

zappar

How to leverage AR in the new retail revolution

5 innovative opportunities for retailers



Zappar is the world's leading augmented reality platform and creative studio for mobile and web apps. Since 2011, Zappar's mission has been to democratise AR and get it into the hands and lives of as many people as possible, unlocking value for businesses and end-users alike. Zappar's award-winning AR platform and creative consultancy, enable brands, businesses and license partners across the world to deploy innovative and market-leading AR solutions across the mobile web and native apps.

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Why AR for retail?



95%

Increase in visual
attention
(Neuro Insight)



70%

Uplift in memory
encoding
(Neuro Insight)



45%

Higher attention
than TV or online
(Neuro Insight)



64%

Of leading consumer
brands are investing in
immersive experiences
(Accenture)



250%

Increase in conversion
rate in products using 3D
models in AR compared to
those not
(Shopify)



100M

Consumers shopping with
AR online and in-stores
(Deloitte)

1. Surprise and delight:

Augmenting your shopper marketing promotion

2. Engage and inform:

Virtual product visualisation and try-on

3. Expanding the retail space:

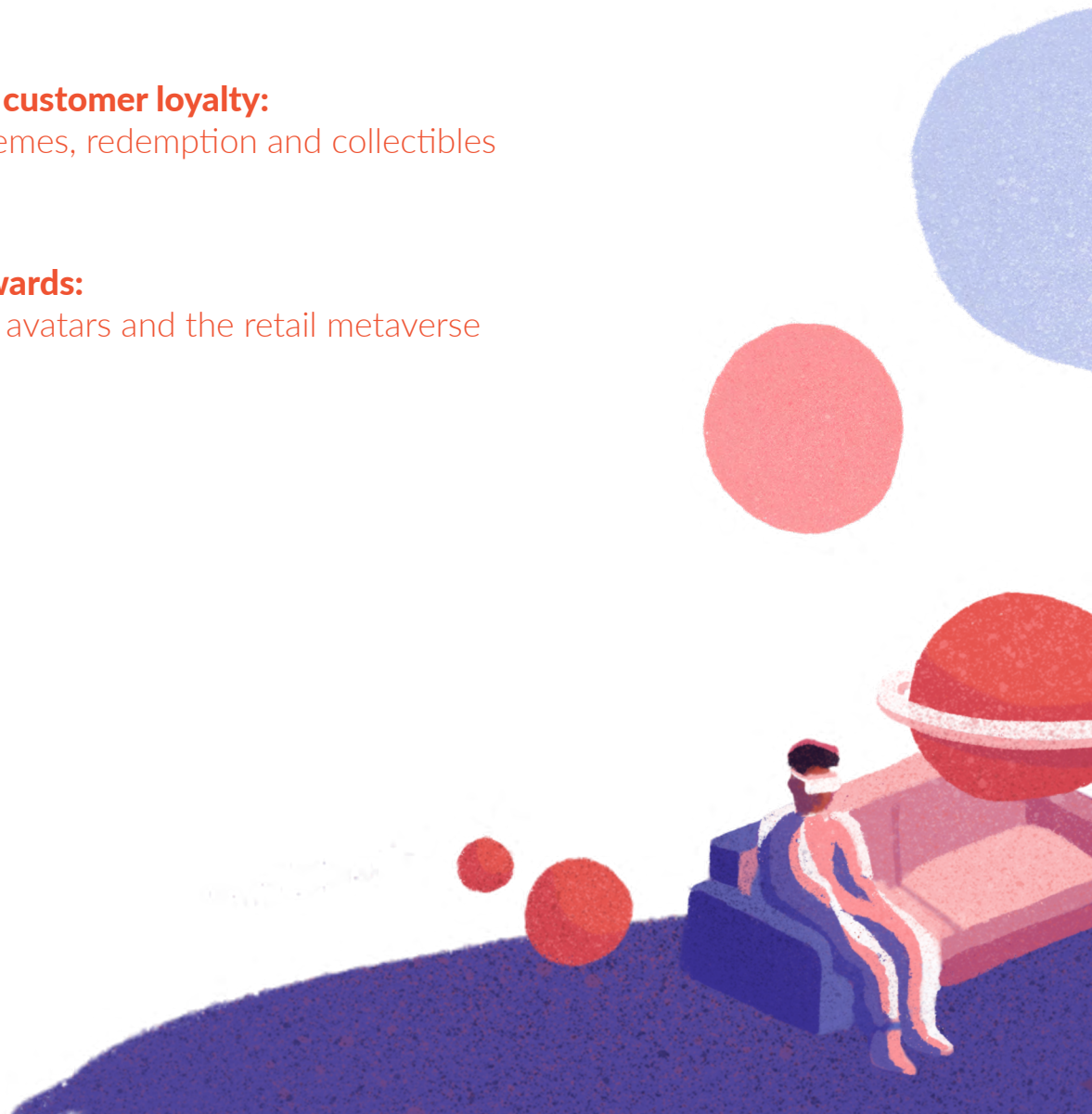
Creating digital real estate in-store

4. Reimagining customer loyalty:

Rewards schemes, redemption and collectibles

5. Looking forwards:

Digital twins, avatars and the retail metaverse



One thing there is no shortage of recently is opinion pieces of the changing face of retail led by digital transformation and the global effect of the pandemic: be that the shift online; migratory habits and its effect on footfall with the shift to more co-located working patterns; what that means for new contact-less shopping solutions and store concepts; or indeed the effect on supply chains and shipping and its disruptive force in access to raw materials and components with all its attendant pressures on price and margins and product availability.

We don't have the answers to all the questions and challenges these seismic changes throw up. But we have identified some clear opportunities that this disruptive period for the economy and retail industry at large has surfaced and to some extent fast tracked when it comes to the use of AR and spatial storytelling.

What is absolutely clear is that we're spending more time on our phones; socialising, searching, shopping and now scanning: QR codes have become a ubiquitous everyday part of our lives with 100% awareness and understanding.

Central to our lives lived through our smartphone screens is the camera and the lens that casts on our sense of self and worldview whether captured in selfies, TikTok videos or augmenting additional content into that view for fun filters or more experiential and instructive overlays on products, packaging, print, POS and places.

For brands, that throws up incredible new opportunities to connect with consumers on the device through their camera and the use of spatial storytelling. In AR we've just come to the end of a foundational decade for this facilitating technology in creating the hardware, software, tools and distribution channels that make AR viable, robust and affordable for the mass market.

We're now heading into a transformational five years as thought leading brands are increasingly reaping the benefits from the increased engagement, dwell times, memory recall and sales success this technology affords.

What's evident is that digital does not mean the death of the high street and bricks and mortar retail. AR and a camera capability for retail is about a context shift and a new way to think about the use of space be that at home, in store or on the go. It requires a new way of thinking about how your brand and business should look, feel and behave in this new dimension to provide both entertainment but also personalised and contextually relevant information to your end users as a utility.

If you want to get ahead of this digital revolution for your brand and business here are five opportunities you might want to consider.

1 Surprise and delight: Augmenting your shopper marketing promotion

What do nearly all of your potential customers have in common?

A smartphone.

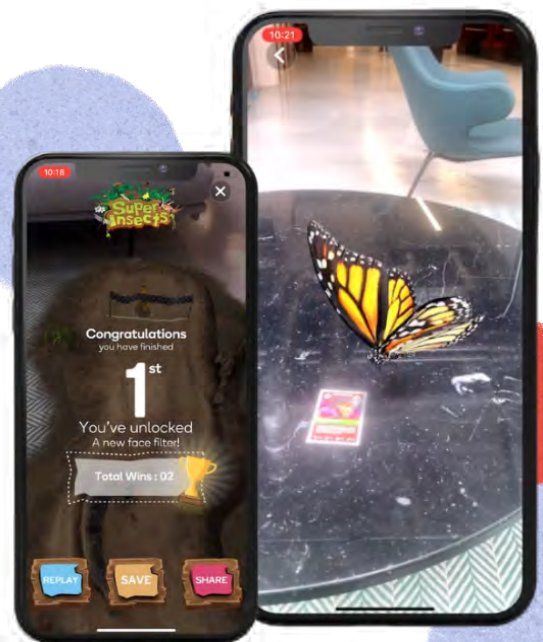
How your customers' smartphones can be used effectively to promote your campaigns is where AR becomes the real opportunity. Technology that allows you to utilise an app or the mobile web to connect with your audience wherever you choose, increasing engagement, boosting market share in terms of time spent interacting with your brand and products and driving repeat visits.

Augmented reality and other immersive technologies have never been a stand alone solution, they are designed to be blended into existing strategies adding value to your campaigns in unique and effective ways:

Brand storytelling
Gamification
Social Share incentives (e.g face filters)
Collectables & Rewards

New Zealand supermarket brand, Countdown augmented their shopper marketing promotion rewarding their customers for spending \$30 on their shopping, using a blend of collectables, native apps, and an always-on camera strategy, succeeding in increasing engagement across key metrics:

Over 1,490,000 visits to the app homepage
Over 3,147,000 cards were scanned
Face filters were viewed nearly 730,000 times
The quiz was played nearly 407,000 times



AR elicits a
55% uplift
in happiness and surprise
versus the ad norm.

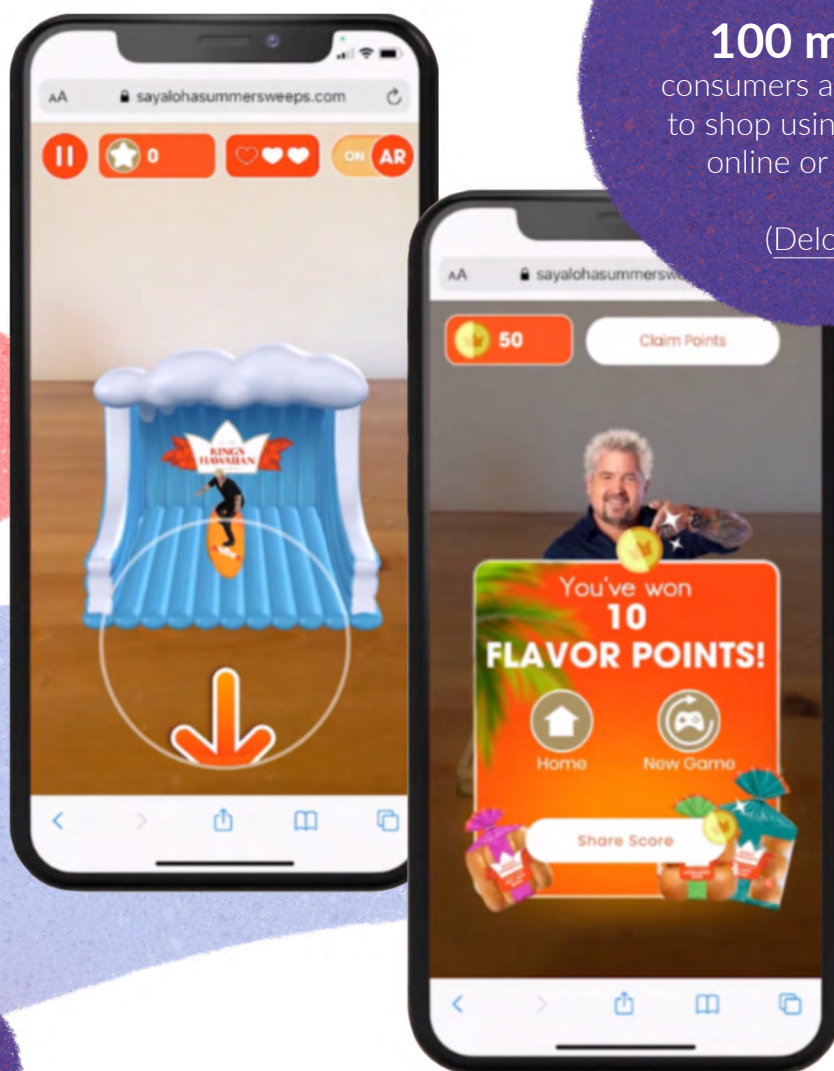
(Connected packaging
report)

The Countdown Super Insects app was created to bridge the divide between the physical cards and digital experiences on the user's smartphone in order to improve engagement, boost market share, and enhance the educational experience. The whole experience was designed to bring people back into the experience consistently to collect all the cards, ensuring a constant cadence of engagement in the physical stores and app, across eight weeks.

Kings Hawaiian leveraged AR in a way that was designed to draw people back to the experience again and again but this time through webAR and codes launched instore. To promote their partnership campaign with Guy Fieri, like Countdown, Kings Hawaiian used gamification and social share incentives to encourage repeat visits to store. These in-store codes were used to transport users to a virtual world where they could earn points and win prizes.

Within the next year,
100 million
consumers are expected
to shop using AR either
online or in-store.

(Deloitte)



2 Engage and inform: Virtual product visualisation and try-on

This is undeniably an iterative, long-term strategy for brands looking to not only engage a younger audience through digital technology, but also those who are wanting to tackle the impact of COVID-19, whilst improving conversion and reducing returns.

The success seen by companies like IKEA and The Home Depot in using AR to allow customers to visualize their products pre-sale has been taken by fashion brands like Gucci and Christian Louboutin with Mytheresa (created by immersive agency Phantom), especially over the past year, and accelerated to utilise AR technology for virtual try on.

Why has it been so successful? Well not only has AR been found to double levels of visual attention and **increase memory recall by 70% versus other channels**¹ but recent reports from McKinsey and Shopify showed just how powerful virtual product visualisation can be in yielding sales success and increasing propensity to purchase. The reports showed that **conversation rates increased 250 percent**² for products supported by AR try-on technology and helped reduce the rate of returns.

The ability for brands to now create powerful AR experiences launched through the web rather than being app reliant has also broadened this opportunity. WebAR creates a more frictionless journey for the user and lowers bounce rates.

1 Neuro Insight Mindshare Layered Report

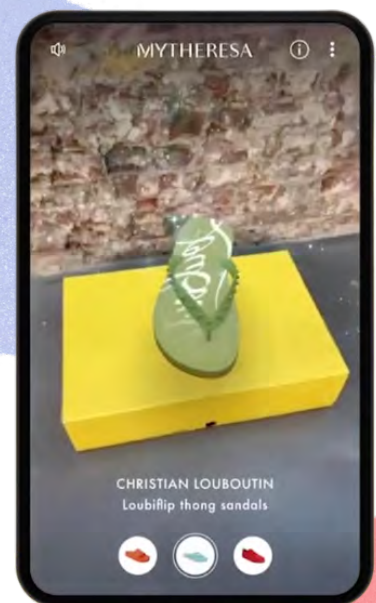
2 Adapting to the next normal in retail: The customer experience imperative McKinsey and Shopify

42% of consumers asked said '**Experiencing products before purchasing**' was their motivation for using immersive tech

(Accenture)

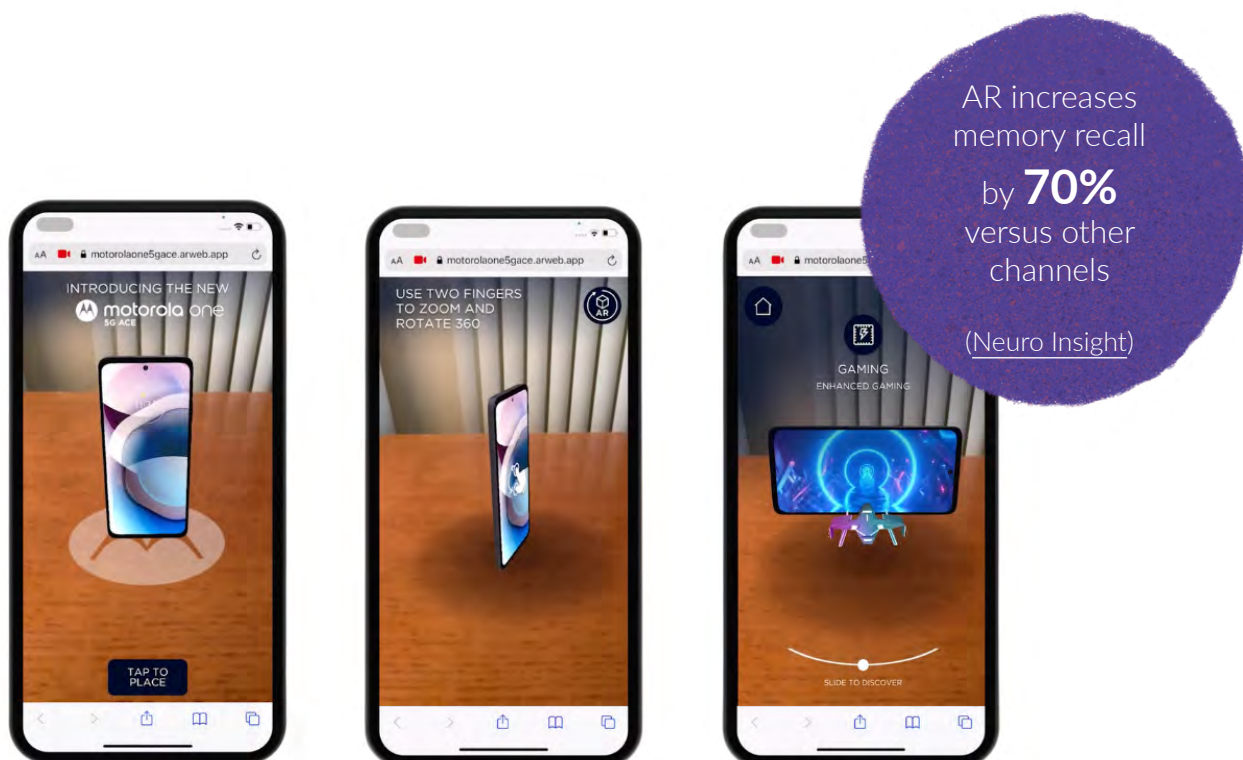
Reports show a **250%** increase in conversion rate in products using 3D models in AR compared to those not

(McKinsey and Shopify)



AR allows you to not only enable customers to try on your products at home or place them in their real world environments but also gives you the opportunity to provide them with even more information that will influence your conversion rates both instore and online.

Motorola capitalised on this to increase training engagement and product memory retention for their sales reps with an in depth product visualisation experience. Using a 3D model placed in the real world environment, users can explore all the key features of the phone including the design and camera quality. Designed originally for staff training, this WebAR experience was then rolled out to help inform customers of the phone's features.



3 Expanding the retail space: Creating digital real estate in-store.

Over the past year the physical retail space has come under intense pressure and the effects will continue to be seen with capacity restrictions and a certain amount of reluctance from the public to return to brick and mortar stores. However, out of this pressure comes the perfect opportunity.

Firstly AR is allowing retail stores to become the destination rather than just part of the buyer journey. Creating interactive experiences that are connected to all static, passive in store materials means that they can be easily updated and refreshed over time increasing engagement, giving your customers a reason to return time and time again.

Sponsorship & Partnership programs

Gaming

Photo features

Virtual treasure hunts

Collectables

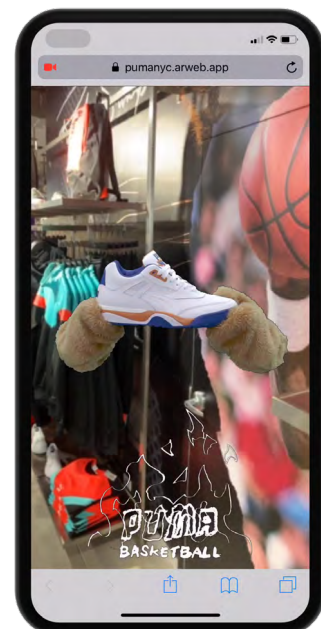
Secondly, virtual space is limitless, AR allows you to expand your store without the same cost pressure and limitations incurred with physical square footage. Giving you the freedom to display more stock and give your customers the information they need to make purchase decisions (as they do with product visualisation) as well as virtually trying on or visualising products in a contact-less environment.

The demand for this kind of interaction exists already with **55% of consumers wanting to be able to point their phone at any object and receive information**¹ about it and with **40% of UK consumers using their mobile while browsing in-store to cross-check pricing**.² Customers already have their phones out so why not capitalise on the opportunity.

1 Neuro Insight Mindshare Layered Report

2 Snap's latest report with trends agency Foresight Factory

Brands like Puma have been one early adopter of this, making the store feel like a destination. Using interactive displays and product tags in their flagship NYC store to activate AR experiences as part of a promotion for new products. Utilising face filters to encourage social sharing and product visualisation, this is just the start of what is being achieved with the use of AR.



55% of consumers want to be able to point their phone at any object and receive information about

it, rising to **74%** amongst those who have already experienced AR

(Neuro Insight)

47% of consumers would pay extra for a product if they could customize or personalize it using immersive technologies.

(Accenture)



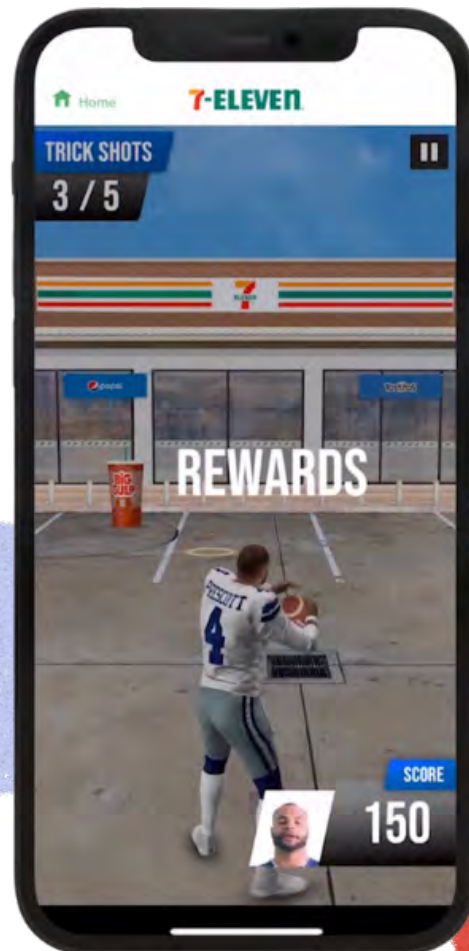
4 Reimagining customer loyalty: Rewards schemes, redemption and collectibles

Unsurprisingly digital rewards schemes have been growing in popularity over the past few years and any business taking a customer first approach will have considered the rise in online first behaviours. Providing digital loyalty schemes has been keeping customers engaged and is definitely favourable from a sustainability and CSR stand point (plastic toys in fast food meals or cereal boxes to name one instance).

There is however an opportunity to take this to the next level, gamification, games for rewards, is only one potential way customer loyalty can be won. The COVID-19 pandemic has contributed to the increasing value placed on how we behave online - becoming in many cases the primary method of communication, socially and professionally especially for younger generations. This increased value has had an impact on the concept of virtual goods and the value they now hold - Gucci's virtual 25 sneaker being a perfect example. Opening up new and interesting opportunities that can be leveraged with AR technology.

A core component of leveraging AR in a digital first strategy is the concept of 'always-on' AR, designed to delight customers and deliver continued high-quality value-added experiences for users. And with **>50% of consumers in an Accenture study stating that they would better recall brands that regularly engaged them with immersive technologies**,¹ it's a strategy set up for success.

7-Eleven for example used such a strategy by maximising their impressive range of brand partnerships. The consistency of this AR engagement 365 days a year and 24/7 established a strong relationship with customers, rewarding regular app usage as well as store visits, and differentiating the 7Rewards experience for users.



¹ Accenture Trust it Try it Buy it: Opening the door to the next wave of digital commerce.

5 Looking forwards: Digital twins, avatars and the retail metaverse

We're increasingly living in a world where we have a digital twin: we have our real selves and our digital personas that exist in social media and online.

With the growth in gaming culture and advances in 3D animation and capture this digital twin is increasingly taking a new form in avatars as seen in MMOGs' like Fortnite, Roblox, and Minecraft; also in social apps for Bitmoji in Snap and the equivalent in Line in AsiaPac; and of course console gaming for Nintendo Wii and Xbox games where avatars are part of the account flow and your online gaming persona from the moment you hit the 'on' button. With the rise in spatial computing and as we move headlong into multiple virtual worlds in the metaverse and the advent of telepresence and holographs, things are about to get weirder still!

The point is that there's something about having a 3D digital representation of yourself (that either looks like you or in some way represents your personality, interests and passions) that really resonates with people globally. The act of simple creation and customisation makes them uniquely you. As has often been said, a picture paints a thousand words.

We think this is super interesting when it comes to the future of augmented reality and specifically to brands with loyalty schemes and rewards programs. We can take the tried and tested formula used in gaming and apply that to innovate and disrupt the retail category.

How can you look to leverage this for your brand?



Create ongoing digital rewards through items that can be collected for your avatar. We can build in seasonality for say Halloween, The Holidays, Summer and Easter through additions to the avatar and activities linked to them.



The avatar also allows unique opportunities for brands partners through virtual merchandise and sponsorship bringing their product and brand name into our customers' world in a way that uniquely adds value.



Play with commercial models popular in fashion retail and streetwear bringing in perceived scarcity and heightened demand through limited digital content drops for brands.

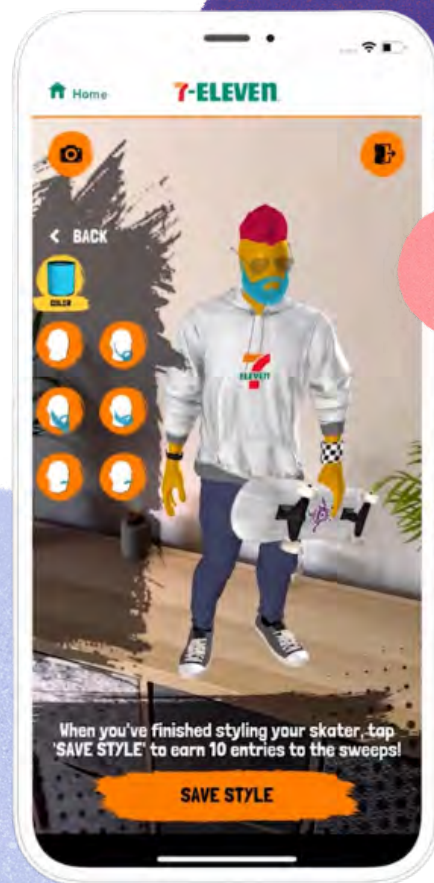


Through the magic of AR you can place your personalised avatar in the camera view for photos and videos to be shared socially and amongst friends. This activity can be linked to reward points redemption and competition



Add animation packs (like Fortnite) leaning into the TikTok generation and Gen Z audience that is increasingly important for brands. Deploy custom avatars in branded game mechanics and mini activities for a more personalised experience.

As we increasingly move into a digital first world for retail and shopper experience, we believe that the avatar is another step in the journey for reimagining the loyalty experience for customers making it even more personalised and gives retailers and brand owners another way to lead the market in innovation and customer experience.



Final Thoughts

In many ways our smartphones are the connective tissue that bridge the gap between store visits and online shopping: we use our phones in store to check prices, scan labels, send photos to friends and family; whilst m-commerce gives us the ultimate 356 24/7 shopping experience at the touch of a button. AR brings both environments to life creating new valued experiences to tell brand stories, provide product information, create new partner opportunities, reward systems and loyalty mechanics.

AR drives attention, engagement, conversion and sales success. It creates direct conversations with consumers and it provides better measurement and analytics.

The camera and spatial computing are enabling richer, more immersive experiences for brands and end users. This trend is only going to accelerate as we move from mobile devices to headsets and glasses of the future over the next decade.

Make no mistake, if you don't have a camera strategy and aren't considering how your brand and business can take advantage of this new augmented super power, you're going to be falling behind in the new 'space race' of spatial computing and storytelling.



Looking to leverage AR in your retail strategy?

Get in touch today >>

