

ANALYSIS

Reaching for the virtual world

The truly immersive shopping experience promised by early adopters of virtual reality still hangs in the air – we have the technology, so why aren't shoppers plugging in?

Virtual reality (VR) has been near the top of retailers' lists of must-try technologies for several years now, but it hasn't yet lived up to its promise.

While it has become a useful tool for marketing and PR, VR is still some way from becoming a bona fide sales channel. The potential is huge, but there is a significant gap between where it could be and its current state.

Oculus Rift

Awareness of virtual reality's potential started to grow in 2014 when Facebook purchased VR headset firm Oculus Rift. Before this, it was seen as an interesting but futuristic-sounding gadget rather than the next big thing in retail.

But after one of the world's biggest technology companies threw its weight behind it, virtual reality became the latest must-try idea.

Retailers from Topshop to North Face were among the brands to try it. They immediately recognised VR's core benefit – it can transport users anywhere, from the front row of a catwalk show to the top of a mountain, and this presents myriad opportunities for creative marketing and experiential ideas.

For many bricks-and-mortar retailers, it is a chance to build experiences that entice shoppers away from websites and onto the high street. The forecast for its dominance is impressive.

"It's been predicted that within the next 10 years, a billion people will be interacting with virtual reality on a daily basis and that the sector will be worth \$38bn by 2026. It's a huge potential opportunity for brands," says Tom Moran, senior user experience designer at digital agency TH_NK, which works with retailers including Shop Direct and New Look.

David Lloyd, business development director for the UK, Ireland and the Nordics at Chinese online juggernaut Alibaba, says VR will be an important part of international expansion in the future.

Some retailers have started experimenting with the technology.

Ikea has used VR to allow customers to visualise a new kitchen in their home, while US home improvement retailer Lowe's has used it to show shoppers how to carry out DIY tasks.

Meanwhile, Marks & Spencer used pop-up virtual reality showrooms as part of its launch of a homewares range in 2015.

Brands outside of retail have also experimented with VR. In 2015, Coca-Cola used Oculus Rift headsets to take people on a Christmas sleigh.

Volvo, meanwhile, has created a virtual reality experience that makes people feel as though they are test driving a car using the Google Cardboard headset. The programme also shows customers the different features of its cars, using VR in a more educational way.

Despite the imaginative ideas, consumers are yet to be convinced that any virtual reality experience is a must-have. Relatively few have found a reason to buy even a cheap headset and download the apps required. This is preventing widespread adoption by retailers.

Former House of Fraser chief customer officer Andy Harding says: "Three years ago, people were talking about how virtual reality could be the next frontier of retail, but as far as I'm aware, no-one has come out and said we've done it.

"Headsets haven't penetrated the consumer market yet, and that's a bit of a problem."

70m
Number of consumers who downloaded Alibaba's Pokémon Go-style gaming app



Plus, it doesn't help that most home computers can't support it.

Moran says: "Currently, less than 1% of PCs used globally are capable of running VR. The high price point and current dearth of content leaves the industry in a 'gap of disappointment'.

"Developers are nervous to invest in an as yet unproven market, but by hesitating they are also preventing the industry from really taking off.

"Likewise, consumers won't buy the hardware en masse until the great experiences they expect are there. And businesses of all kinds won't invest in those experiences until they know how big a deal VR will be."

Moran adds that it is likely to be VR experiences delivered on mobile – using low-cost headsets to turn phones into a VR screen – that lead to increased consumer adoption.

Virtual stores

Content-led marketing projects will play an important role in driving VR's development, but there is another emerging strand that is potentially more significant for retailers: shoppable VR.

Emma Crowe, chief of client strategy at digital agency Somo, says one of the most interesting recent developments in VR is the tool

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Consumers are yet to be convinced that any virtual reality experience, like what will be offered by Microsoft's HoloLens (pictured), is a must-have

We could indeed have a future in which VR is used to select and purchase products, not simply to view and experience them
David Lloyd, Alibaba

developed by Alibaba for US department store chain Macy's.

The project is called Buy+ and it is one of the first shoppable VR experiences.

The project was launched in November 2016 for China's Singles' Day.

Using a low-cost cardboard headset plus a smartphone, Chinese shoppers could transport themselves to Times Square in New York, before entering the Macy's store to browse and buy handbags, shoes or clothes.

Lloyd says that VR can help entice shoppers to purchase.

"VR empowers consumers to shop in virtual stores, immersing them in a brand and its culture and ultimately motivating them to make a purchase," he says.

"As the technology becomes more advanced, we could indeed have a future in which VR is used to select and purchase products, not simply to view and experience them."

While many virtual reality experiences so far have focused on the potential for enticing customers into stores, the Alibaba project highlights the potential for online retailers – and for expanding into new countries without the commitment of building stores.

The ecommerce giant has revealed its intention to invest heavily in the technology, because it gives online retailers the opportunity to provide an 'in-store' experience.

UK fashion retailer Asos is also aware of virtual reality's potential. In 2015, its venture capital arm Asos Ventures invested in Trillennium, which builds virtual reality environments, and the retailer owns 9% of the company.

Lloyd points out that augmented reality – which overlays digital content onto a smartphone camera's view of the real world – was until quite recently languishing in a similar place, written off as gimmicky with no real use.

That all changed when the AR game Pokémon Go! launched last year and became a global phenomenon. The game peaked at 80 million US downloads in a month in July 2016, and opened the door for other AR experiences.

Lloyd says Alibaba has used AR with success: "More than 70 million consumers played our Pokémon Go-type 'Catch the Tmall Cat' game through the Taobao app, driving offline sales using online platforms."

VR could drive comparable demand, but it's is still waiting for its killer app. **rw**

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