Meeting customers' changing needs with the latest technology

Augmented Reality is a powerful and accessible solution for retailers of every size

Capita

Executive summary

The world of retail was anticipating a future transformed by e-commerce. Then COVID-19 came along and that future became a very different present. In the face of an incredible change that has seen online rocket from 19% to 33% of sales in just four months[1], retailers must review and be willing to revamp their current storefronts in response to this sudden and incredible rise in demand for online purchases and delivery.

Augmented Reality (AR), designed for the current generation of smartphones and offering easy and fast integration into legacy e-commerce systems, presents a new and powerful way to respond to customers' changing demands.

Retail is facing a brave new world. Augmented Reality offers a way to face that reality, and to bring online shopping into the physical world.
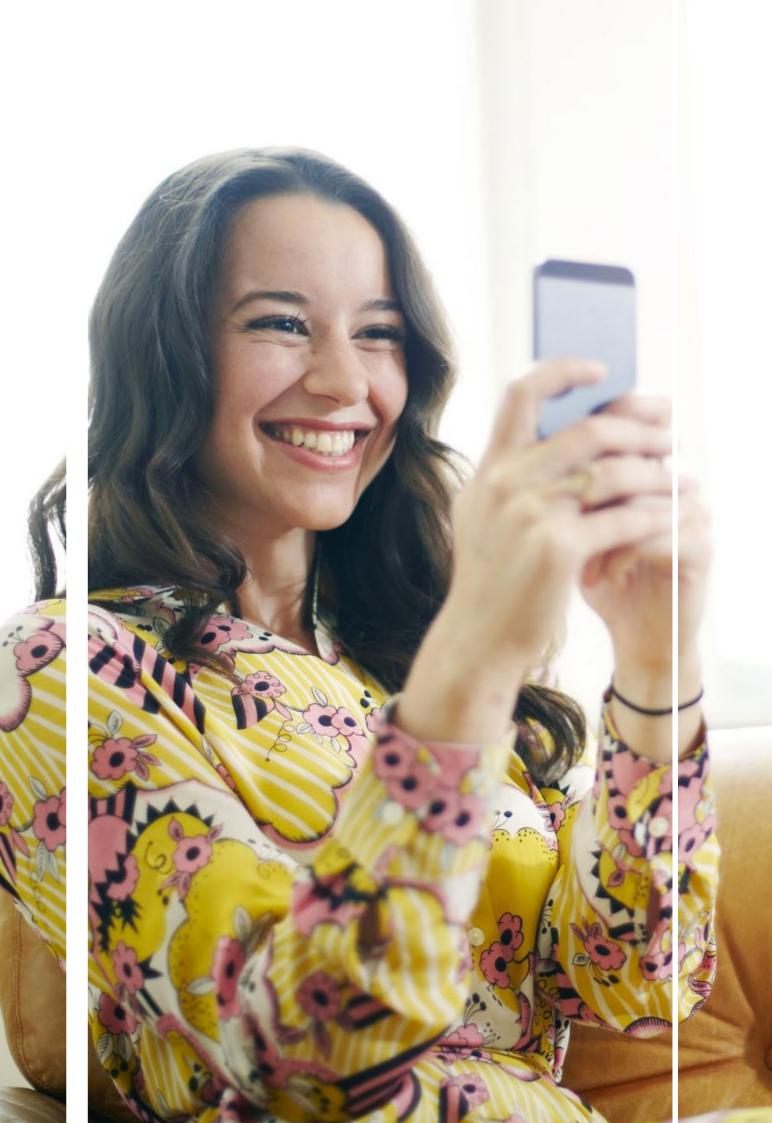
To explore further the role augmented reality can play in retail, we brought together experts in digital innovation from Capita and London Dynamics, to discuss how technology will transform the future of online shopping.

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[1] https://blog.ons.gov.uk/2020/06/29/shopping-may-never-be-the-same-again/

The role of technology in retail

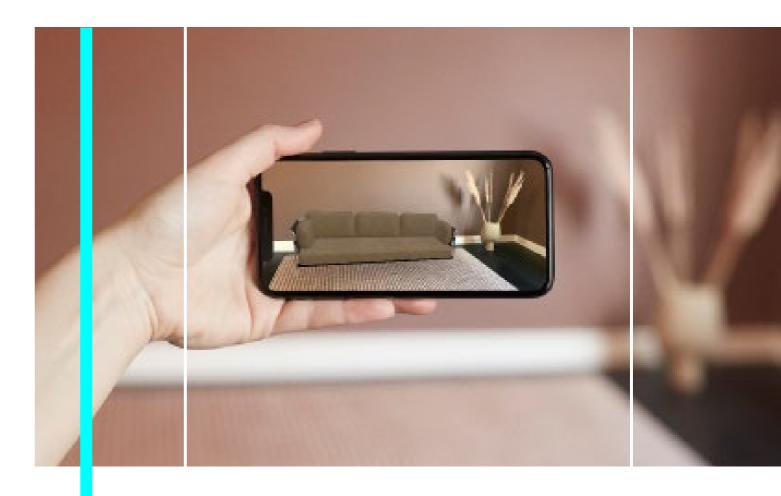**Adapting to customers' evolving needs, tastes and habits is critical to retail's survival.**

For the past couple of decades, technology has been re-setting the bar ever higher at a rate most businesses struggle to keep up with. Nothing can match the speed at which technology changes how the world lives, works, plays and shops.

This is truer today, in a period of global social distancing and lockdowns, than it has ever been. More retailers are relying on technology to keep their businesses afloat as their bricks-and-mortar stores have been closed. Those who already have an established, robust digital strategy are undoubtedly better prepared to weather this storm than those now racing to respond to the changing environment by rapidly upgrading their online experience. And as we begin to emerge from the Coronavirus pandemic, becoming more efficient and creating a better, clearer, more effortless customer experience will be a key driver for most businesses – not just in retail. Reducing contact and unnecessary returns and cancellations and increasing automation are some of the easiest ways to achieve that.

The retail industry is undoubtedly being reshaped in 2020 by long-lasting changes to consumer behaviour2. Simply 'keeping pace' with these changes is not enough to guarantee success, or even survival, as has been shown by the public struggles of many high- profile retailers and famous brands. Cath Kidston, the Oasis and Warehouse Group, Laura Ashley and Debenhams are just a few of the stalwarts of the British high street that have called in the administrators during the first half of 2020.

In a post-COVID-19 world, companies need to look to the latest technology and adopt the solutions that will best help them meet customers' needs in the years ahead. Augmented Reality – blending computer-generated 3D models with the live environment – is a perfect example of revolutionary technology that's now within the reach of businesses of all sizes, and which allows retailers to combine the advantages of both physical and digital ('phygital') shopping.

Learning just how impressive, effective and easy-to-integrate AR has become is crucial for any retailer wanting to create a phygital shopping experience for its customers that drives brand engagement and sales up, while bringing costs down.

> **The retail industry is undoubtedly being reshaped in 2020, by long-lasting changes to consumer behaviour.**

2 https://www.theguardian.com/business/2019/jul/09/half-of-uk-retail-sales-will-be-online-within-10-years-report-predicts

A seismic shift is taking place in retail

Online and digital shopping are the reality, but retailers need to discover a new dimension

Every day, the case for radical change in retail becomes stronger.

Retailers were facing massive challenges even before the majority of them were forced to close to inhibit the spread of the Coronavirus. According to the UK Centre for Retail Research, nearly 10,000 jobs were lost across the country in January 2020[3].

Most of these jobs were culled from bricks-and-mortar stores struggling to compete with online retailers.

The pandemic has proved to be too much of a strain for many retailers, including department store Debenhams, which filed for administration in April 2020 – the second time in a year[4]. An unfortunate truth is becoming an increasingly brutal reality: retailers without a robust and evolving e-commerce strategy may not survive.

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Research by Salesforce shows that an astounding 87% of customers now begin their shopping journey with a digital channel[5]. The experience that they have online is critical to whether that journey ends in a sale. According to Forrester Research, 63% of customers will leave a company after just one poor experience. Almost two thirds won't wait longer than two minutes for assistance.

But while e-commerce has incredible benefits for customers in terms of personalisation and convenience, it cannot match the real world's 'try-before-you-buy' advantage. An in-store experience offers a huge range of variables that can be tailored to the customer's experience, from product placement and customer pathing to checkout and aisle spacing. As we enter a very different retail reality, bricks- and-mortar stores will play a greatly diminished role in hosting this valuable customer journey.

The fact that e-commerce continues to offer an entirely 2D experience puts huge limits on its potential.

The limitations of a flat, uninspiring, inconsistent text-and-photo experience is becoming increasingly apparent now that more customers are shopping online. And more customers are returning online purchases because they've been unable to judge whether a piece of furniture will fit in their home or how they'll look in an item of clothing.

During December 2019, nearly 1m return packages were collected each day in the US by UPS alone, leaving a trail of emissions through its journey, and with no small amount ending in landfill[6]. Ignoring the challenge of ensuring that customers know what they're buying before it arrives is not a sustainable approach.

The best way to tackle the issue is to take advantage of the most powerful and readily available technology: the smartphone. Developers have refined integrated digital solutions that use a phone's onboard processing power to add a third dimension to any online shopping experience – straight from the browser. Without downloading an app, or leaving the website, a shopper can rotate, resize and frame digital products against a real-world backdrop.

[3] https://www.bbc.co.uk/news/business-51258659
[4] https://www.bbc.co.uk/news/business-52182199
[5] https://www.salesforce.com/blog/2018/08/digital-shopper-first-retail-report-research.html
[6] https://www.emarketer.com/content/satisfying-return-policies-can-lead-to-loyalty

A gateway to AR is sitting in your pocket

Developers have been bringing advanced, detailed and useful 3D imaging to smartphone users for some time.

Apple led the charge with the introduction of ARKit in September 2017, one year after the wildly popular game Pokémon Go hit app stores[7]. To showcase its potential as more than a novelty for gaming, Apple collaborated with IKEA to launch Ikea Place[8]. This app remains one of the most downloaded AR-enabled apps of all time, and it is still the top non-gaming application of AR[9].

When Google followed with ARCore in 2018, it was only a matter of time before all modern smartphones would be sold with AR capabilities baked in. In May 2019, 1.5bn phones with pre-loaded AR functionality were estimated to be in circulation[10]. That's nearly half of the 3.2bn smartphones in use overall[11].

> **AR is poised to be a ubiquitous feature for every smartphone user, offering huge and as-yet untapped opportunities for online retailers.**

In 2019, IBM research revealed that 47% of Generation Z and millennial consumers would like to try AR in retail, but thought they were not being offered the opportunity12.
In fact, consumers generally are becoming comfortable with using AI and bots. In many cases they would prefer to deal with them rather than with a human being during their online transactions. According to Gartner Research, 70% of millennials report positive chatbot experiences13.

However, retailers have been reluctant to incorporate AR into their online experiences so far, despite the barriers to entry lowering and a potentially huge impact on consumers. Most don't know enough about how to do it and are unaware how far the technology has moved on, now delivering photorealistic 3D experiences easily and effectively, without the need for major IT projects or investments.

As we near the end of the average 2.5-year smartphone replacement cycle, AR is poised to be a ubiquitous feature for every smartphone user, offering huge and as-yet untapped opportunities for online retailers14.

E-commerce thrives on making the shopping experience as simple and frictionless as possible. Forcing customers to download an app or limiting which products they can view in AR is the opposite of this approach and only risks frustrating them. Those retailers that embrace the huge AR opportunity should be seeking the fastest, most functional and effective applications that allow them to introduce advanced AR capabilities and use them to convert sales.

7 https://www.macrumors.com/2017/09/19/apple-releases-ios-11/
8 https://techcrunch.com/2017/09/12/ikea-place-the- retailers-first-arkit-app- creates-lifelike-pictures-of- furniture-in-your-home/
9 https://sensortower.com/blog/arkit-six-months
10 https://mobidev.biz/blog/augmented-reality-future-trends-2018-2020
11 https://www.statista.com/statistics/330695/number-of-smartphone-users-worldwide/
12 https://www.ibm.com/downloads/cas/GAZR2Z69
13 https://www.thevrara.com/blog2/2017/10/4/mobile- ar-what-happens-next-new-report
14 https://www.gartner.com/imagesrv/summits/docs/na/customer-360/C360_2011_brochure_FINAL.pdf

The way forward –
a future for augmented
e-commerce

While it's impossible to predict exactly how the retail industry will shift direction in the next 12 months, one thing is clear: the changes that have begun in the past few months will be long-lasting and profound.

As all retailers, large and small, are forced into rapid change, e-commerce is poised to play a more important role in all strategies in the years to come. By spearheading the next generation of online shopping experience, AR will be at the forefront of this revolution.

Consumers are on the road towards a richer, more experiential online shopping experience much more quickly than anyone anticipated. Retail's future can and should combine the best qualities of a real-world and an online shopping experience. AR represents the next great leap forward; an accessible way to bring the best of the in-store experience online in creative, useful and exciting ways.

There's no time like the present to take that leap.

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help you and your customers,
please visit our website or
speak to our experts today.

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