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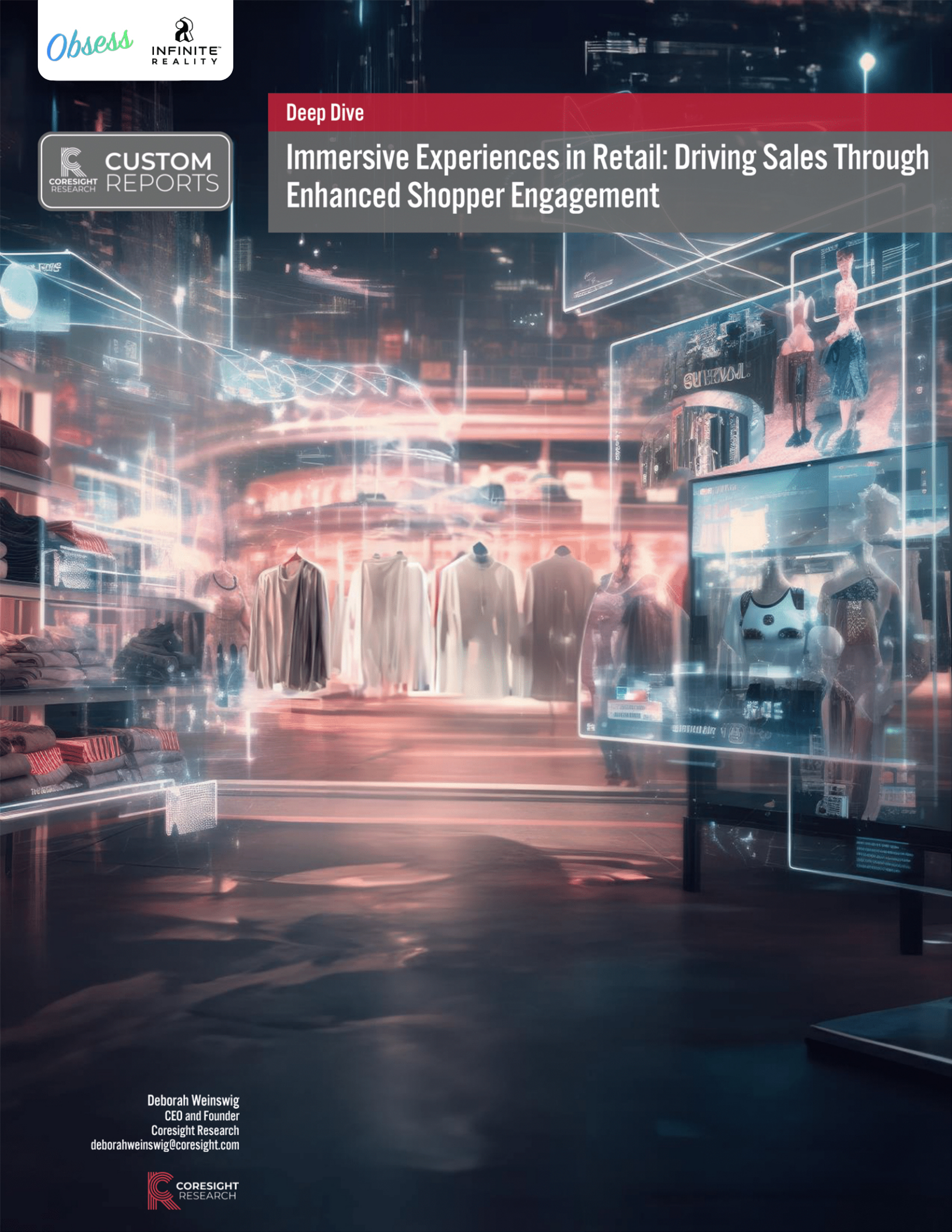
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Deep Dive

Immersive Experiences in Retail: Driving Sales Through Enhanced Shopper Engagement



Deborah Weinswig
CEO and Founder
Coresight Research
deborahweinswig@coresight.com



Executive Summary

We explore how US brands and retailers plan to invest in and offer immersive experiences, based on a Coresight Research survey of US-based brands and retailers across fashion, home, CPG (consumer packaged goods)/FMCG (fast-moving consumer goods) and beauty retailing that have invested in immersive experiences.

Market Scale and Opportunity

- Immersive experiences are accessible and used across a wide range of platforms and devices. AR and VR (augmented and virtual reality) technologies are a large part of immersive experiences; the rapid growth of these markets—estimated 2017–2027 CAGRs of 17.4% and 25.7%, respectively—suggests that there is significant interest, investment and innovation in immersive experiences.

Coresight Research Analysis

- Immersive experiences are among retail companies' top three investment priorities, according to our survey. Within this category, data/AI-enabled content for personalization, virtual try-on and virtual stores were ranked in the top three priorities by at least two in five respondents. All surveyed companies are at least considering increasing their investment in immersive experiences over the next 10 years—and 93% will “probably” or “definitely” do so in the next three years, showing a high level of urgency to implement technology-driven customer-engagement and selling strategies. When investing in immersive experiences, click-through rate, average order value (AOV) and net promoter score (NPS) are the top three metrics that surveyed brands and retailers consider.
- Virtual stores enable brands and retailers to offer a unique and innovative shopping journey, bringing the best of the physical shopping experience to the online channel, while improving sales performance. 61% of surveyed brands and retailers have invested in virtual stores, and around nine in 10 companies that have done so report moderate or significant increases in total sales and online sales as a result. Coresight Research estimates that sales generated via virtual stores in the US will total \$1.5 billion in 2023 and will grow at a strong CAGR of 27.0% between 2022 and 2030, to \$7.1 billion. Factors such as technological advancements, consumers' sustained online shopping behaviors and the desire for more engaging shopping and content experiences will drive sales growth.
- Our survey found that 71% of surveyed brands and retailers have invested in data/AI-enabled content for personalization. The top three performance metrics that have increased as a result are click-through rate, time spent visiting stores and NPS, highlighting the effectiveness of personalization strategies in enhancing user interaction and satisfaction.
- Some 40% of surveyed companies have invested in gamified shopping experiences, which have proven effective in driving a noticeable boost in online sales performance, according to our survey. More than three-quarters of surveyed companies that have invested in this type of immersive experience report a significant or moderate increase in online sales as a result.
- Social shopping—which 65% of surveyed companies have invested in—positively impacts customer engagement and acquisition for brands and retailers. By expanding their customer base, social shopping offers revenue growth opportunities for fashion companies in particular.

What We Think

In the evolving landscape of retail, brands and retailers have a unique opportunity to harness the power of immersive experiences to redefine customer engagement. By leveraging immersive experiences such as virtual stores, data/AI-enabled content for personalization, gamified shopping experiences and social shopping, brands and retailers are poised to deliver more meaningful, engaging and personalized shopping journeys, ultimately leading to increased customer loyalty and business growth.

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Introduction

In today’s dynamic retail environment, where innovation shapes the way consumers shop, immersive experiences are emerging that promise to revolutionize the retail industry in driving customer engagement and loyalty. In this report, we explore how US brands and retailers plan to invest in and offer such experiences, based on a Coresight Research survey of 150 US-based brands and retailers across fashion, home, CPG (consumer packaged goods)/FMCG (fast-moving consumer goods) and beauty retailing that have invested in immersive experiences, conducted in mid-August 2023.

This report is produced, and made available to non-subscribers of Coresight Research, in partnership with Obsess, an immersive commerce platform that enables brands and retailers to build interactive, 3D shopping experiences on their websites.

Below, we define some key terms that we use throughout this report as we discuss critical components of immersive experiences.

Figure 1. Key Terms: Components of Immersive Experiences



Source: Coresight Research

Virtual stores can have a remarkable impact on online and total sales, with retail success stories emerging that highlight the ability of virtual stores to engage customers on a deeply personal level. Other immersive experiences provide equally exciting opportunities for brands and retailers to surprise and delight their customers, including data/AI (artificial intelligence)-enabled content for personalization, gamification and social shopping. Social shopping includes features that allow consumers to invite friends to a live shopping session via video chat or through branded avatars (enabled by 3D avatar technology). Through personalized avatars, shoppers can interact with friends’ avatars, replicating the real-life group shopping experience online.



The Maybelline virtual store (left); branded gaming and interactive content in the J.Crew virtual beach house experience (right)
Source: Obsess



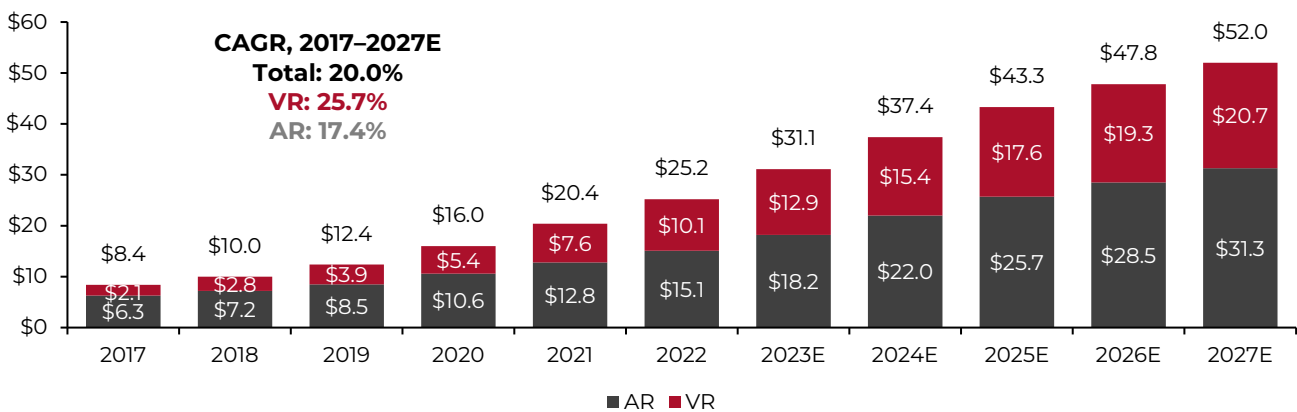
Social shopping function embedded in Charlotte Tilbury's virtual store (left); AI-accelerated aisles in virtual stores (right)
Source: Obsess

Market Scale and Opportunity

Immersive experiences are accessible and used across a wide range of platforms and devices. AR and VR (augmented and virtual reality) technologies are a large part of immersive experiences. The AR market is set to total \$18.2 billion by the end of 2023 and grow to \$31.3 billion in 2027, while the smaller but faster-growing VR market will total \$20.7 billion in 2027—up from \$12.9 billion in 2023—according to Statista. Between 2017 and 2027, the VR market will experience a CAGR of nearly 1.5X that of the AR market (as shown in Figure 2).

The rapid growth of the AR and VR markets suggests that there is significant interest, investment and innovation in immersive experiences—and future growth will be driven by the emergence of new use cases and applications as the tech becomes more advanced and accessible.

Figure 2. Global AR and VR Market Size* (USD Bil.)



*B2B and B2C revenues related to advertising, hardware and software, as defined by Statista; In-scope segments include AR headsets and glasses, such as HoloLens, VR headsets, such as Meta Quest, AP apps, such as Snapchat or Pokémon Go, VR games that can be accessed via distribution platforms such as Steam, apps that can be accessed via iPhone and Android phones. Out-of-scope segments include cardboard VR headsets, such as Google VR, VR headsets for smartphones, such as Fiyapoo VR, apps for Android phones that are solely available in stores such as Amazon Appstore and Microsoft Store, apps available on other operation systems, such as Ubuntu, in-game subscriptions such as Google Play Pass.
Source: Statista

AR and VR have numerous applications in the retail industry, transforming the way consumers shop. For example, virtual stores and virtual showrooms allow consumers to explore products in a 3D environment, and AR enables shoppers to imagine 3D goods such as clothing, eyewear, makeup and accessories in their physical space. Brands and retailers can also gamify the shopping experience using AR or VR, encouraging customer engagement through challenges, rewards and interactive elements in their apps or stores. These elements aim to make the shopping experience more enjoyable and rewarding, driving consumers to make purchases and become loyal customers.

More users are embracing virtual worlds and interactive gaming environments, making them attractive platforms for brands and retailers to engage with their audience. Indicating the growing popularity and potential of immersive, gamified experiences, online gaming platform *Roblox* reported revenue growth of 15% year over year in the second quarter of 2023 (latest reported quarter), totaling \$680.8 million. In addition, in the same time frame, its base of daily active users increased by 25% year over year, reaching 65.5 million, with the number of hours engaged rising by 24% year over year, totaling 14.0 billion.

Decentraland and *Fortnite* are two other gaming platforms that have been actively working with brands and retailers to build gamified shopping experiences, highlighting interest among established brands in leveraging virtual environments for marketing and sales, and implying that immersive experiences are becoming an integral part of brands' strategies.

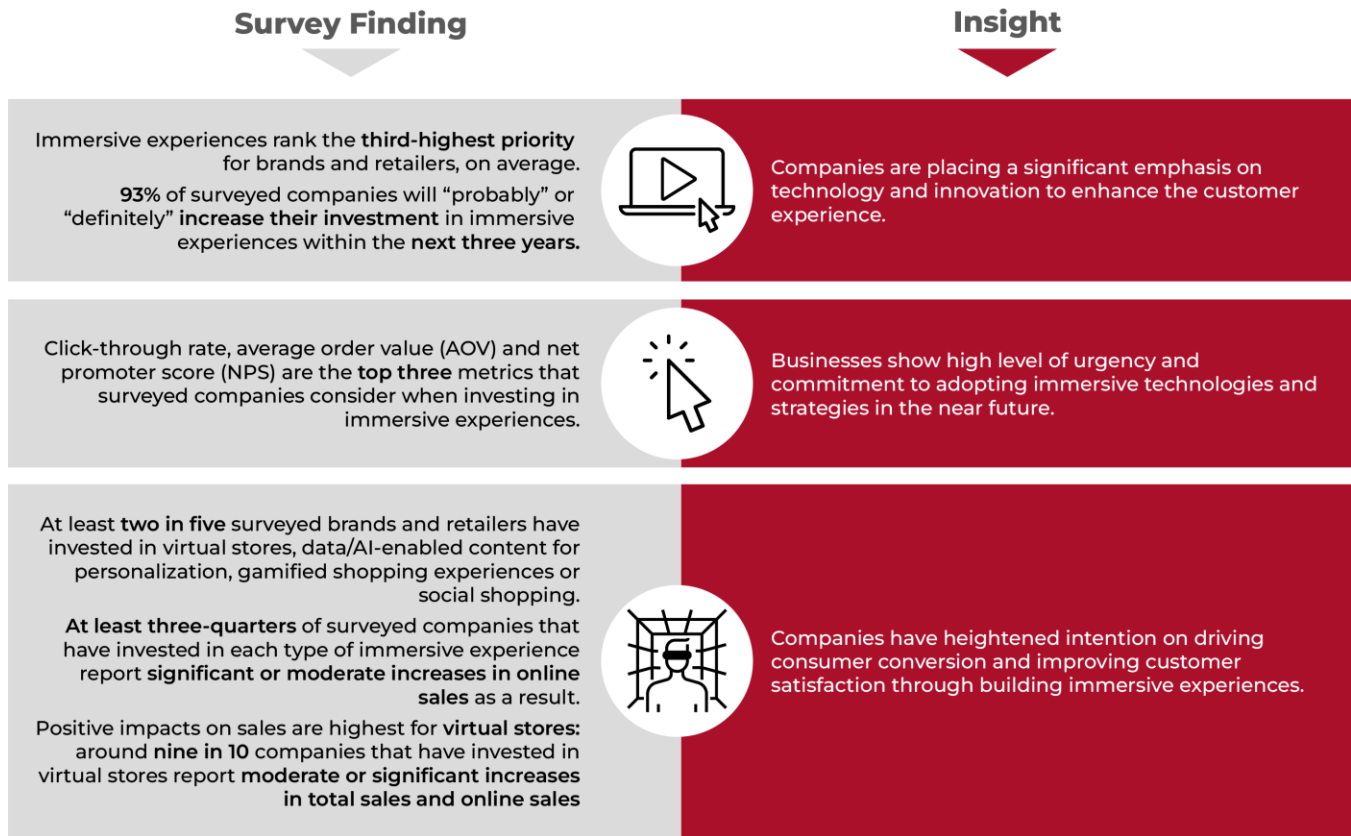
- Brands including Adidas, Coca-Cola, Dominos, Heineken and NIKE have created experiences in *Decentraland*.
- Brands including Balenciaga, Moncler and Ralph Lauren have worked with *Fortnite*. In late 2022, *Fortnite* worked with Ralph Lauren to launch an online game, which had more than 400 million registered accounts with a strong following among 18–24-year-olds, according to the brand's earnings call on November 10, 2022. The partnership included a special collection of digital outfits and two special drops of physical products available in Ralph Lauren's DTC (direct-to-consumer) channels and select specialty retailers around the world. These activations successfully attracted younger, full-price consumers to Ralph Lauren's business, according to the company.

Brands and retailers that effectively leverage gaming experiences can tap into engaged user bases, especially younger demographics, and create innovative shopping experiences that drive revenue and brand loyalty.

Immersive Experiences in Retail: Coresight Research Analysis

In Figure 3, we summarize key survey findings and selected insights into the adoption of immersive experiences by US brands and retailers, which we discuss in detail throughout the report.

Figure 3. Summary of Selected Survey Findings and Key Insights



Base: 150 decision-makers at US-based brands and retailers, surveyed in August 2023

Source: Coresight Research

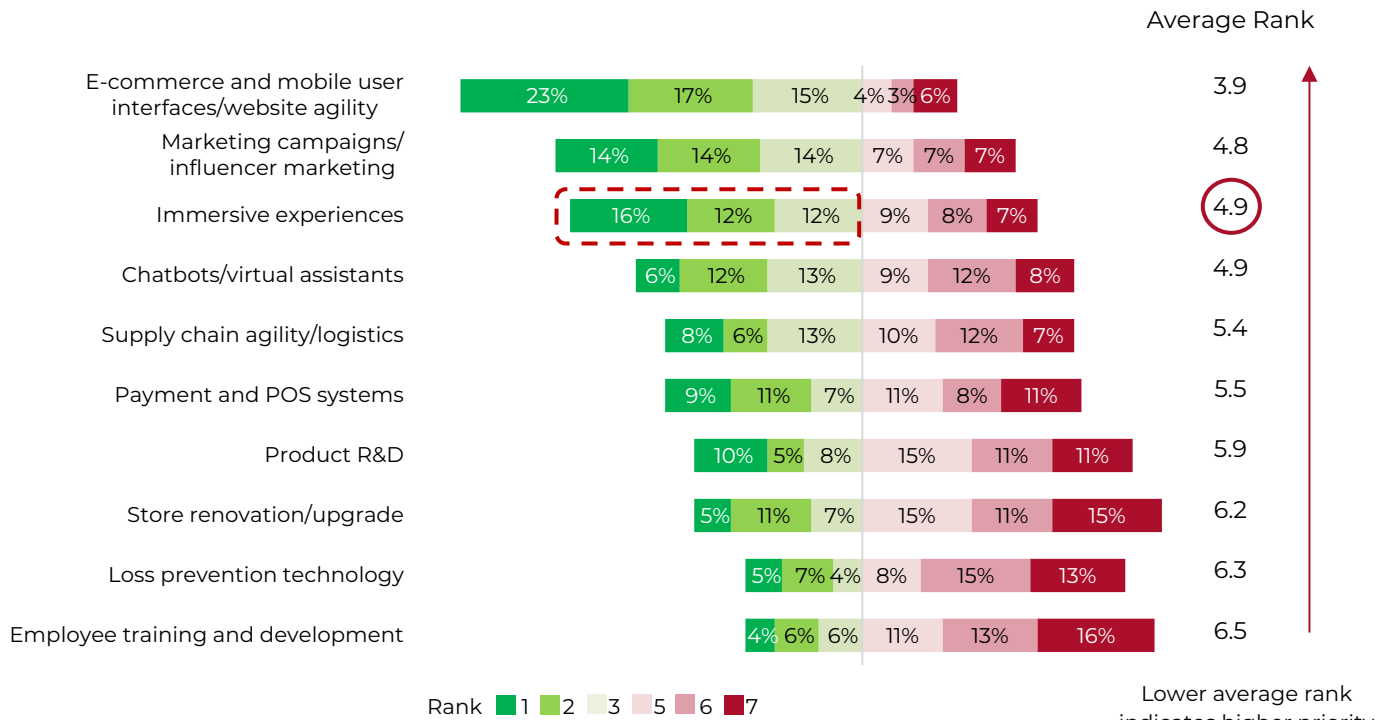
Immersive Experiences Are Among Companies’ Top Investment Priorities

Companies are placing significant emphasis on technology and innovation to enhance the customer experience. Immersive experiences are among companies’ top three investment priorities, according to our August 2023 survey. We asked decision-makers to rank investment areas based on levels of priority (with lower ranks signifying higher priority) and found that website agility, marketing and immersive experiences came out on top in terms of overall weighted average rank, which is consistent with recent surges in online consumer demand and the growth of e-commerce.

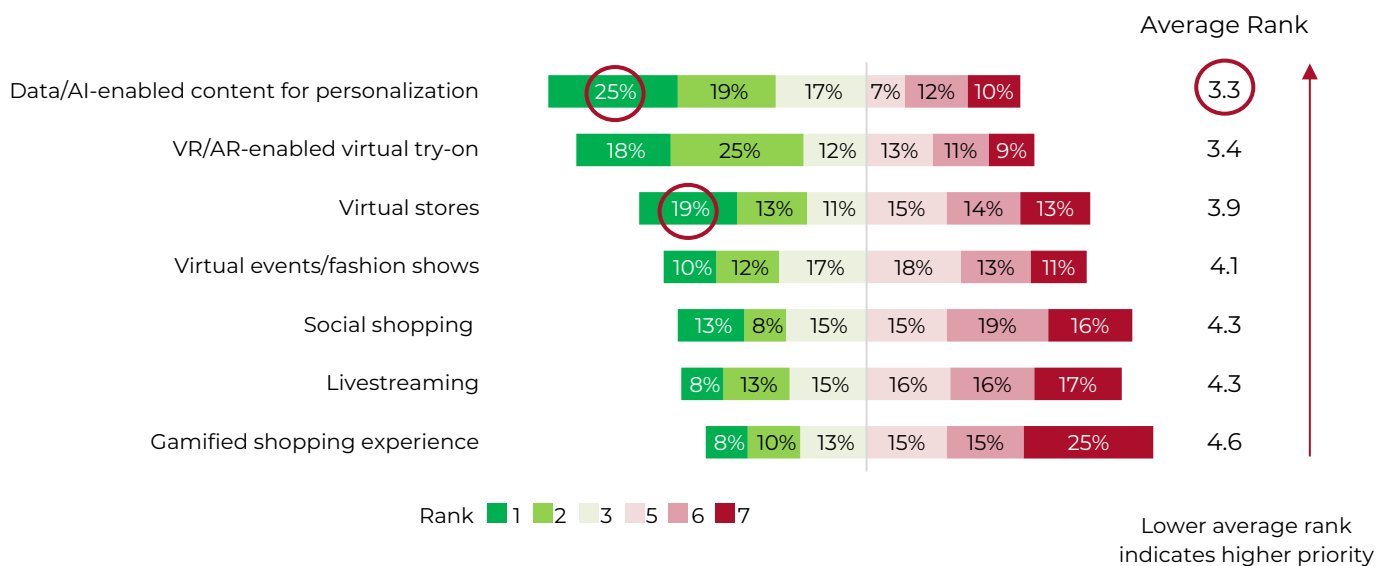
Focusing on immersive experiences in particular, respondents indicated that data/AI-enabled content for personalization is the highest priority overall, with an average weighted rank of 3.3, followed by virtual try-on and virtual stores. These types of immersive experiences were ranked in the top three highest priorities by at least two in five respondents.

Figure 4. US Brands and Retailers' Investment Priorities in the Next 12 Months, in General (Top) and for Immersive Experiences (Bottom) (% of Respondents)

Immersive experiences rank the **third-highest priority** for surveyed brands and retailers, on average—and **40%** of respondents ranked immersive experiences in the top three spots



Overall, **personalization of content** is the highest priority in terms of immersive experiences and is followed by **virtual stores** as most often ranked in the top spot



Respondents were asked to rank the categories based on their investment priority, from 1 (top priority) to 7/10 (lowest priority)

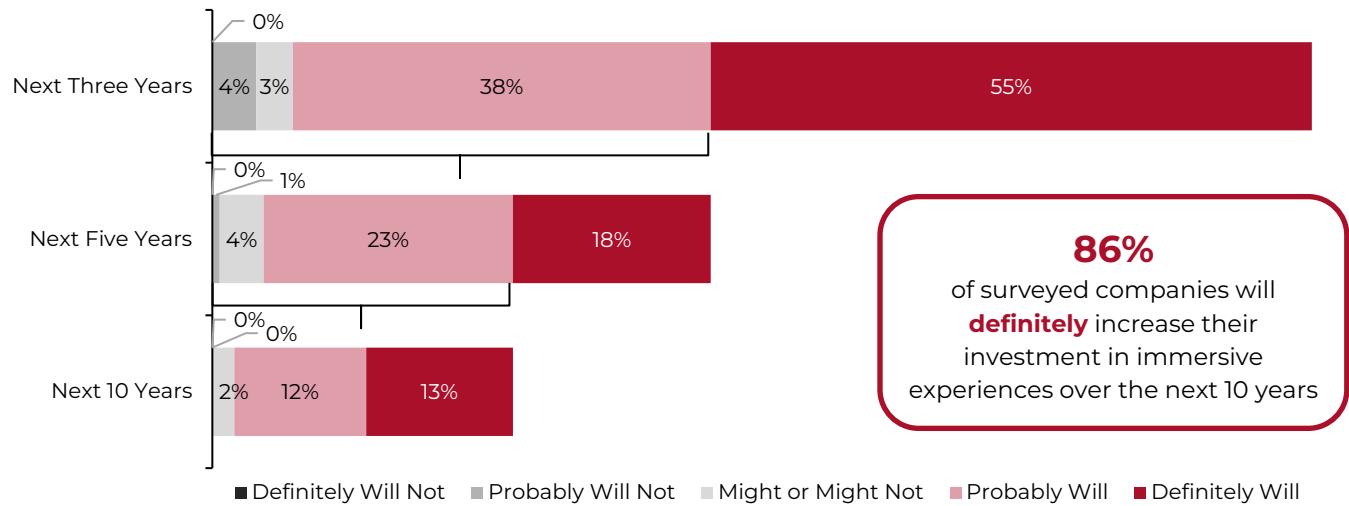
Base: 150 decision-makers at US-based brands and retailers, surveyed in August 2023

Source: Coresight Research

Significantly, as shown in Figure 5, *all* respondents in our survey stated that their companies are at least considering increasing their investment in immersive experiences over the next 10 years—with a huge 86% stating that they “definitely will.” Furthermore, 93% of surveyed companies will “probably” or “definitely” increase their investment in immersive experiences within the next three years, showing that there is a high level of urgency and commitment to implementing technology-driven customer engagement strategies in US retail.

The high planned adoption rate in the next few years highlights an urgency around investing in immersive experiences. Despite economic challenges, surveyed brands and retailers have signaled that they will continue to invest in immersive experiences, emphasizing the value that companies believe they stand to gain from investing in this area.

Figure 5. Likelihood of Companies Increasing Their Investment in Immersive Experiences (% of Respondents)



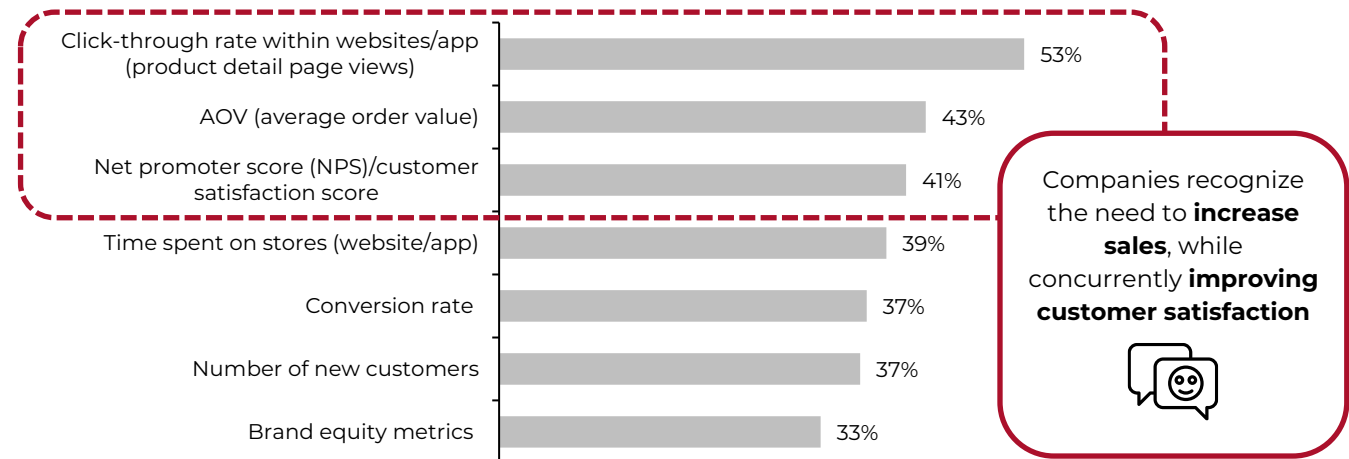
Respondents who selected “definitely will” in three years are excluded from selecting options for five and 10 years; respondents who selected “definitely will” in five years are excluded from selecting options for 10 years

Base: 150 decision-makers at US-based brands and retailers, surveyed in August 2023

Source: Coresight Research

When investing in immersive experiences, click-through rate (which we use throughout this report as relating to product detail page views within websites/apps), average order value (AOV) and net promoter score (NPS) are the top three metrics that surveyed brands and retailers consider—each cited by more than two in five respondents in our survey. These findings show that by building immersive experiences, brands and retailers are encouraging product discovery and improving the customer experience, which lead to increased sales.

Figure 6. Metrics That US Brands and Retailers Consider When Investing in Immersive Experiences (% of Respondents)



Base: 150 decision-makers at US-based brands and retailers, surveyed in August 2023

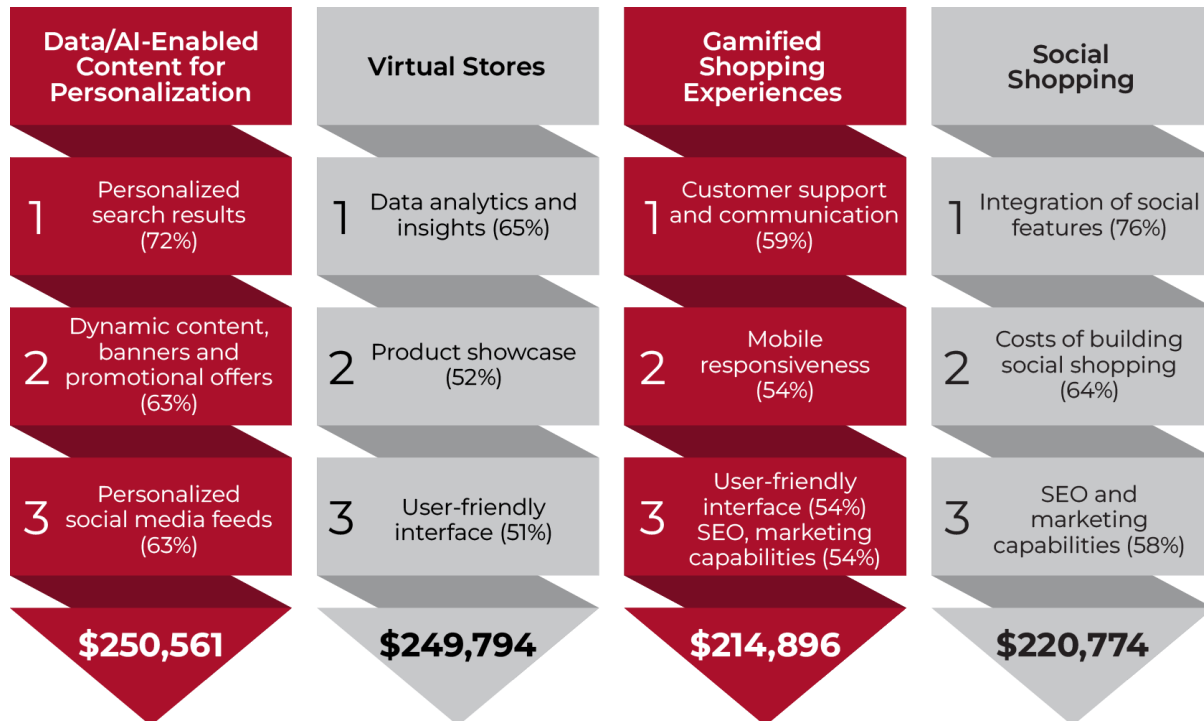
Source: Coresight Research

Four of the seven types of immersive experiences we asked about in our survey are at the forefront of innovation when it comes to consumer engagement in retail and are gaining traction among brands and retailers as new ways to boost sales (while the other three—virtual try-on, virtual fashion shows/events and livestreaming—are already well established in the market). We asked the companies planning to invest in each type of immersive experience about which considerations are most important during the next 12 months, and found the following:

- Retail businesses recognize that consumer engagement and satisfaction are impacted by the quality of the technology-driven experience; they need to minimize friction that might discourage users from engaging with the immersive experience. “User-friendly interface” emerged among the top three considerations for virtual stores and gamified shopping experiences, while “mobile responsiveness” is also important for the latter.
- For data/AI-enabled content for personalization, companies obviously place significant emphasis on functions that engage consumers in a tailored manner, but for virtual stores, companies are also focused on gathering data to gain insight into their customers. “Data analytics and insights” being in the top spot for companies investing in virtual stores also suggests that retailers may take a similar approach to virtual stores as they do to physical stores—with data on traffic patterns, product interactions and time spent in different parts of the store critical to understanding shopper behaviors and informing relevant marketing strategies. Brands and retailers can also use such data to inform store layout and inventory management decisions.
- Interestingly, cost only factors into the top three considerations for social shopping, likely driven by the potential high costs of social shopping’s related offerings, such as creator-generated content, celebrity endorsements and user-community activities.

Data/AI-enabled content for personalization has the highest average expected investment amount, at \$250,561.

Figure 7. Selected Immersive Experiences: Companies’ Top Considerations for Investing in Immersive Experiences (% of Respondents That Plan To Invest in Each Type of Immersive Experience) and Average Expected Investment Amount in the Next 12 Months (USD)



Ordered highest to lowest by average investment amount

Respondents could select multiple options for considerations that are important when investing in/building each type of immersive experience

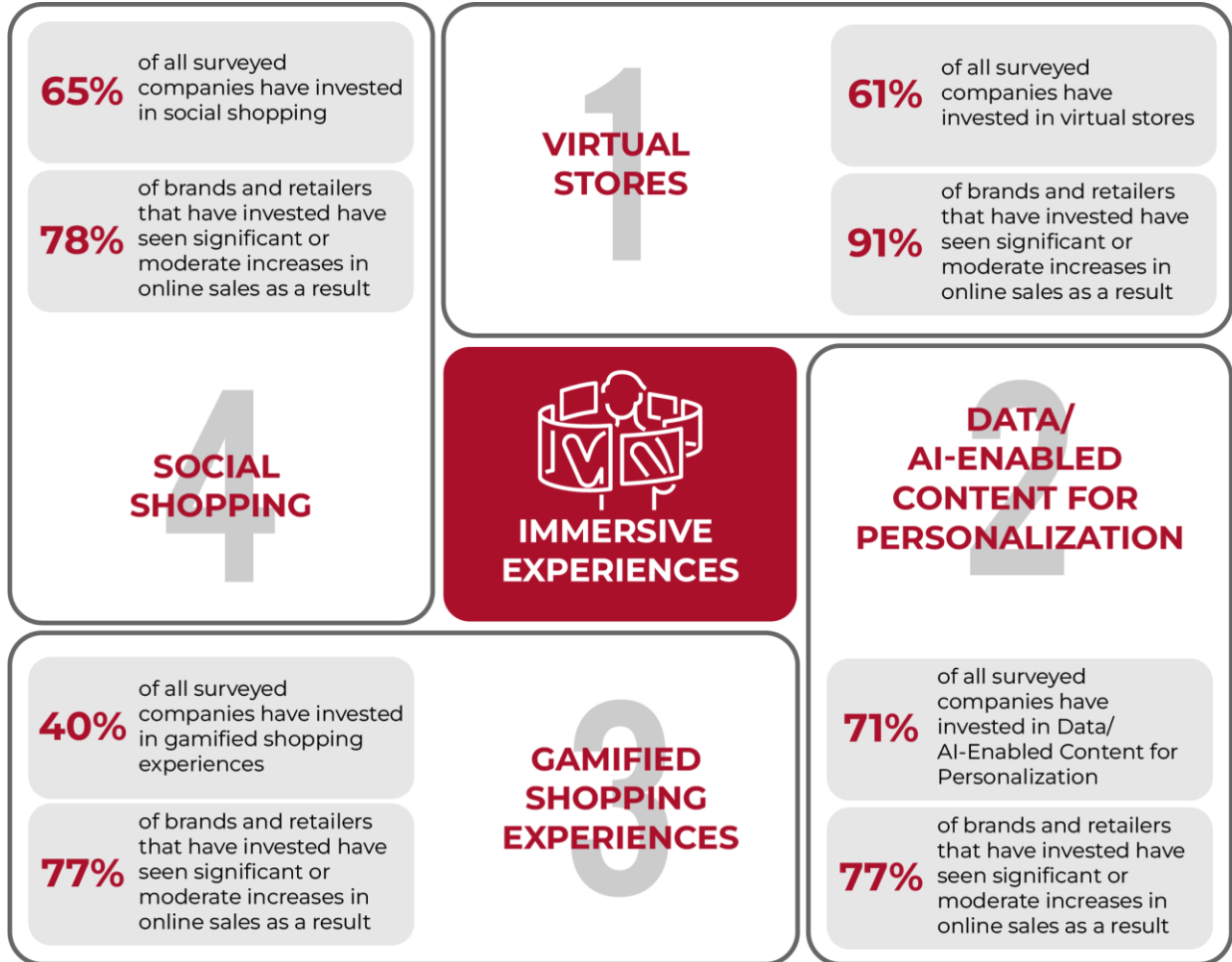
Base: Decision-makers at US-based brands and retailers that plan to invest in immersive experiences in the next 12 months—data/AI-enabled content for personalization (89 respondents), virtual stores (85), social shopping (72), gamified shopping experiences (54)—surveyed in August 2023

Source: Coresight Research

Immersive Experiences in Detail: Driving Sales and Other Positive Impacts

Below, we delve further into the four types of immersive experience we asked about in our survey, shown in Figure 8. By leveraging these newer immersive experiences, brands and retailers are poised to deliver more meaningful, engaging and personalized shopping journeys, ultimately leading to increased customer loyalty and business growth.

Figure 8. Four Types of Immersive Experience: Key Findings



Base: 150 decision-makers at US-based brands and retailers (top), of which subsets have invested in each type of immersive experience (bottom)—virtual stores (91 respondents), data/AI-enabled content for personalization (107), social shopping (98), gamified shopping experiences (60)—surveyed in August 2023

Source: Coresight Research

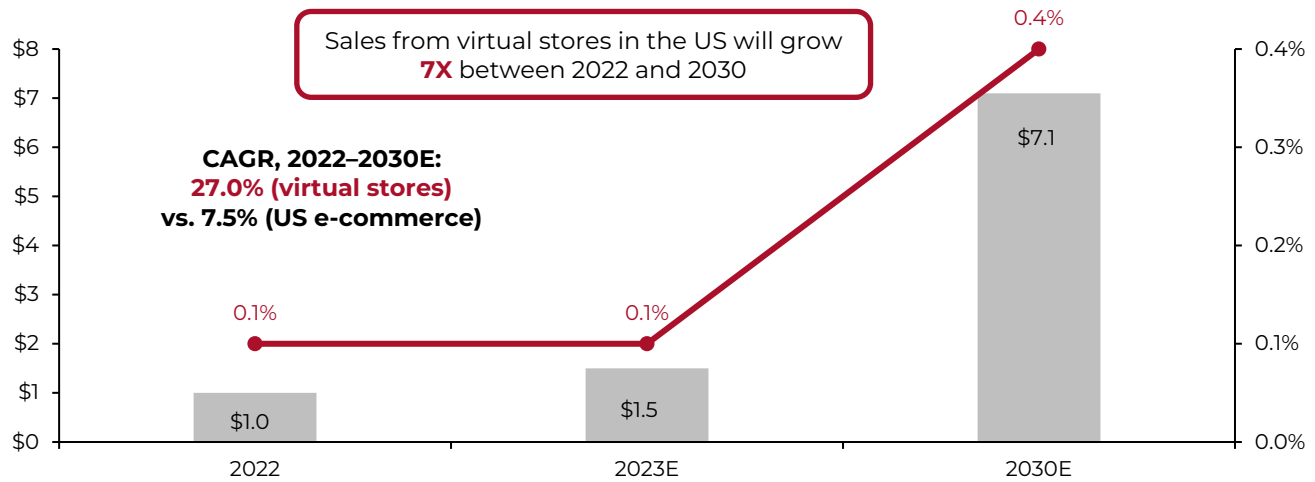
We also break down selected findings to analyze the impacts of immersive experiences for fashion retail companies versus non-fashion retail companies, enabling us to gain a more nuanced understanding of the opportunities that technology-driven shopping experiences present in different retail sectors.

1. Virtual Stores

Coresight Research estimates that sales generated via virtual stores in the US totaled \$1.0 billion in 2022 and will grow at a strong CAGR of 27.0% through 2030, to \$7.1 billion. Factors such as technological advancements, consumers’ sustained online shopping behaviors and the desire for more engaging shopping and content experiences will drive sales growth.

What sets e-commerce in virtual stores apart from traditional e-commerce is the ability to offer immersive and highly engaging shopping experiences. Shoppers can experience the brand’s personality and ethos and make informed purchasing decisions in ways that traditional e-commerce cannot match. Such heightened levels of engagement can drive long-term customer loyalty.

Figure 9. Sales in Virtual Stores in the US* (Left Axis; USD Bil.) and as a Share of E-Commerce Market (Right Axis; %)



*Potential number of virtual-store shoppers multiplied by average consumer spending via virtual stores. Our estimates are based on a combination of survey data (“The Metaverse Mindset: Consumer Shopping Insights” survey, published by Obsess in January 2022), consumer spending analysis and population statistics.

Source: Bureau of Economic Analysis/Census Bureau/Obsess/Coresight Research

Virtual stores are a popular option for surveyed brands and retailers when investing in immersive experiences, following “personalization” as most frequently ranked as the top priority, as we saw earlier. We found that 61% of surveyed brands and retailers have invested in virtual stores (which includes exploratory investments that may not necessarily result in the establishment of a fully operational virtual store).

Virtual stores enable brands and retailers to offer a unique and innovative shopping journey. Brands and retailers are not confined to restrictions of location, layout and space as they would be in either a 2D e-commerce interface or a traditional physical retail environment. Key features of a virtual store typically include a user-friendly layout (which is designed using computer-generated imagery (CGI) technology), products in 3D that shoppers can view from all angles, interactive displays, AR or VR elements such as virtual fitting rooms, live chat, product and cart integration with e-commerce, and social integration and branding. Virtual stores require significantly lower overhead expenses, compared to physical stores, and enable brands to meet shoppers where they are at their convenience. Virtual stores also provide an opportunity for businesses to use interactive elements, videos and immersive content to convey their brand identity and values.

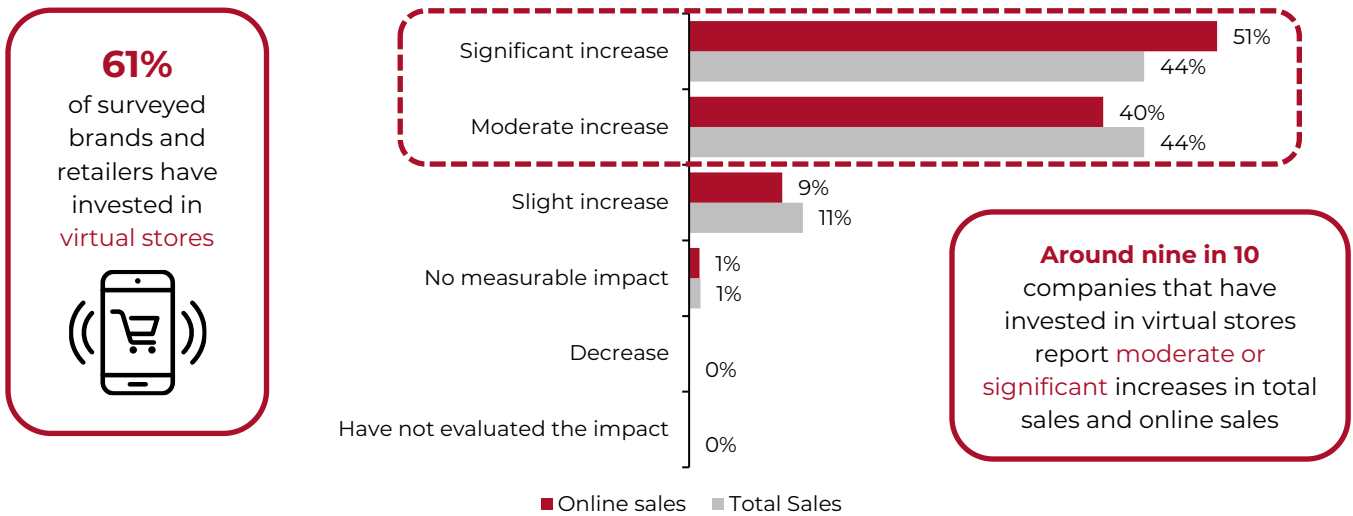
Brands and retailers have been experimenting with virtual stores for some time, but we have now reached a stage where virtual stores have expanded significantly and have been embraced by numerous companies in various industries. Examples of recent virtual-store launches include J.Crew’s virtual beach house, Laura Mercier’s virtual World of Beauty, and Ralph Lauren’s Beverly Hills Virtual Store (which mirrors the physical location in California).

Impact on Sales

Virtual stores help businesses improve their online and total sales performance. Our survey found the following:

- 88% of brands and retailers that have invested in virtual stores have seen significant or moderate increases in total sales as a result.
- 91% of brands and retailers that have invested in virtual stores have seen significant or moderate increases in online sales as a result.
- Only a tiny proportion (1%) of respondents indicated that virtual stores had no measurable impact on sales—both in total and online.
- No surveyed brands or retailers that have invested in virtual stores reported a decrease in sales as a result.

Figure 10. Virtual Stores: Investment Rate (Left) and Impact on Online and Total Sales Performance (% of Respondents)

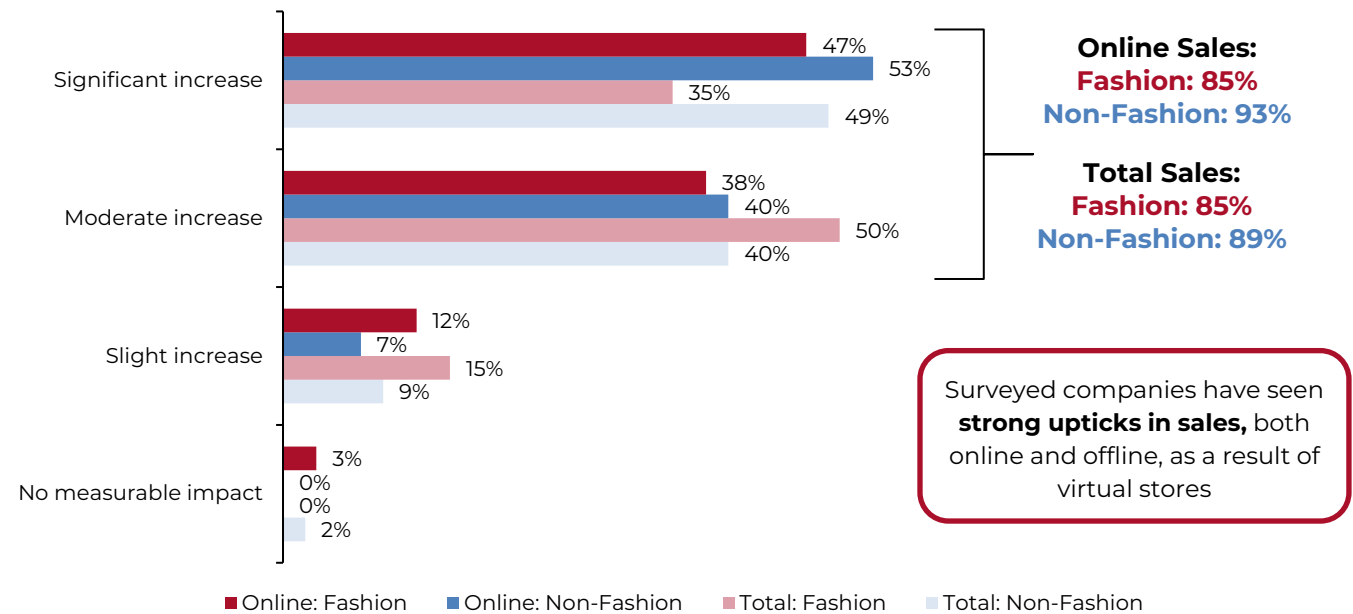


Base: 150 decision-makers at US-based brands and retailers (left), 91 of which have invested in virtual stores (right), surveyed in August 2023
 Source: Coresight Research

Upticks in sales as a result of investing in virtual stores are widespread across fashion, beauty, home, CPG and FMCG: at least 97% of respondents in each sector reported positive sales increases in total and online—and the vast majority of these saw moderate or significant increases, as shown in Figure 10.

A well-designed virtual store can attract online shoppers and introduce them to a brand and its products. Heightened brand awareness leads to increased foot traffic in physical stores as customers seek out the products they first discovered online.

Figure 11. Companies That Have Invested in Virtual Stores: Impact on Online and Total Sales Performance, Fashion vs. Non-Fashion Retailing (% of Respondents)



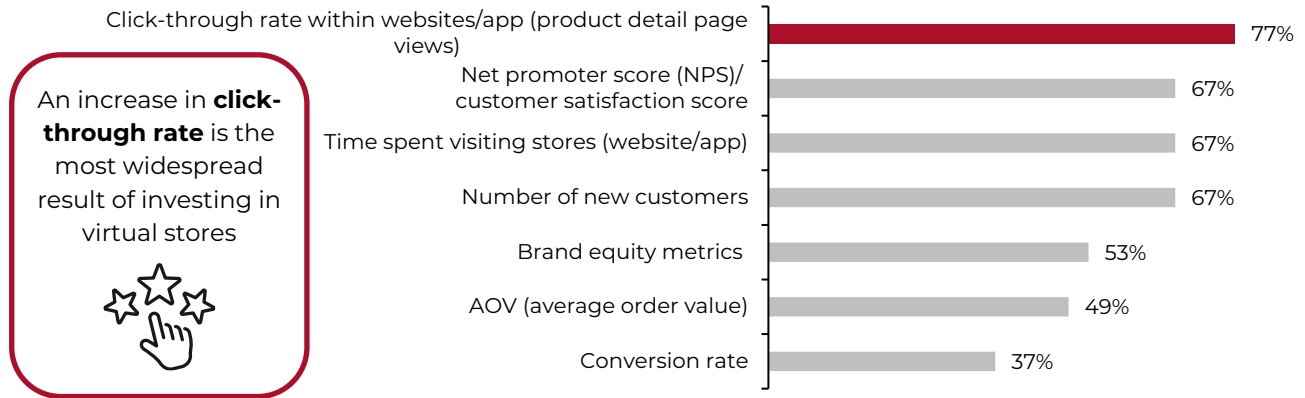
“Decrease” and “Have not evaluated the impact” not charted as they are 0% for all sectors, shown in Figure 8
 Base: Decision-makers at US-based brands and retailers whose companies have invested in virtual stores—in fashion (34 respondents) and non-fashion (57) retailing—surveyed in August 2023
 Source: Coresight Research

Benefits

Virtual stores are effective in driving customer engagement and satisfaction, as well as attracting new customers:

- 77% of surveyed companies have seen an increase in click-through rate as a result of investing in virtual stores, making product and category discovery the most widespread benefit of this type of immersive experience.
- Increases in NPS/customer satisfaction score, time spent visiting stores and new customers were each cited by two-thirds of companies that have invested in virtual stores.

Figure 12. Companies That Have Invested in Virtual Stores: Metrics That Have Increased as a Result (% of Respondents)

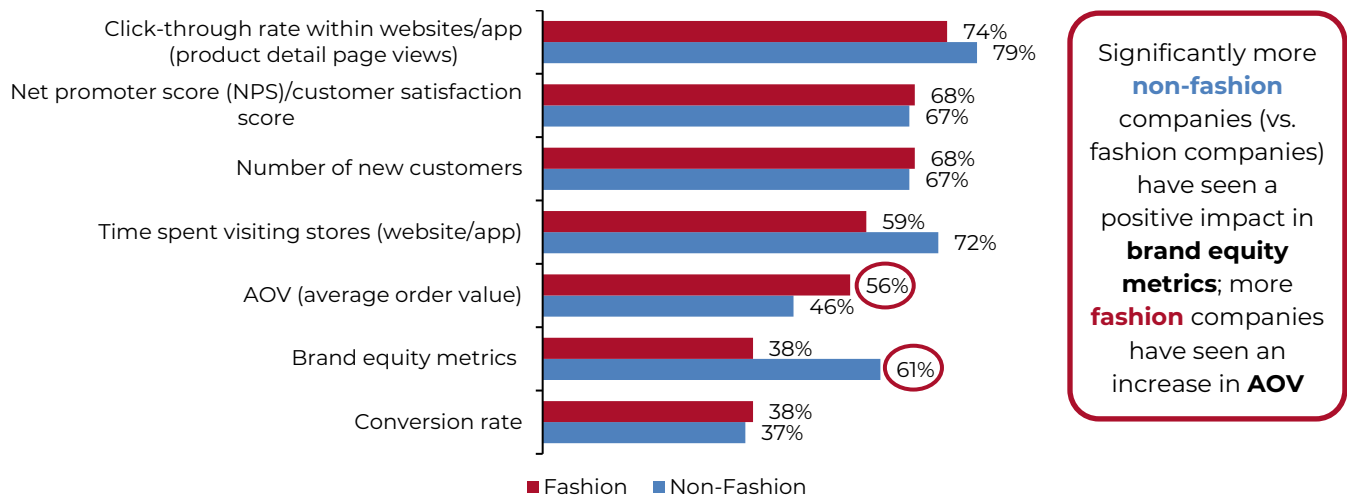


Base: 91 decision-makers at US-based brands and retailers whose companies have invested in virtual stores, surveyed in August 2023
Source: Coresight Research

Comparing fashion retailing to non-fashion retailing, we found the following:

- The top four benefits of virtual stores among fashion and non-fashion companies are the same (although in a slightly different order), with the highest proportions in both subsets reporting increases in click-through rate, NPS, number of new customers and time spent visiting stores.
- Fashion brands and retailers have had good results with click-through rate and NPS, which signals that virtual stores are good for top-of-the-funnel activity. For non-fashion brands and retailers, time spent visiting stores and click-through rates have seen the most widespread increases, implying that virtual stores are good for middle-of-the-funnel activity.

Figure 13. Companies That Have Invested in Virtual Stores: Metrics That Have Increased as a Result, Fashion vs. Non-Fashion Retailing (% of Respondents)



Metrics ordered highest to lowest proportions by fashion respondents

Base: Decision-makers at US-based brands and retailers whose companies have invested in virtual stores—in fashion (34 respondents) and non-fashion (57) retailing—surveyed in August 2023

Source: Coresight Research

2. Data/AI-Enabled Content for Personalization

Data/AI-enabled content for personalization offers a range of benefits for businesses. AI analyzes customer data to segment audiences accurately, enabling businesses to craft content to better target specific demographics or behavior patterns. Personalization fosters deeper connections with shoppers, encouraging them to return for repeat interactions and purchases. Customers feel valued when they receive content that meets their unique requirements or interests, leading to increased satisfaction and loyalty.

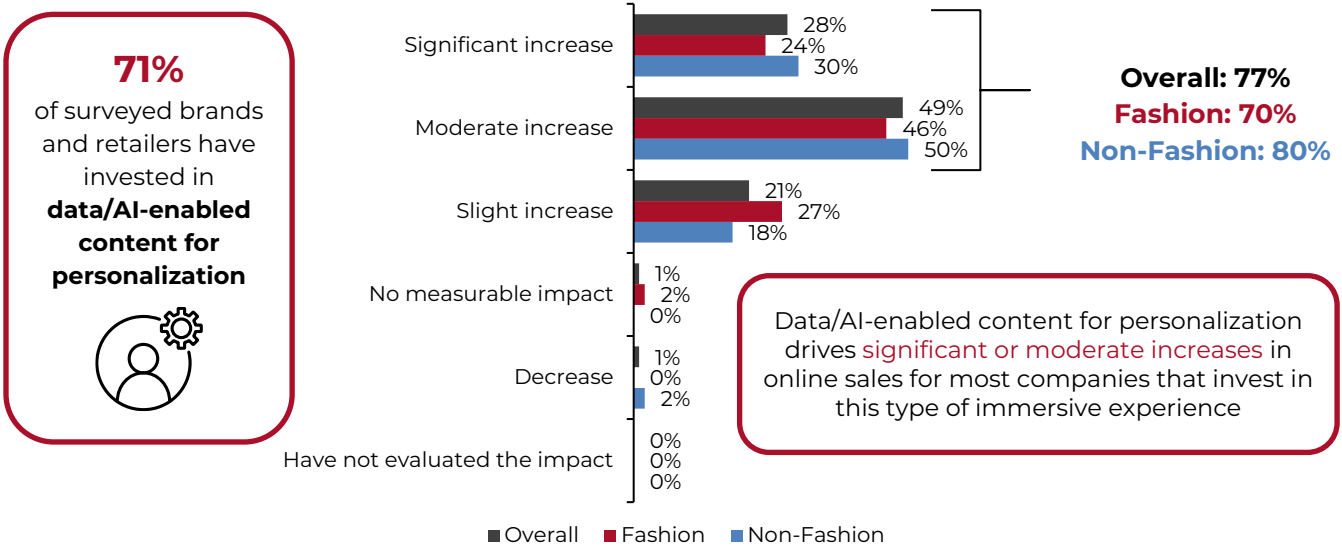
Our survey found that 71% of US-based brands and retailers have invested in data/AI-enabled content for personalization.

Impact on Sales

More than three-quarters (77%) of surveyed companies that have invested in data/AI-enabled content for personalization reported significant or moderate increases in online sales.

More non-fashion businesses have seen a significant or moderate positive sales impact from personalized content compared to fashion businesses—a difference of 10 PPTs, impacted by the different ways in which businesses are using data and AI to enable personalization of content. Fashion is highly trend-driven and season-dependent. Fashion companies often use data and AI to analyze trends, predict fashion cycles and recommend clothing and accessories that align with a customer’s style preferences. Non-fashion companies may focus on using data and AI to understand product specifications, customer reviews and usage patterns.

Figure 14. Data/AI-Enabled Content for Personalization: Investment Rate (Left) and Impact on Online Sales Performance, Overall and for Fashion vs. Non-Fashion Retailing (% of Respondents)



Base: 150 decision-makers at US-based brands and retailers (left), 107 of which have invested in data/AI-enabled content for personalization (right) —in fashion (41 respondents) and non-fashion (66) retailing—surveyed in August 2023

Source: Coresight Research

Benefits

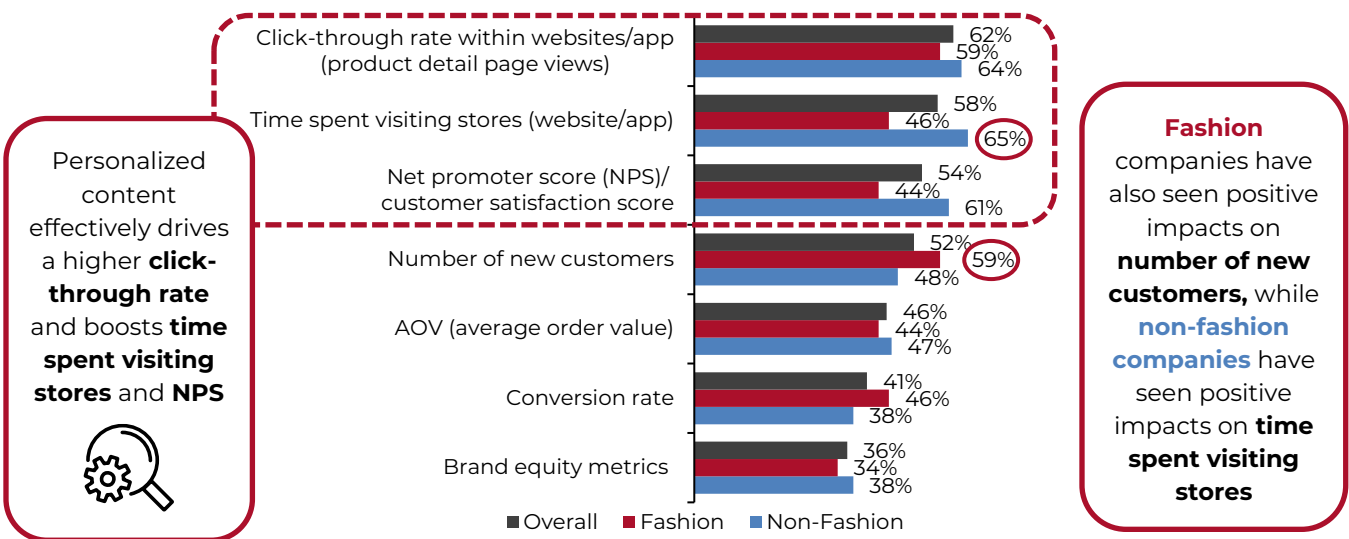
Overall, the top three performance metrics that have increased as a result of investing in data/AI-enabled content for personalization (cited by the highest proportions of respondents in our survey) are click-through rate, time spent visiting stores and NPS. These findings highlight the effectiveness of personalization strategies in enhancing user interaction and satisfaction.

Comparing fashion retailing to non-fashion retailing, we found the following:

- The only two benefits of data/AI-enabled content for personalization that more fashion companies reported than non-fashion companies are increased customer acquisition and conversion (two of the top three benefits for fashion companies). Given that fewer fashion companies reported significant or moderate increases in online sales as a result of personalized content (outlined earlier), increases in conversion may be being offset by the typically high rates of returns in the fashion industry.
- The biggest benefits of personalized content for non-fashion companies (cited by the proportions of respondents in that subset) are customer engagement (increased time spent visiting stores and higher click-through rates) and customer satisfaction, which may be critical to building long-term relationships.
- The biggest difference between the two subsets, of 19 PPTs, is in the proportions of companies reporting an increase in time spent visiting stores—with non-fashion companies leading the way.

Overall, we see great opportunities for both fashion and non-fashion companies to invest in data/AI-enabled content for personalization to drive conversion and attract customers. If fashion companies invest in data/AI-enabled content for personalization, they will likely see strong impacts on the number of new customers they attract. Non-fashion companies, meanwhile, will likely see solid growth in the time consumers spend visiting stores.

Figure 15. Companies That Have Invested in Data/AI-Enabled Content for Personalization: Metrics That Have Increased as a Result, Overall and for Fashion vs. Non-Fashion Retailing (% of Respondents)



Metrics ordered by overall highest to lowest proportions
 Base: 107 decision-makers at US-based brands and retailers that have invested in data/AI-enabled content for personalization—in fashion (41 respondents) and non-fashion (66) retailing—surveyed in August 2023
 Source: Coresight Research

3. Gamified Shopping Experiences

Gamified shopping experiences signify the evolving nature of shopping: companies are adapting to changing consumer behaviors and preferences by incorporating interactive elements into the shopping journey. Such experiences typically feature points and rewards, challenges and missions, virtual currency, interactive quizzes and polls, and interactive visuals, sounds and animations.

Building gamified shopping experiences enables brands and retailers to captivate consumers and keep them actively engaged with the brand, leading to higher conversion rates, customer loyalty and, ultimately, increased revenue.

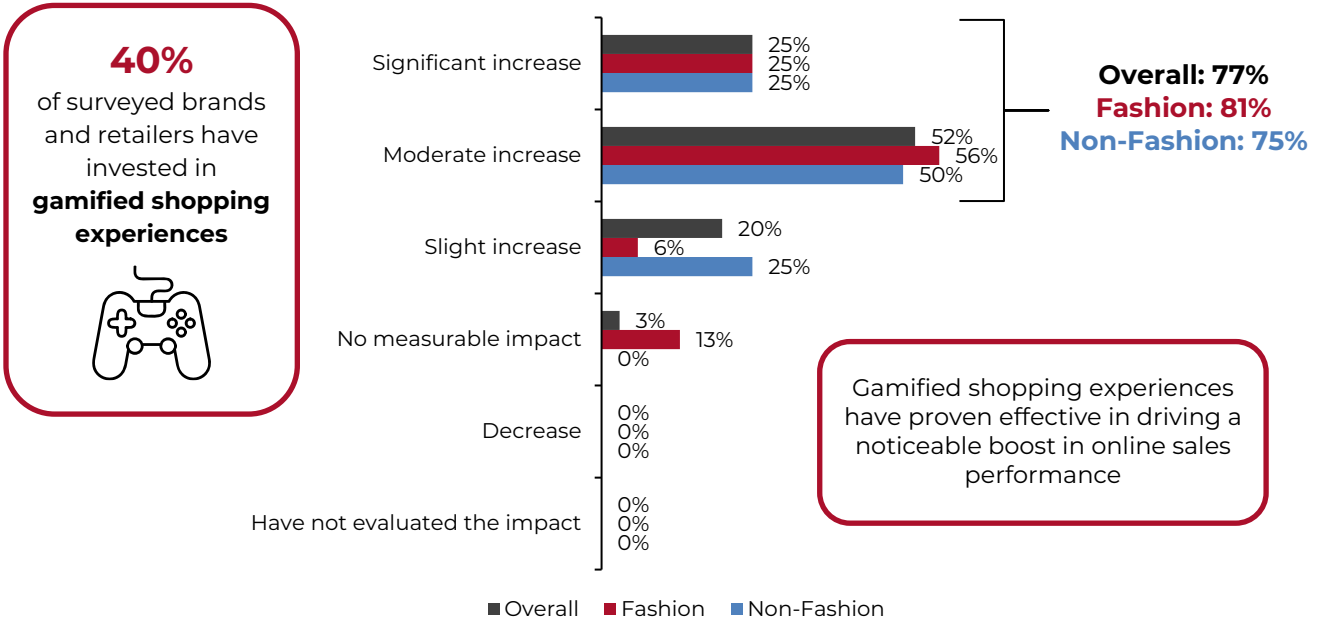
Two in five US-based brands and retailers have invested in gamified shopping experiences, according to our survey.

Impact on Sales

Gamified shopping experiences have proven effective in driving a noticeable boost in online sales performance, with 77% of survey respondents whose companies have invested in this type of immersive experience reporting a significant or moderate increase in online sales as a result.

Interestingly, the fashion sector has seen a more widespread positive impact (moderate or significant) on online sales than non-fashion businesses. Fashion retail inherently has a strong visual and aesthetic component, making it well suited to gamified experiences. Customers, especially younger demographics, are drawn to interactive and visually engaging activities, which fashion brands can leverage more easily compared to non-fashion companies. Gen Z is the first generation to grow up entirely in the digital age; they are highly tech-savvy and rely heavily on digital platforms and social media for fashion inspiration, research and shopping.

Figure 16. Gamified Shopping Experiences: Investment Rate (Left) and Impact on Online Sales Performance (Right), Overall and for Fashion and Non-Fashion Retailing (% of Respondents)



Base: 150 decision-makers at US-based brands and retailers (left), 60 of which have invested in gamified shopping experiences (right)—in fashion (16 respondents) and non-fashion (44) retailing—surveyed in August 2023
Source: Coresight Research

Benefits

Gamified shopping experiences are successfully engaging customers, encouraging them to spend more time interacting with the brand, and so increasing brands' online sales performance:

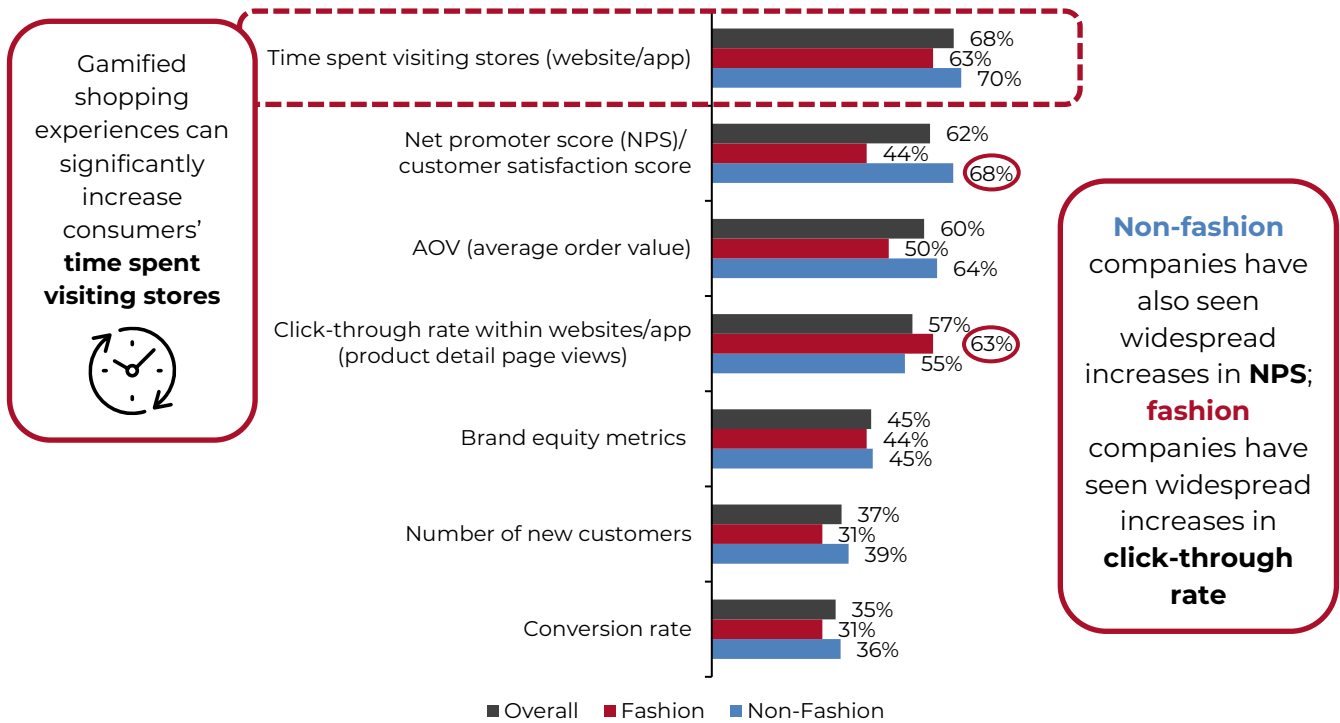
- The top three benefits of gamified shopping experiences are time spent visiting stores, NPS and AOV—all cited by more than three in five companies that have invested in this type of immersive experience.
- Gamified shopping experiences can increase the time consumers spend visiting stores, which is important for brands and retailers as it means consumer are engaging with the content and the brand even if they are not shopping every moment, which can speed up the purchase funnel.

Comparing fashion retailing to non-fashion retailing, we found the following:

- Gamified shopping experiences appear to be more effective in driving customer satisfaction, increasing new customers and increasing AOV for non-fashion companies.
- The biggest difference between the two subsets, of 22 PPTs, is in the proportions of companies reporting an increase in NPS—with non-fashion companies leading the way.

As discussed earlier, the inherently visual nature of fashion retail may mean that fashion brands and retailers face higher competition as gamification is more widely adopted in the sector, which is why increases in performance metrics are reported less often than among non-fashion companies, for which gamification elements better help them stand out against competitors.

Figure 17. Companies That Have Invested in Gamified Shopping Experiences: Metrics That Have Increased as a Result, Overall and for Fashion vs. Non-Fashion Retailing (% of Respondents)



Metrics ordered by overall highest to lowest proportions

Base: 60 decision-makers at US-based brands and retailers that have invested in gamified shopping experiences—in fashion (16 respondents) and non-fashion (44) retailing—surveyed in August 2023

Source: Coresight Research

4. Social Shopping

Social shopping is an interactive and engaging shopping experience that involves consumers inviting friends to shop together, chatting via in-video comment functionality on the site and using avatars to replicate real-life shopping interactions. For brands, social shopping experiences can keep shoppers engaged on their online channels for longer periods of time.

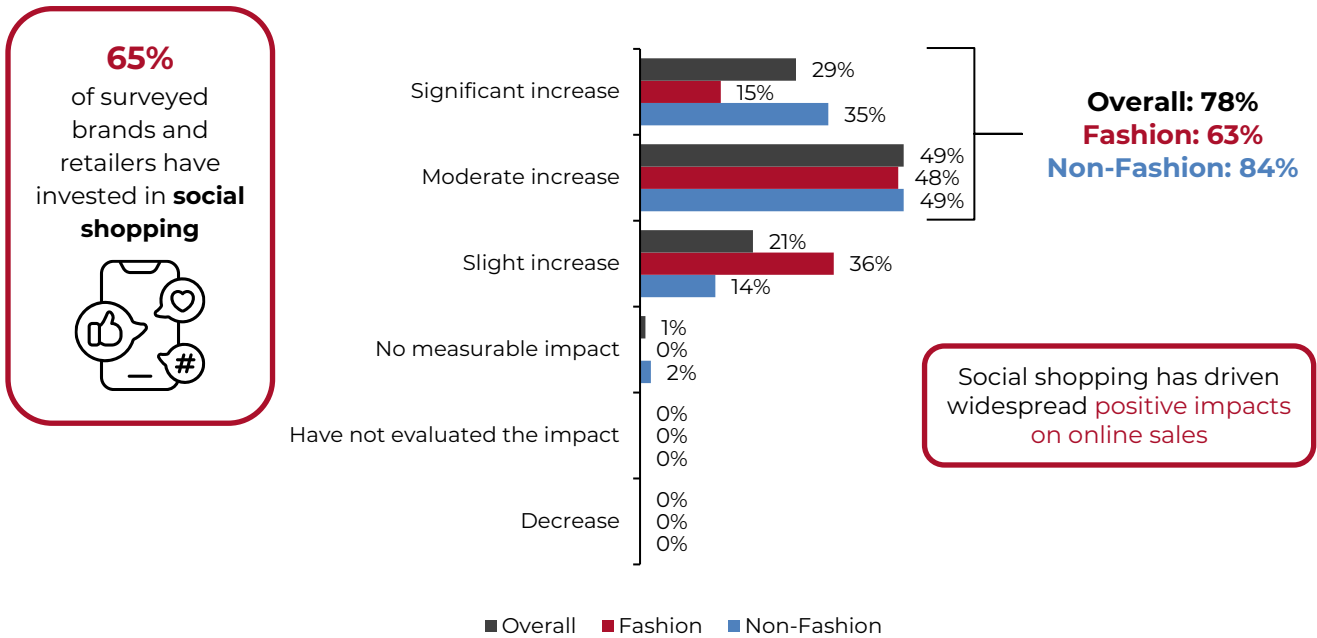
Nearly two-thirds (65%) of surveyed brands and retailers reported that they have invested in social shopping.

Impact on Sales

In our survey, nearly four in five (78%) companies that have invested in social shopping reported a significant or moderate increase in online sales as a result.

More non-fashion businesses have seen higher (significant or moderate) sales increases as result of investing in social shopping, compared to fashion businesses—a difference of 21 PPTs. Non-fashion products may be more utilitarian and based on functional needs, making them easier to recommend and sell through social shopping channels.

Figure 18. Social Shopping: Investment Rate (Left) and Impact on Online Sales Performance (Right), Overall and for Fashion vs. Non-Fashion Retailing (% of Respondents)



Base: 150 decision-makers at US-based brands and retailers (left), 98 of which have invested in social shopping (right)—in fashion (33 respondents) and non-fashion (65) retailing—surveyed in August 2023
Source: Coresight Research

Benefits

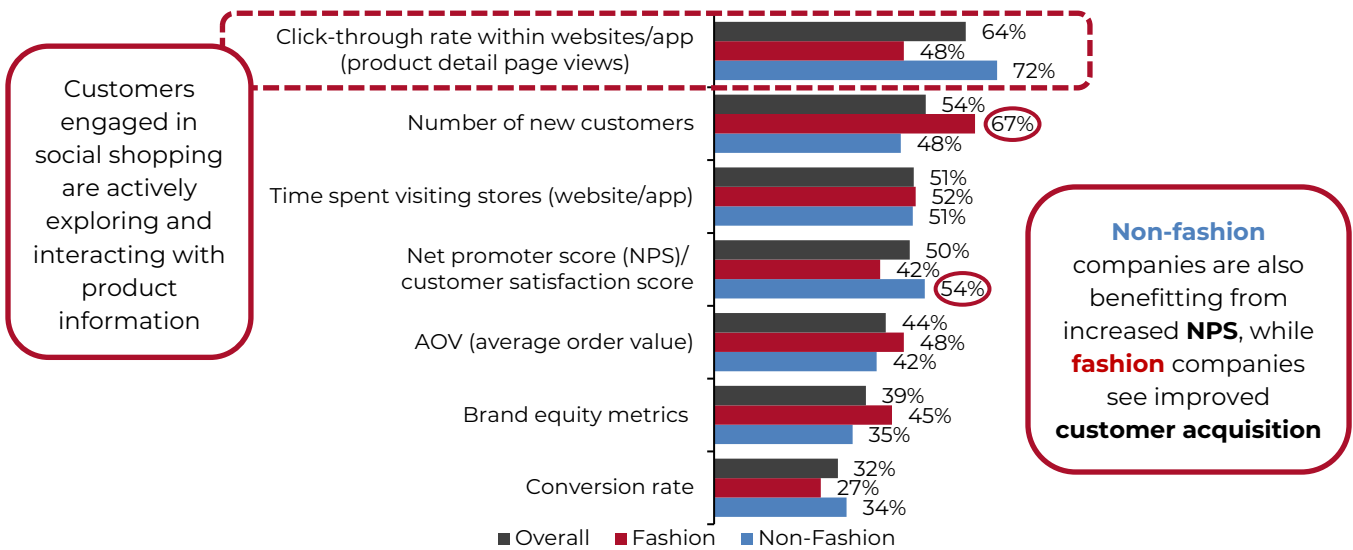
Overall, social shopping positively impacts customer engagement and acquisition for brands and retailers, with our survey finding that increases in click-through rate, number of new customers and time spent visiting stores online are the top three benefits of social shopping (reported by the highest proportions of respondents overall that have invested in this type of immersive experience).

Comparing fashion retailing to non-fashion retailing, we found the following:

- Fashion companies have primarily benefited from increased customer acquisition and higher AOV, while non-fashion companies have seen increases in engagement metrics such as click-through rate and NPS.
- The biggest difference between the two subsets, of 24 PPTs, is in the proportions of companies reporting an increase in click-through rate—with non-fashion companies leading the way.

Fashion companies, despite lagging in terms of improvements to click-through rate, are more commonly attracting new customers through social shopping than non-fashion companies. By expanding their customer base, social shopping offers fashion companies revenue growth opportunities.

Figure 19. Companies That Have Invested in Social Shopping: Metrics That Have Increased as a Result, Overall and for Fashion vs. Non-Fashion Retailing (% of Respondents)



Metrics ordered by overall highest to lowest proportions

Base: 98 decision-makers at US-based brands and retailers that have invested in social shopping—in fashion (33 respondents) and non-fashion (65) retailing—surveyed in August 2023

Source: Coresight Research

Obsess Case Studies

After analyzing the compelling insights from our survey, it is evident that immersive experiences are a key strategic priority for retail companies and are set to reshape the retail landscape. We are already seeing notable examples of brands and retailers leveraging technologies to implement immersive experiences and driving real business benefits as a result. Below, we present case studies from technology provider Obsess, demonstrating the potential of immersive experiences in driving engagement, enhancing customer satisfaction and boosting sales performance.

About Obsess

Founded in 2017, Obsess is an immersive shopping platform that enables brands and retailers to create interactive, branded, discovery-driven virtual stores and experiences on their websites. The mission of the company is to create the next-generation online shopping interface that transforms the traditional e-commerce thumbnail grid into a 3D, interactive, social and highly engaging experience. The company is headquartered in New York City, with additional offices across the US and Europe.

Obsess offers a full suite of immersive solutions, including virtual stores and pop-ups, gamified commerce, interactive customization and social shopping—all accelerated by AI—to empower brands and retailers to meet a new generation of consumers on their terms. The company found that 80% of users access Obsess-built virtual stores via mobile, so it has committed to building web-based, mobile-first displays on its platform. Obsess can take any of its web-based immersive experiences and distribute them across other channels and devices as well—such as *Roblox* or the Oculus Meta Quest headset. Obsess-powered virtual stores can be integrated directly with e-commerce platforms such as BigCommerce, Magento, Salesforce, SAP and Shopify. The company also offers design and merchandising refreshes, customized to a brand's marketing calendar, as well as consumer insights based on user-interaction data within virtual stores. Obsess has partnered with brands and retailers including Alo Yoga, Charlotte Tilbury, Christian Dior, Coach, Corona, Crocs, Disney, J.Crew, Johnson & Johnson, Maybelline, NBCUniversal, Prada and Ralph Lauren to create more than 300 virtual stores and experiences.

Obsess's solutions can substantially increase reach, engagement and conversion. As of September 2023, the company has helped brands and retailers grow, with over 115 million in-store shopper interactions and tens of millions of virtual shoppers globally, according to the company.

Obsess is backed by investors at Jump Capital, Techstars, The VR Fund, Village Global and more.

A Global Prestige Beauty Brand Saw a 35% Increase in AOV with Its Virtual Store

A global prestige beauty brand worked with Obsess to reach new and existing customers virtually, as a first step in the brand’s repositioning strategy to achieve increased modernity and relevance.

Obsess channeled the brand’s identity through a CGI-rendered 3D shopping experience. The experience was primed for discovery and education with the inclusion of 3D products, AR try-on, personalized product-recommendation quizzes, product scavenger hunts and a livestreamed influencer shopping event for the holidays.

The brand saw a 109% increase in average session time, a 35% increase in AOV and a 112% increase in customer checkouts after launching its virtual store. The brand also garnered over 3 million press impressions at the initial launch of the virtual store—increasing brand awareness among new customers.



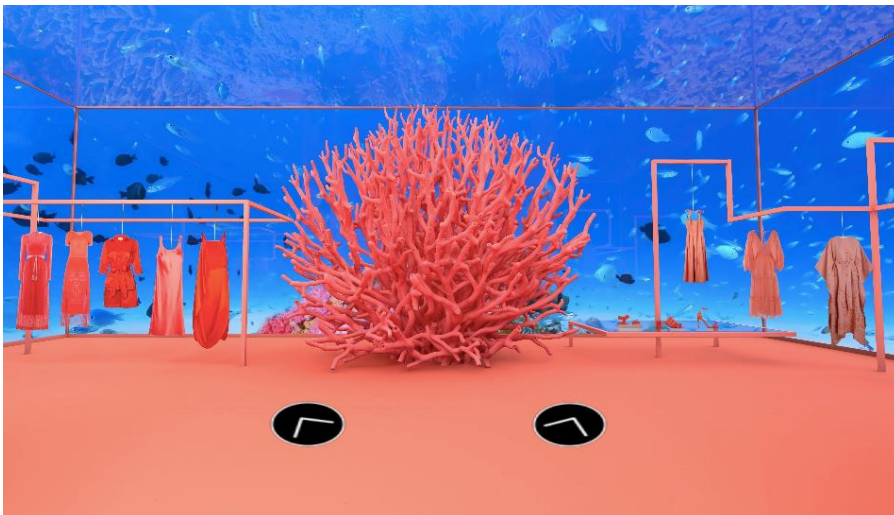
An example of a beauty brand's virtual store, powered by Obsess
Source: Obsess

A Global Consumer Brand Achieved a 10X Higher Session Time in Its Virtual Experience

A global consumer brand worked with Obsess to encourage shoppers to engage with their content and products beyond a single point of sale. The brand aimed to increase overall brand affinity, interactions and time spent.

Obsess created a virtual experience that included dynamic, gamified features to showcase the brand’s hero collection and expanded storytelling for each product. Games ranged from scavenger hunts to quizzes, memory games and more.

The brand achieved a 10X higher session time in the virtual experience, compared to its traditional e-commerce channel—with an average of 22 interactions per user and a 25% add-to-cart rate.



An example of a consumer brand's virtual store, powered by Obsess
Source: Obsess

What We Think

By leveraging immersive experiences such as virtual stores, data/AI-enabled content for personalization, gamified shopping experiences and social shopping, brands and retailers are poised to deliver more meaningful, engaging and personalized shopping journeys, ultimately leading to increased customer loyalty and business growth.

Implications for Brands/Retailers

- In the evolving landscape of retail, companies have a unique opportunity to harness the power of immersive experiences to redefine customer engagement. The emphasis on personalized content, as well as data analytics when it comes to investing in virtual stores in particular, suggests that brands and retailers recognize the importance of tailoring experiences to individual preferences.
- Both fashion and non-fashion companies have seen positive sales impacts from investing in virtual stores, data/AI-enabled content for personalization, gamified shopping experiences and social shopping. Understanding the key performance metrics that have seen increases as a result of investing in immersive experiences can help companies gauge the effectiveness of their investments and guide further optimization efforts.
- Positive impacts on metrics such as click-through rate, NPS/customer satisfaction, time spent visiting stores, number of new customers and brand equity indicate that consumers are more engaged and satisfied after visiting virtual stores. Brands and retailers should continue to focus on enhancing user engagement and satisfaction to build brand loyalty.
- The data/AI-enabled content for personalization has shown promising results in driving metrics such as the number of new customers, click-through rate, time spent visiting stores and conversion rate. This underscores the potential for companies to invest in personalization to boost conversion and customer acquisition.
- The gamified shopping experience infuses playfulness into the shopping journey. Interactive challenges, loyalty programs and limited-time offers engage customers and encourage exploration. While gamified shopping has seen less widespread adoption than other types of immersive experiences (according to our survey), its potential is recognized by businesses aiming to captivate and challenge a new audience of young consumers. The fashion industry's success with gamified shopping experiences highlights the importance of emotional engagement in this sector.
- Brands and retailers have observed positive impacts on metrics such as click-through rate, new customers and time spent visiting stores after investing in social shopping experiences. This suggests that social shopping can be an effective strategy for driving engagement and customer acquisition. Social shopping also enables the building of online communities to foster a sense of belonging, as customers exchange insights and recommendations.
- Implementing immersive strategies demands a seamless user interface, data privacy and consistent optimization based on customer feedback, so brands and retailers may benefit from working with technology vendors that have established data and insights about consumer interactions in immersive and 3D environments.

Implications for Technology Vendors

- The technology landscape is continually evolving, and vendors should stay at the forefront of technological innovations. This includes exploring emerging technologies such as AI, spatial computing, AR/VR and virtual stores to offer cutting-edge solutions that can drive engagement and sales.
- Technology vendors offering data analytics solutions will find a growing demand among brands and retailers, particularly as demand for 3D spatial data becomes more pervasive. As businesses seek to tailor immersive experiences to individual preferences, data-driven insights will be crucial. Vendors should focus on providing robust data analytics tools that can help brands make informed decisions and optimize their immersive strategies. They will also need to partner with other companies that can offer new forms of first-party data to offer insights for brands and retailers.
- Vendors offering AI and data-driven personalization technology have a significant opportunity, especially in the fashion industry. Data/AI-enabled content for personalization has shown promise in driving metrics such as new customer acquisition and conversion rate. Technology vendors should continue to innovate and refine their personalization solutions to meet the specific needs of fashion companies.

- Seamless user interfaces are essential for immersive experiences. Vendors should prioritize user-friendly design and ease of navigation to ensure that customers can fully engage with the technology. Consistent optimization based on customer feedback and 3D spatial data is also crucial for a positive user experience.

Implications for Technology Investors

- The growing emphasis on immersive experiences, particularly in virtual stores and data/AI-enabled personalization, suggests significant investment opportunities in companies that develop and provide immersive technology solutions. The high average expected investment amount of \$250,561 in data/AI-enabled content for personalization and \$249,794 in virtual stores in the next 12 months, according to our survey, highlight businesses' heightened interest in investing in these areas to improve the customer experience and drive sales. Investors may consider allocating funds to startups or established companies specializing in AR/VR, AI-driven personalization, web-based virtual stores and related technologies.
- We see gamified shopping as a rising area of opportunity for brands and retailers. Such experiences should seamlessly integrate with e-commerce platforms. Investors can explore opportunities in companies specializing in e-commerce software and solutions that can support gamification features, such as avatar-activated shopping.
- Social shopping's impact on online sales indicates potential investment opportunities in companies that develop social shopping platforms, social commerce tools and features that facilitate interactive shopping experiences.

Methodology

Informing the data in this report is an online survey of 150 decision-makers at US-based brands and retailers, conducted by Coresight Research during August 14–16, 2023. The results have a margin of error of +/-10%.

Respondents in the survey satisfied the following criteria:

- Company—US-based brands and retailers with annual revenue of \$100 million or above (including online revenue of \$10 million or above) that have invested in immersive experiences, operating in the fashion (61 respondents), home (41), CPG/FMCG (41) or beauty (7) sector
- Role—Senior Manager or above who are familiar with their companies' performance metrics of immersive experiences

About Coresight Research Custom Reports

Coresight Research Custom Reports are produced as part of commercial partnerships with leading firms in the retail, technology and startup ecosystems. These Custom Reports present expert analysis and proprietary data on key topics in the retail, technology and related industries, and enable partner companies to communicate their brand and messaging to a wider audience within the context of brand-relevant research.

This free report is produced in partnership with Obsess, a 3D virtual store platform that enables brands and retailers to build immersive, engaging shopping experiences on their e-commerce sites. For more information, visit <https://ObsessAR.com/>.

Deborah Weinswig, CPA

CEO and Founder
Coresight Research
deborahweinswig@coresight.com

Sunny Zheng

Analyst

New York • Hong Kong • Lagos • London • Mangaluru (India) • Shanghai
Coresight.com