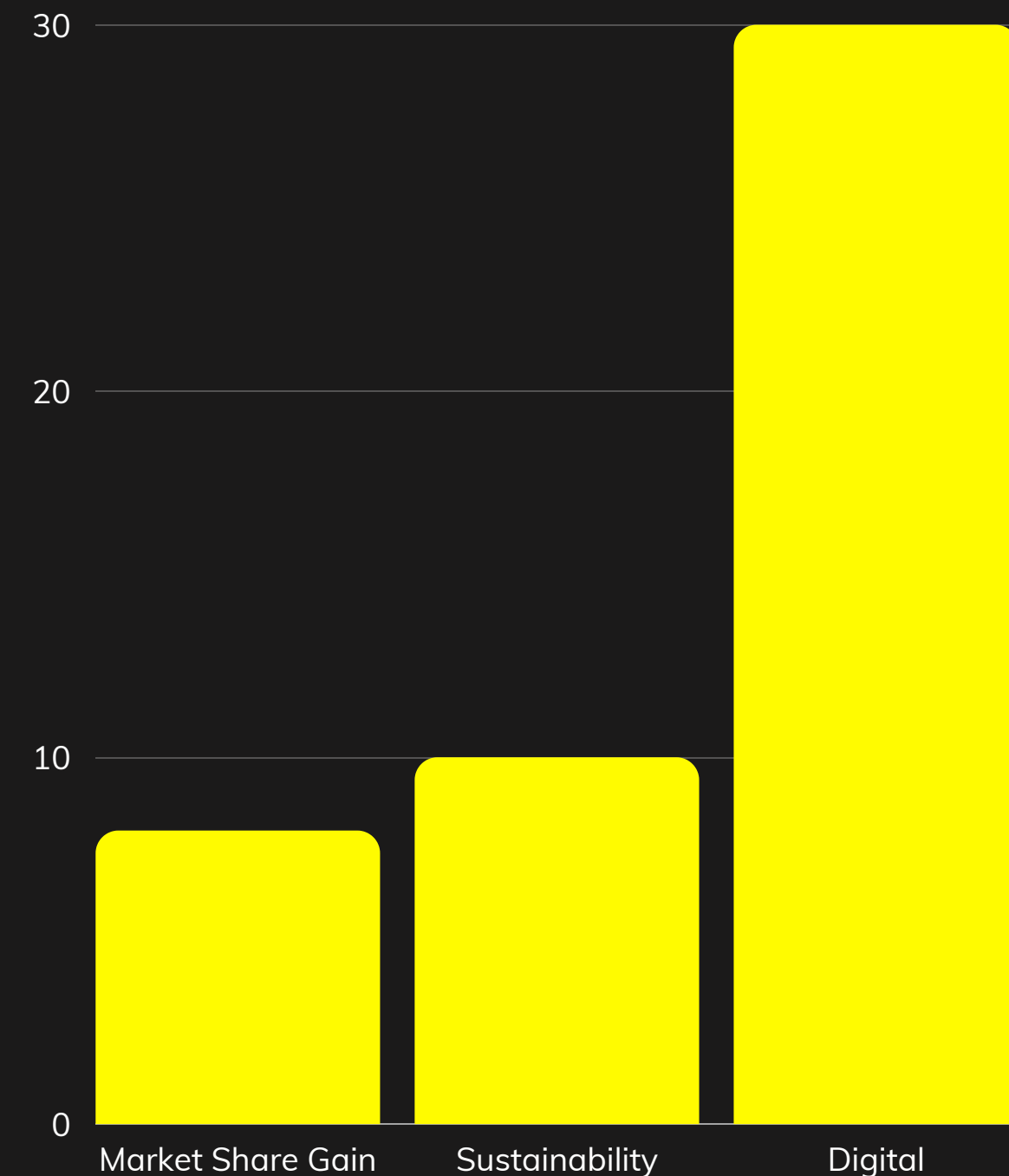
Covid-19 was the biggest challenge of 2020 and digital is the biggest opportunity, according to the McKinsey & Co Business of Fashion survey. 71% of fashion executives expect their online business to grow by 20% or more in 2021. The graphic (right) shows digital the main Executive priority.

*Expect significant investments in customer experience:*

- Custom Apps
- Social (interactive) Apps
- Stock Trackers
- Augmented Reality
- Livestream Commerce
- Gaming Platforms
- Virtual Reality

Experiential still holds significant promise but only after reaching herd immunity in the USA & EMEA, which may well be after Asia, in Q1 2022.

## Executives Eye Digital as Ripe for Innovation in 2021



Source: BOF/McKinsey 2021





## Trend watch 2021: v-commerce

84%

Of customers say the experience a company  
provides is as important as its products and services.  
(Salesforce)

Digital commerce could increase to 35% to 55% of total  
sales in key markets





Trend watch 2021:  
v-commerce

# Perfect Pairings: Virtual and Ecommerce

As demand shifts online, a well-orchestrated omnichannel marketing and sales offering should include Virtual and Augmented realities, combined with existing social media and branded platforms.

The beauty is in the details.







# V-Commerce Stores

**Retailer Tommy Hilfiger brought back the magic of in-store shopping during the Christmas 2020 holiday season - in Virtual Reality.**

The team created a virtual world in VR of several rooms, each with elaborate displays and festooned with hanging lights, candy cane installations, trees, and walls of presents. And none of the crowds!



The experience was interactive, entertaining and shoppable. Importantly, it was also broadly accessible via mobile, PC or VR headset.



# Virtually There

## Reinventing Wholesale Retail with Virtual Reality

The time, expense and rapid pace of attending live fashion events is no less than exhausting. With the time between back-to-back shows, traffic, meetings and competing Fashion Weeks, it was hard enough getting work done before the pandemic.

Fast forward to 2021. Many shows have been cancelled, with livestreams of collections no better than Youtube videos: does that really make sense? Take your seat at the runway: in VR, you can talk, interact, order, take pictures or videos, share socially - see and be seen. All from the comfort of home. No shoes required.







## Virtual Reality Fashion Shows

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PARIS 2020 The Circular Fashion Summit by lablaco was held during Paris Fashion Week. Tickets included the purchase of an Oculus Quest VR headset.

How: Pre-loaded headsets can be sent to key markets, journalists and influencers for simultaneous invitations and satellite events.

No headset? All content can be made accessible for interactive viewing in 3D, online.

## Buy Off the Runway

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Cyber-Fast Fashion is a new reality: buying off the Runway has never been part of the industry sales cycle - until now.

Platforms like Sansar enable users not only to try on digital fashion before the show, but purchase fashion during the show, to be delivered to client's homes in real life.





# VR Retail Training



## The World's Largest Retailer Adopts VR for Training

With over 11,000 stores in 27 countries and over 2,000,000 employees, Walmart is the largest retail network in the world

131 Walmart Academies and hundreds of retail stores have been equipped with the VR training programs. When an employee enrolls into an Academy course, they are facing a two- to six-week program that they attend full-time.

Whether retail banks or retail stores, adoption of Virtual Reality helps deliver real-life scenarios before they happen, to ensure consistent delivery of quality support and customer service. Users report higher confidence and feeling of professional competence after training in VR. The data bears this out:

PWC found Virtual Reality training participants:

**4x**

more focused than their e-learning peers

**4x**

faster to train: 29 minutes vs 2 hours of classroom training

**275%**

more confident in their professional skills



Source: PWC VR Soft Skills Training Efficacy Study 2020





VR Experiences drive emotion, foot traffic, social sharing, and FOMO

photo courtesy of Periscape VR

# Retail VR: In-Store VR Towers

## Bring Experiences into your stores with VR Entertainment Towers

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In-store Experiences drive excitement - and happy people shop more! Instead of costly interior refurbishment, use VR content to drive experience, increase emotions, social sharing and foot traffic.

These branded VR towers can travel from store to store "on tour" giving each store a reason to connect with clients, and engage on social media

When designed well, the cross-platform coordination could include any combination of gamification, prizes, special events, selfie merchandise and product customization to get people excited about the arrival of the towers, engaged with content before, during and after the installation.





# Retail VR: Where to Start

## 01

### Design your Virtualization Strategy

Map out your key client targets, customers, press, Influencers and employees: what experiences and deliverables you want to provide - seasonally, and throughout the year. Ensure omnichannel integration for maximal results.

## 02

### Connect with Top Talent

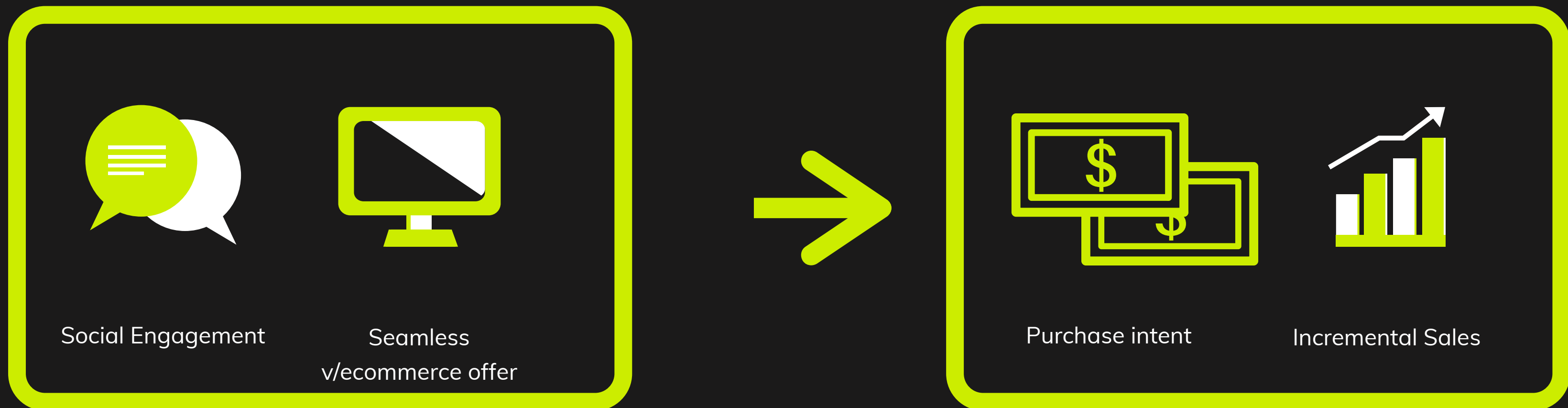
The beauty lies within the execution. Make sure the VR experience is aligned with your brand experience. A haute-couture firm would not engage a small, inexperienced designer to design the collection; the same philosophy applies to your brand's immersive presence. Not sure how? Just contact us @Palpable Media.





# 2021-2023 Making the most out of the new technologies

VR, AR are moving from brand awareness and engagement to bottom-funnel objectives of purchasing intent and incremental sales from 2021



"The key principles for managing change will be flexibility and agility, alongside operational resilience — a critical capability in an uncertain environment." -McKinsey State of Fashion 2021



# About the Author

## Catherine D. Henry

**Palpable Media**

**VR/AR/XR**

**Global Innovation Strategy**

### **Enterprise, Advertising & Entertainment**

With a career spanning nearly 20 years in global financial services leading Institutional Sales for private and equity tech investments, Catherine advises on XR and global "Megatrends" (the convergence of technology, social and demographics). She decodes technology and interactive experiences to help companies become more resilient, efficient, and make smart investments for the future.

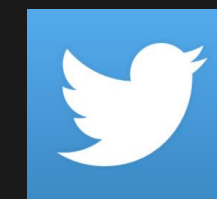
She has managed sales teams across 64 countries, and over +\$1bn in client accounts.

Catherine speaks 5 languages and holds an MA in Economics from Johns Hopkins SAIS and an MBA the SDA Bocconi. She studied Immersive Filmmaking at the NY Film Academy & in 2016 and founded Palpable Media. She founded and leads the XR Creatives, one of the largest creative tech communities in the US with nearly 3,000 members.

She is a prominent African-American woman in technology and leads Palpable Media.



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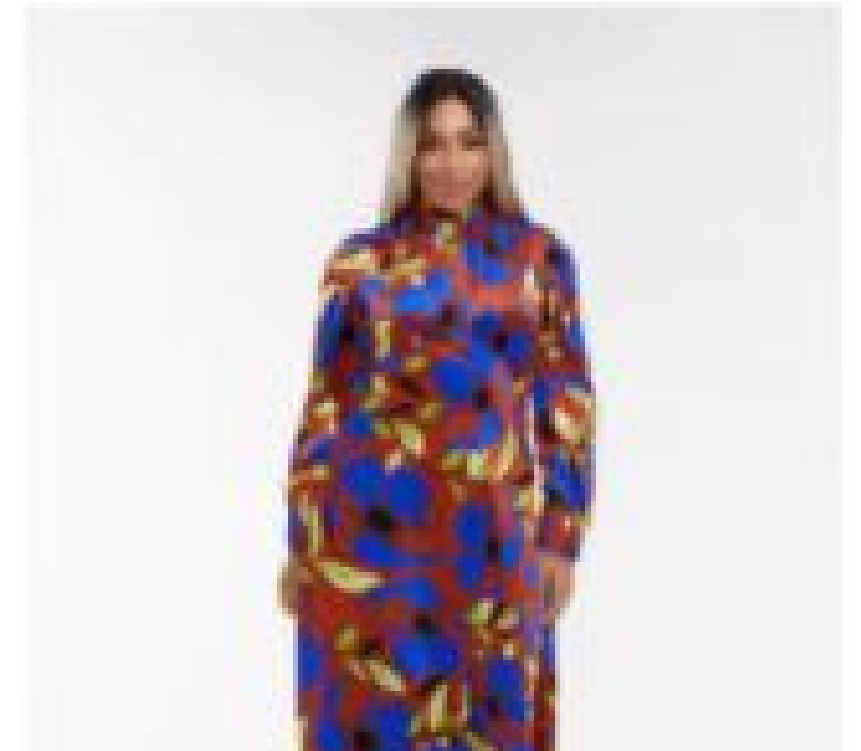
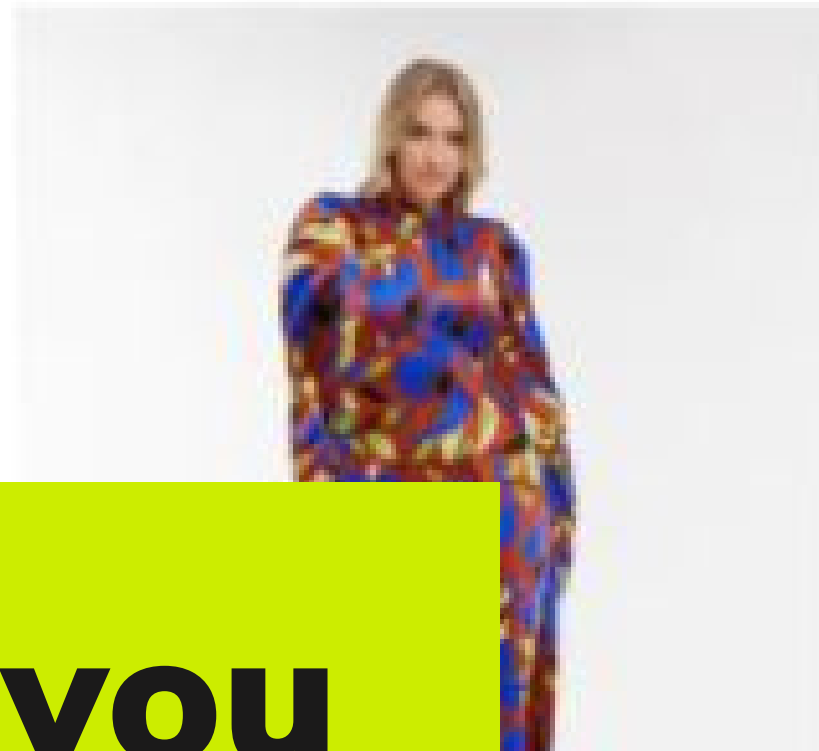
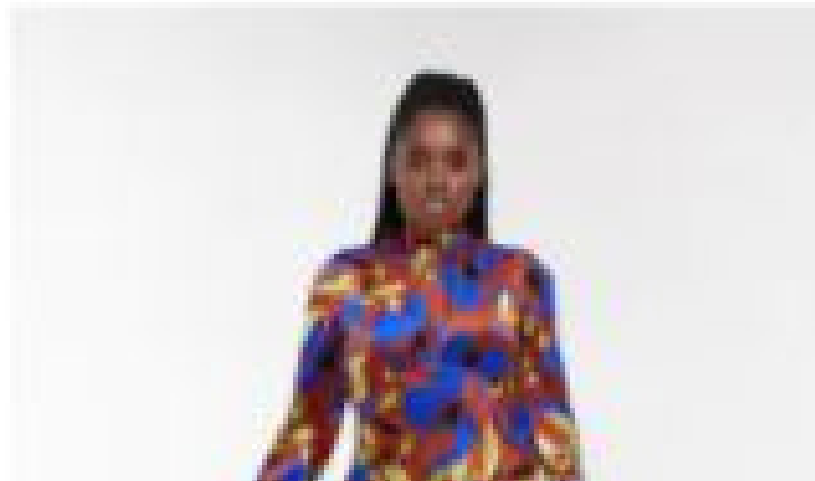
Email: [hello@palpable-media.com](mailto:hello@palpable-media.com)

UK 12 | 5'3"

UK 12 | 5'11"

UK 14 | 5'10"

UK 14 | 5'11"



# Thank you

## About the XR Intelligence Reports - Palpable Media

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Palpable Media has produced a series of XR Intelligence reports on the critical issues surrounding emerging technologies from AI, AR, VR, Chatbots, Digital Doubles, and XR. We have produced a series of Industry articles and insights on 5G, telecoms, the Beauty industry, Retail, and Finance.



Palpable Media is an XR Consulting firm, focusing on emerging technology and innovation strategy for Enterprise, Advertising, and Entertainment. Contact us today to see how we can help you innovate your business, and engage with clients with smart technologies.





Palpable Media: Embrace the  
Power of Change

# Want more? Contact Us.

## PALPABLE MEDIA INC

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Palpable Media is an emerging technology consulting firm that delivers VR/AR/ XR industry intelligence, market research, and innovation strategy design.

Let us help you reimagine your business through emerging technology, today.

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# VR/AR/XR Retail

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