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# IS YOUR BUSINESS PREPARED FOR THE AUGMENTED REALITY REVOLUTION?

## Retailers Must Be Prepared for the Augmented/ Mixed Reality Revolution

Already under siege by online-only retailers like Amazon, traditional retail is about to get hit by another technological shift comparable to the Internet itself: Augmented/Mixed Reality (AR/MR).

- Soon, in addition to just browsing products online, consumers will be able to examine and interact with products wherever they are, courtesy of AR/MR applications. And as these technologies begin to blossom over the next decade, consumers – especially Millennials – will not only seek out retailers with AR/MR capabilities, they will fully expect them as part of the normal purchasing process.
- Retailers would be wise to recognize that Virtual Reality (VR), as exemplified by Facebook-owned Oculus and the Rift, was just a stepping stone to AR/MR's truly transformational technology. According to Digi-Capital, AR/MR could hit \$150 billion in revenue by 2020, with **AR taking the lion's share around \$120 billion and VR at \$30 billion.**



**SMARTPHONES AND TABLETS** already let users locate and interact with retailers in unique ways. These basic applications are just the tip of the AR/MR iceberg that's now rapidly rising to the surface.

<sup>1</sup> Digi-Capital, Augmented/Virtual Reality Report Q1 2016

MARCH 2016



Facebook-owned Oculus launches the first consumer VR headset, the Rift.

MARCH 2016



Microsoft releases the developer kit for its AR/MR hardware and software, HoloLens and Windows Holographic.

JUNE 2016



Magic Leap announces a program to allow 10 developers to work on its mysterious AR/MR device.

# AR/MR: What's the Difference?



## Virtual Reality

Immerses users in a complete, artificial 3D world. This experience requires users to wear a bulky headset tethered to a PC or smart device and is almost exclusively applied in the realm of gaming/entertainment.

## Augmented Reality

on the other hand, overlays digital images over what is seen in the real world. Current simple AR applications, such as Home Depot's Project Color, allow users to snap a picture of a room using a smart device, select a paint color, and then see what that room would look like painted.



## Mixed Reality

covers devices such as Microsoft's HoloLens and Magic Leap's as-yet unnamed technology. With a self-contained AR/MR device like HoloLens, included cameras, gyroscopes, and hand-tracking technology analyze the space around users as well as their movements. This lets users interact with the AR they see in the real world in real time and in many different ways.

Using the Project Color example again, instead of snapping a picture of a room, imagine consumers walking through their home with HoloLens, touching a wall, and seeing it transformed into the paint color of their choice in real-time. Then imagine them being able to digitally decorate that room with *any* decorating products that Home Depot sells.

That's just the most *basic of glimpses* of what the impending '**aCommerce**' market will offer. Although still in its nascent stage, AR/MR has moved beyond experimental technology and is on the cusp of becoming an integral part of the retail experience for consumers in brick and mortar stores and online.



## AR: THE Competitive Advantage

AR/MR is not only transforming how consumers shop, it will offer significant competitive advantages in how retailers operate their businesses.

In particular, retail merchandising with augmented reality has the potential to transform a brick and mortar location's visual appeal so that it creates a lasting impact with shoppers while simultaneously maximizing conversion rates.

Right now, a company named Augment is offering businesses a fully customizable AR tool that lets them create complete 3D merchandising displays. These displays can be viewed through a smart device in real size anywhere in the store to determine optimal visual impact. And once AR-assisted merchandising is completed at one location, it can instantly be shared and implemented across all locations.

Further, with AR, sales reps on the floor no longer have to fear customers seeking out-of-stock items. Using an AR app, retail reps can show customers a life-sized digital rendering of any item in a store's catalogue and order it instantly for them.

Savvy retailers will embrace suppliers that are out in front on AR. For example, at LEGO kiosks, customers can hold up a box and see what a fully completed model looks like. Similar see-it-before-you-buy-it apps are available from a number of suppliers, with more launching daily. The result is better informed customers who are more likely to be happy with the purchases they make and in turn become return customers.

## For the Long Haul

Retailers who do embrace AR/MR as a competitive advantage should be confident they're making the best long-term investment. Along with the many AR possibilities available that are already transforming retail, countless others are in development.

The proof is in the pudding, and in this case, the pudding is worth billions. According to Digi-Capital, in all of 2015, the investment in AR/VR was more than \$700 million. In the first two months of 2016 alone, it topped \$1.1 billion. AR/VR investment was up 20% in Q1 2016 compared to Q4 2015.

While much of that investment is dedicated to products and software focused on entertainment, the wow-factor associated with AR/VR games and movies will only spur consumers to embrace the technology across the board, in particular in how they shop.

Magic Leap is the mysterious giant of this emerging market. Its predecessor was Google Glass, the AR headset first unveiled in 2012. Instantly, the prototype device became a part of pop culture, but three years and countless jokes later THE GADGET was dead before it ever even hit the market.

As the New York Times<sup>2</sup> recounts, Google Glass broke for a number of reasons, and made many think twice about the future of AR. But Google itself never had second thoughts. The company says it broke new ground and learned a great deal from consumers and enterprises alike. It also believes it found another company with solutions to many of the problems Glass encountered.

That company is Magic Leap. The stealthy startup has received more than \$1.4 billion in funding, including more than \$540 million from Google.

In short, Google – of all companies – was not deterred by Glass's failure. Retailers' belief in the future of AR/MR shouldn't be deterred either.

<sup>2</sup> Nick Bilton, *New York Times*, "Why Google Glass Broke," Feb. 4, 2015

# Conclusion

Virtual Reality, tinkered with for decades, has finally arrived courtesy of consumer products from Facebook-owned Oculus, Google, and Samsung. While VR has been getting all the press, its close cousin Augmented Reality (or Mixed Reality) is poised to completely transform how retailers do business, both in brick and mortar locations and online.

Much like the Internet and mobile phones transformed the world, AR/MR is primed to have a similar impact within the coming decade. Retail will be among the prime beneficiaries – if retailers are ready to make the transition. The rules of the game are changing again, and retailers need to be ready. We're helping clients get Out in Front™ of this transformational technology by finding solutions in two areas:

1. What are the short-term implications of the technology? How are competitors leveraging it to improve the customer experience and become more efficient at the local level?
2. What are the broader implications for the business model? How will this technology impact the retail experience, and what can retailers do about it?



Our global decision support, research and consulting firm can provide your business with the evidence-based intelligence it needs through:

- **Custom benchmarking/monitoring programs** – By focusing on the performances of early AR/MR adopters, we have the knowledge to tell you what works and what doesn't.
- **AR product capabilities assessments** – Which consumer and enterprise AR products will give you the biggest return on your investment?
- **Launch timing** – Dozens of hardware and software products are already available, but when will the truly transformational ones hit the market, and when should you be prepared to offer them to your customers?
- **Strategy assessments** – How do these programs roll into broader strategies that are adapting to the increased pressure of technology? How are they adapting to change?
- **Business war gaming** – How will your strategies help you keep or take the lead in a market leveraging AR/MR technology? What impact will competitive activity have on success?
- **UX/CX Assessments** – What are people saying about the experience? How does it compare to the other major players? What advantages does it provide?

**AR/MR is going to change retail forever. Ensure that your business is where it should be amid this major market disruption – on top and Out in Front™.**

## CONTACT US TO LEARN MORE:

### Global Headquarters

Proactive Worldwide, Inc.  
1699 E. Woodfield Road, Suite 406  
Schaumburg, IL 60173, USA

+1.888.925.9125



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