The Digital Retail Theater: Shopping’s Future

To thrive in a digital world marked by heightened consumer expectations for hyper-personalization and instant gratification, retailers are experimenting with augmented reality, virtual reality, 3-D modeling and other related technologies. Our digital retail theater (DRT) concept can stoke brand loyalty and create more immersive, unique and emotionally engaging/rewarding shopping experiences.

Executive Summary

Digital technology advancements have driven “e-shopping” to a new level, enabling consumers to more effectively interact with brands, search for information, try products, communicate with other customers and, perhaps most importantly, to buy in real time. The advent of mobile apps and related technologies has turbocharged e-tail globally. As a result, global e-commerce will further increase by 22.7% year over year in 2016, to $2 trillion.¹

As the digital world turns, online retailers are aggressively moving to increase their overall market share, while physical retailers try to hold their ground and stay viable. To achieve these objectives, both types of retailers are focused on experience-based value delivery for customer engagement and retention. A recent McKinsey & Company study notes: “Improved customer journeys has the potential not only to increase customer satisfaction by 20% but also to lift revenue of retailers by up to 15% while lowering the cost of serving customers by as much as 20%.”

The dichotomy between online and physical shopping experiences is clear. Physical retailers provide customers instant gratification and shopping thrills, but restrict them to limited product options and expose customers to chaos and shopping fatigue. While online retailers focus more on the convenience of unlimited product choices, they lack the tangible excitement of hands-on, touch and feel, social shopping and instant gratification.

The shortcomings of both physical and online retailing is slowly being addressed by technologies such as augmented reality (AR), virtual reality (VR), 3-D modeling and app-based mobile shopping. These technologies hold the potential to enable online and physical retailers to bridge the gap and merge these two modes of selling.
into a single, integrated platform. Built upon this technology stack, we have proposed a concept called the “digital retail theater” (DRT), which we believe offers the possibility of delivering unique, personalized and emotionally engaging shopping experiences to customers of both physical and online retailing worlds.

Digital Retail Theater: A Concept

Traditional retail theaters introduced visually stimulating and interactive shopping experiences to in-store customers. DRT leapfrogs the traditional retail theater by embracing new digital technologies that are socially engaging and deliver more immersive and personally gratifying shopping experiences that address the needs of both in-store and online customers.

DRT conceptualizes a virtually simulated and interactive platform, powered by AR, VR and advanced 3-D technologies. It enables online retailers to replicate the thrills of an in-store experience while augmenting physical retail stores with the convenience of an integrated, in-house virtual platform to drive an enhanced social shopping experience.

Whether sitting at home or in a store, customers can create an avatar (virtual self) using DRT. For example, the avatar can walk into a virtual retail store, personalize products per a customer’s preferences, try them on and get live assistance from a salesman. Customers can interact with peers in their inner social circles to get product recommendations, pricing advice and social confirmation on their purchase decision. In our view, highly
Online Retail DRT Implementation

**Figure 2**

Gratifying social shopping helps to generate more uniquely fulfilling shopping experiences.

Interestingly, DRT is closer than most observers think. In fact, many retailers are already investing in the emerging technologies that are fundamental DRT building blocks. A deep dive into the available technologies and supporting infrastructure reveals the proximity of the emerging DRT technology stack and its application (see Figures 1, previous page, and 2).
The Digital Retail Theater’s Technology Landscape

Over the past few years, technologies centered on mobile computing, wearable devices and supporting infrastructure have experienced exponential growth (a CAGR of ~36% for smartphones for the period 2007 to 2015 and ~31% for wearable devices, from 2013 to 2015, based on number of units shipped). This has propelled developments around AR, VR and 3-D avatar technologies. Retailers are experimenting with these technologies by creating either virtual stores or digitizing the trial-room functionality to deliver a better and enhanced shopping experience to their customers.

However, these experiments and developments tend to occur in silos. By taking a more integrated approach, retailers will be able to provide a more differentiated and enriching customer experience. Our DRT concept is premised on applying these technologies in a way that delivers an integrated, seamless, interactive and socially-connected buying experience.

As illustrated in Figure 3, the digital technology landscape already exists to support the building blocks of the DRT concept. This foundation provides the horsepower to enable heavy data processing and imagery.

Through interlinking of technologies, DRT can be built to enable 3-D avatar models embedded within an augmented reality experience, creating an online platform for in-store shopping. Similarly, with a combination of virtual reality and a 3-D avatar, physical retailers can create an online replica of their stores to offer convenience shopping with a wider product catalogue.

As the foundational technologies percolate, some retailers have built stand-alone prototypes that hint at DRT’s near-term promise. For example:

- **Ted Baker**, a British luxury clothing retailer, is providing a virtual platform for its customers to use as they move around the store, examine various product options, consider feedback and add product to their cart. Its virtual store also enables customers to share products with friends.

- **A Tommy Hilfiger** outlet on Fifth Avenue in Manhattan offers shoppers “the best seats in the house” for the New York Fall Fashion Show, delivering a 360-degree view for those customers using **Samsung GearVR** headsets.

- **The IKEA** VR Experience brings the user a virtual IKEA kitchen in real-world size. Using an **HTC Vive** headset, consumers can use the app to explore and customize kitchens.

### Digital Retail Theater: Technology Landscape

![Figure 3](image-url)
according to their preferences.

- **Lenskart**, an online eyewear retailer, and **Ray Ban**, a maker of eyeglasses, are employing AR to allow customers to virtually try multiple frames and glasses before buying them.

- Using **VR**, **Royal Caribbean** is changing the way people cruise. Its technology tour allows customers a view into the world’s most advanced ship and access to virtually every part of the cruise experience. With just a few clicks, viewers can travel across the zip lines, see acrobats training in the Aqua Theatre and browse some of ship’s unique dining experiences.

- **Aditya Birla’s** group’s fashion portal abof.com has introduced a new 3-D trial room. It allows users to create their 3-D avatars resembling their body type and try on various outfits. These examples offer solid proof of DRT’s potential to deliver value to both customers and retailers. What follows is a deeper dive into the key benefits that make DRT a differentiated offering.

Benefits of Digital Retail Theater

Retailers are strategically shifting their focus to continuously improve customer experience to differentiate and gain competitive advantage.

DRT would enable retailers to stand out from the competition by aligning their unique selling propositions (USPs) according to the customer’s buying preferences. At the same time, it will offer and expose customers to new and better shopping experiences each time they consider buying a product. DRT’s benefits can be broken down by retailer and consumer advantages (see Figure 5 next page). Figures 6 (page 7) and 7 (page 8) offer case illustrations that reveal how DRT could potentially enhance online and physical world shopping.

**Retailer Benefits**

- **Customer loyalty:** A visually stimulating, personalized shopping journey and an enduring customer/brand experience would increase a retailer’s product mindshare and increase brand recallability. This is substantiated by a Monetate study which revealed that “40% of consumers buy more from retailers who personalize the shopping experience across channels.”

- **Customer-driven innovation:** DRT simplifies participation of customers in new product design, prototyping and pilot testing. Retailers can cost-effectively experiment with multiple product and store concepts in a shorter time span. It also further enhances
the existing concept selection process by helping retailers and marketers to track and analyze customer kinesis at various touch points. Along such lines, P&G\(^2\) engages consumers through a digital ‘virtual wall’ for product testing and prototyping.

- **Reducing sales leakage**: One of the DRT’s key features is to provide product volume visibility at any of the connected stores. Customers can browse product through a virtual store at one location and order a product which is available at any other store. Retailers don’t have to worry about lost sales due to product stock-outs.

- **Efficient distribution**: DRT would enable optimized supply chain planning, reducing dependency on the last mile product distribution challenges. With its ability to allow users to view products beyond the box, DRT can boost conversion ratios while minimizing product returns, resulting in reduced reverse logistics costs.

**Customer Benefits**

- **Rationalized product selection**: DRT facilitates easy browsing of digital and interactive product catalogues. Customers can view and try products on themselves with the use of 3-D and AR anthropometric techniques (i.e., the scientific study of the measurements and proportions of the human body), thus resulting in right product selection and reducing impulse purchases.

- **Social confirmation and appreciation**: Using DRT, customers can engage and interact with people in their trusted circle for product selection and purchase. It helps customers obtain an instant second opinion and confirmation on product short-lists. Additionally, they can also share their try-on images to get social appreciation at the time of purchase.

- **Immersive shopping experience**: DRT orchestrates personalized and interactive retail ambience, virtually created aisles and 3-D product displays for immersive and multisensory shopping experiences. DRT iteratively adapts itself to its customer’s buying behavior and market trends to maintain freshness and “wow factor” in their shopping experience.

**Looking Forward**

Clearly, the digital economy is shifting the balance of power from retailer to consumer. Consumers are easily distracted by the endless array of online shopping options and spoiled by e-tailing’s seemingly unlimited choices. They expect more engagement and entertainment throughout the entire shopping journey. They are not just seeking products, but want a memorable shopping experience. With the decline in in-store customers’ footfalls, and

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**DIGITAL RETAIL THEATER**

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Figure 5
increased competition among online retail players, retailers must reposition their stores as destinations that mix product assortment with entertainment experiences to attract customers. As a result, they have to redefine the way they engage with their customers.

DRT empowers retailers to design unique experiences for customers by aligning their USPs with customers’ shopping preferences. Retailers can better understand their customers’ wants by using the data collected at various DRT interaction touch points. This would help them to provide a hyper-personalized shopping environment. At the same time, via DRT customers can maximize their return on shopping efforts through right product selection. They can enhance and add joy to the shopping experience by engaging with their inner social circle and receiving instant appreciation on their purchase decisions. In totality, DRT offers a mutually rewarding selling and buying experience to both retailers and customers.

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**DRT in the Physical World: An Illustrative View**

Jennifer - A millennial customer is based out of Boston. Jennifer decides to visit the same brand’s store located in Boston. Inside the store, she finds an interactive console that continuously displays different dresses that were worn in the fashion show event in London.

She is in search of a particular dress that was recently displayed in one of the brand’s fashion show event in London. The console helps her identify and select different apparels that the models were wearing in the live fashion show. She creates her own avatar and tries different varieties of apparel on it.

Console also has a virtual salesperson with whom Jennifer can interact and decide on apparel that would look good on her. With the ability to instantly identify the dresses that looks good on her, Jennifer makes multiple other purchases that would complement her dress.

The console also gives her an option to share her final purchase with her friends through multiple social media channels. Jennifer’s ability to instantly buy the items she had in mind, and to see how she looks in them via the interactive console was a new and unique experience for her. She orders the items, which will be shipped to her home from the store.

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**Figure 6**
**DRT at an Online Store: An Illustrative View**

1. **Paul receives a product promotion link.**
2. **Paul shares the link with his friends and receives their feedback on the product.**
3. **The link in the message takes everybody to a virtual store located in a virtual mall and each one has an Avatar for them.**
4. **The avatar can try on these clothes virtually and show the user how they would look on them.**
5. **Each avatar can browse the virtual mall and interacts with each other (just how they would in the real world).**
6. **Everyone can customize their avatars and the theme of the virtual mall.**
7. **To get more information on the product, Paul interacts with a virtual salesperson (through live chat, IM, etc.).**
8. **Paul makes the purchase and chooses among multiple delivery options: COD, credit, online wallet.**
9. **Paul can also share his purchase on multiple social media and get instant gratification.**

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**Figure 7**
Footnotes


9 “Royal Carribean,” http://www.royalcaribbean.co.uk/google-street-view-cruise-ship/.


References


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