

# Application of AR/VR in phygital marketing campaigns in consumer retail

*As consumers' expectations for brand offerings rise, marketers are turning to innovative strategies to stand out. One such approach is the use of phygital brand campaigns, which blend physical and digital elements with technologies such as augmented reality (AR) and virtual reality (VR).*

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As these technologies become more mainstream, they are reshaping the landscape of modern brand marketing as well.

The number of AR and VR market users *is expected to reach* 3.7 billion by 2029, with a user penetration rate projected to be 52.8% in 2024. Nearly half of all consumers *are likely to spend* more on a product if they can experience it through AR-based shopping. Additionally, 55% of shoppers find AR shopping more enjoyable.

While many brands aim for growth, misconceptions about AR and VR in phygital brand campaigns can prevent them from setting ambitious targets. Senior marketers might think that success with these technologies depends on marketing budget size, targeting the right customer segments, or that a less-known brand can't significantly increase brand awareness.

This article describes advantages and disadvantages for companies aspiring to leverage phygital marketing campaigns with AR/VR

technologies.

Here are some key positive aspects of these technologies.

## Enhanced customer experience

AR/VR technologies elevate engagement and interactivity in consumer retail.

Let's explore it on the example of the fashion industry.

With AR, customers can virtually try on clothes and accessories, visualise different angles, and assess fit accurately. For instance, Gucci's AR app allows users to virtually try on shoes, providing a realistic view of how they would look and fit, which has significantly boosted customer satisfaction and sales.

VR allows users to explore virtual showrooms and attend fashion shows from home. For example, Tommy Hilfiger has used VR to offer virtual front-row seats to their fashion show during New York Fashion Week back in 2019, enhancing customer engagement and brand loyalty.

## Increased sales and reduced returns

Engaging AR experiences attract and retain customers, leading to higher sales. According to research by Arinsider, accurate product visualisation through AR minimises returns by up to 25%.

Burberry's flagship store in Shenzhen, in collaboration with Tencent, offered a phygital shopping experience through the WeChat app.

Shoppers could use AR to visualise products accurately before purchasing. This immersive experience not only enhances customer engagement but also ensures that customers have a clear understanding

of the products, reducing the likelihood of returns. The interactive try-on process personalises the shopping experience, making it more enjoyable and reducing the chances of dissatisfaction with purchases.

## Accelerated brand awareness

AR/VR solutions significantly boost brand awareness by creating memorable and shareable experiences. These technologies allow brands to stand out in a crowded market, engaging customers in ways that traditional marketing methods cannot match.

At the *Viva Technology conference in Paris in May 2024*, RIMOWA showcased a brand experience by offering attendees the chance to explore their suitcases using the Apple Vision Pro headset. Visitors to the RIMOWA booth could put on the headset and immerse themselves in a virtual exploration of RIMOWA's product range, experiencing the design and features of the suitcases in a highly interactive and engaging way. This tech-driven approach not only highlighted RIMOWA's commitment to innovation but also provided a memorable and futuristic experience for conference attendees.

While the advantages of AR and VR in marketing are compelling, it's equally important to consider the potential roadblocks that companies may face when implementing these technologies.

## Adoption barriers

Despite their potential, widespread adoption of AR/VR remains limited due to high hardware costs and the need for user familiarity.

One of the most significant hurdles is the high cost of AR/VR hardware. Advanced AR/VR devices, such as headsets and smart glasses, often come with a hefty price tag. This financial barrier can be prohibitive,

especially for smaller retailers or emerging designers with limited budgets. Investing in such technology requires not only the initial purchase but also ongoing maintenance and potential upgrades to keep up with technological advancements.

Another critical barrier is the need for user familiarity. For AR and VR technologies to be effective, both consumers and employees must be comfortable using them. This requirement can pose a challenge, as it involves a learning curve and potential resistance to change. Consumers may be hesitant to adopt new shopping methods, while employees might need extensive training to effectively utilise these technologies.

## Content quality

Creating high-quality content requires significant investment in creativity and technology. Poorly executed phygital brand campaigns can lead to negative customer experiences.

For phygital brand campaigns with AR/VR to stand out, the content must be immersive and engaging. This means creating experiences that not only capture the consumer's attention but also provide value and enhance their interaction with the brand. High-quality AR/VR content can transform a mundane shopping experience into an exciting journey, fostering deeper connections between consumers and brands.

At the 2024 Global Fashion Management Conference in Milan, researchers Ziyou Jiang (University of Georgia), Jewon Lyu (University of Georgia), and Heejin Lim (University of Tennessee, Knoxville) explored the topic "Shopping in the VR apparel store: investigating the impact of spatial crowdedness and consumer efficacy on consumer shopping experiences." Their study highlighted the importance of creating immersive content in VR environments to enhance consumer experiences.

# Integration challenges

Seamlessly integrating AR/VR into existing platforms and processes requires expertise and can be technically challenging. Ensuring compatibility with various devices and systems adds to the complexity.

The seamless integration of AR/VR into marketing campaigns and operational workflows demands specialized knowledge. Brands need to have a deep understanding of both the technological aspects and the user experience to ensure a smooth implementation. This often involves hiring or consulting with experts who can navigate the intricacies of AR/VR technology and its applications.

In addition, each device has different capabilities and limitations, which means that the content must be adaptable to provide a consistent experience across all platforms. This requires rigorous testing to ensure that the AR/VR content performs well on all intended devices.

As consumer expectations continue to evolve, the integration of AR and VR in phygital marketing campaigns offers an opportunity for brands to differentiate themselves. The projected growth in AR and VR market users underscores the potential impact of these technologies on consumer behaviour and purchasing decisions. By addressing common misconceptions and leveraging the advantages of AR and VR, companies can enhance customer engagement and drive brand loyalty.

Ultimately, the decision to embrace AR and VR in phygital marketing campaigns lies with company leaders. Those who choose to innovate and adopt these technologies may find themselves at the forefront of a new era in consumer retail, creating memorable brand experiences.

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