

The Real Promise of VIRTUAL REALITY

VR IS STILL IN ITS INFANCY, BUT IT HAS THE POTENTIAL TO BE A SIGNIFICANT ADVANCE IN ONLINE RETAILING. > By Pan Demetrakakes

Ideally, the best part of online shopping is the convenience, while the best part of in-store shopping is the experience.

Virtual reality has the potential to combine the two.

VR is still an infant technology, now used mostly for gaming and novelty videos. But some retailers are awakening to its potential, both for marketing and as a commerce platform. VR could serve as a way to bring customers into the store from anywhere. This has special potential for food retailers, because the experience of food shopping is what consumers want and can't get from conventional online shopping. Simply put, many people want to see food products before buying them; VR is a way of letting them do that.

"The most successful solutions for virtual reality in the CPG and grocery space will pay attention to the uniqueness of the category in what they offer, as well as the gaps that currently exist for consumers opposed to shopping online," says Erin Jordan, retail technology account director at digital marketing agency Walker Sands. "For consumers wanting more of an in-depth look at fresh produce, virtual reality can allow for a closer look at fruits and veggies while shopping online."

Various two-dimensional applications that could be considered an early version of VR have been used by retailers for years. These range from apps meant for conventional screens that the user can manipulate to "travel" among shelves, to virtual stores with giant screens showing life-size images of products that shoppers can touch to order for delivery.

Truly immersive VR is beginning to be tapped for commercial purposes. Alibaba Holding Group, the Chinese e-commerce giant, started demos of a VR store this summer. During the first week in November, Alibaba teamed with Macy's for an event that allowed shoppers using special cardboard goggles to virtually romp through Macy's New York flagship store. Hormel Foods has an app that, when used in a smartphone connected to a Google Cardboard VR viewer, allows consumers to browse through "bacon-themed worlds" and buy Hormel bacon products.

The cardboard goggles are a cheap way for marketers to push VR apps, although they provide a less-than-optimal visual experience and must be connected to a smartphone. High-quality VR goggles still have relatively low market penetration, largely confined to very young consumers, but that is likely to change soon. According to a recent study by International Data Corp., headsets for VR and augmented reality (AR) are expected to see a compound annual growth rate of 108.3 percent from 2015 to 2020, when they will reach 76 million units.

Quality will increase as well as quantity, predicts Nels Strom-

berg, EVP of Retale, a platform provider for location-based mobile advertising.

"Today, if you use VR devices, they are super-clunky and still need a connection point to the web. In the future, that will all go away, and you will not know what is real and what is digital," Stromberg says. "Once those walls are down, then buying goods via VR becomes very simple to imagine, because it would feel as if it does today."

A VR shopping experience has the potential to intensify the advantages inherent in online shopping. Consumers could customize selections, including or excluding classes of items (for example, specifying gluten-free items only). Conversely, product selection can be expanded indefinitely.

Despite its relatively low penetration to date, VR has strong potential appeal, if only as a curiosity. Walker Sands' annual retail survey showed that 62 percent of consumers report being at least somewhat interested in shopping online using a virtual



reality device. Asked how they think the introduction of virtual reality would impact their shopping habits, 24 percent said they would be willing to purchase more online, and 33 percent said they would be more likely to shop with retailers offering the experience.

Like any new technology, VR has drawbacks and challenges. It's expensive, for both consumers and content producers. Consumers, in the early stages at any rate, will come from the gaming world and will be prone to demand a high degree of interactivity. And most people find VR immersion disorienting beyond 10 or 15 minutes. (That, plus the expense of producing content, is why almost all VR "movies" are shorts.)

But nevertheless, VR is undoubtedly the next frontier in online shopping technology.

"It's clear there are major opportunities [with VR] for grocery and CPG retailers, and manufacturers to bridge the gap between online and in-store technology," Jordan says. **RL**