



# How immersive technology can revitalize the shopping experience.

*Taking customers inside your brand*

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**Introduction**

Why do shoppers choose to come to your store on any given day? Do they search for products online first and then come in—or do they start their decision-making process inside the store? How do they feel when they leave? Did you offer unique, empowering experiences and services that leave them excited to come back—again and again? Do individuals feel like your brand is relevant to their lifestyle? Do they understand the value of your brand experience over the commoditized products that you are selling? Or, as they wander from store to store, do your potential customers forget your brand as it blurs in their minds with those of competitors?

These are all important questions, given the tough reality of our commoditized retail marketplace, where it's harder and harder to stand out from competitors. Especially since fickle customers seemingly can choose from ever more channels and providers. Sure, factors like price and service help attract customers, but to truly stand out from the competition, retailers need to create customer advocates who, when they're ready to make a purchase, think first about the retailer's store brand rather than a list of product brands.

**Why are immersive strategies  
important?**

*Noted retail analyst and supermarket guru Phil Lempert thinks there are five key reasons retailers need to consider immersive strategies:*

- *Survival—Stores need to develop business models and solutions that meet customer expectations, using virtual and augmented reality technologies, before disruptors reshape marketplace segments.*
- *Brand image—New technologies present virtually endless opportunities to reinforce the brand image.*
- *Flexibility and responsiveness—Integrated technologies can enable retailers to rapidly respond to changing customer whims more readily.*
- *Greater reach—Technologies like the 3-D Internet can introduce potential customers from all over the world to your stores.*
- *Personalized connections—Large retailers can use the right mix of social technologies to achieve similar successes to small brands in connecting with customers.*

Truly *immersive* experiences—which connect with shoppers on an emotional level through personalized dialogues and give them greater control over the shopping experience—are the new frontier in retailing. The immersive retail experience is more about involving the customer than it is about merchandise and merchandising. Think outdoor stores that provide simulated trails or streams for testing equipment, or appliance stores with test kitchens where customers can feel what it's like to actually use products. In other words, for stores in many retail segments to stay ahead of competitors, they will need to generate the excitement of a theme park ride—and become a destination. Of course, being a destination takes a lot of work. Walt Disney said, “Whenever I go on a ride, I’m always thinking of what’s wrong with the thing and how it can be improved.” Disney knew: you must constantly improve the experience in order to stay relevant. This point is underscored by the recent trend of retailers hiring executives from the entertainment industry.

Immersive technology solutions—which stimulate people’s visual, auditory, olfactory and tactile senses to connect with shoppers on an emotional level to create unforgettable shopping experiences—can open up a whole new world of energizing shopping experiences. Combined with flexible, responsive business models, they have the potential to transform the way customers interact with your brand. This brief explores how immersive technologies and business strategies can create a brand voice that generates renewed excitement about your store. It also examines IBM’s vision for immersive technologies.

### Getting the immersive strategy right

*David Polinchock, chief experience officer of the Brand Experience Lab and experiential advertising pioneer, thinks it's critical for retailers to start telling their brand story through the in-store experience and offers some important tips.*

- *Be true to who you are. It's important that stores are consistent with how they market themselves and with the technology they use. In some cases, the technology may be behind the scenes; in others, it may be front and center. The important thing is to put money into something relevant to what you're about.*
- *Get it right. Customers see through false or misleading claims, so be sure to back up your brand message with technology that can help you deliver on it.*
- *Involve customers. Shoppers need to feel like they've had personal service and that the problem or need they came in to address is taken care of.*

### “Brand” new experience: enter here

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*“Consumers are expecting retailers to accommodate how they prefer to buy and especially how they naturally tend to think about products. Most consumers ... tend to think about products in terms of the needs they fulfill and the life experiences they enhance or facilitate.”*

—Yankelovich Monitor<sup>1</sup>

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Because shoppers have so many products to choose from and so many ways to buy, shopping approaches and expectations have changed dramatically in recent years. Today, customers want to be treated as individuals—not as a buying group. Moreover, as they make decisions about where to shop for many types of purchases, they now expect shopping experiences that are:

- *Relevant and contextual.*
- *Easily accessible.*
- *Lifestyle oriented.*
- *Organized to help the customer succeed (for example, to quickly find what he or she needs).*

Given customer expectations, retailers that can connect with customers through experiences that are personally relevant, memorable, interactive and emotional are more likely to increase sales and brand loyalty. This is where immersive strategies, which start personalized dialogues with customers and generate a culture of participation that increases the value of the shopping trip, come in. At its core, immersive retailing is about involving customers and creating environments that are affective and effective.

*“It can be surprising how often retailers fail to engage shoppers’ needs, which is what immersive retailing is all about. In our recent study of consumer perceptions and behavior, Professor Neil Morgan and I found that a store’s ability to make an emotional connection with shoppers explains 55 percent of the variance in customer satisfaction and 45 percent of the variance in store loyalty.”*

—Dr. Raymond R. Burke, director, Customer Interface Laboratory, Indiana University Kelley School of Business

In the store, immersive retailing solutions create heightened sensory experiences—that use touching, seeing, tasting and smelling—to foster emotional experiences that make customers feel like they’re interacting with the brand rather than merely browsing items.

The goals of immersive retailing can range from simplifying the shopping experience and raising awareness of a given scenario or product to making customers feel like your store fits their lifestyle. Integrated applications of new and existing technologies will enable the experiences. Overall, immersive retailing benefits shoppers by driving a more personalized, convenient, fun and, ultimately, memorable shopping experience. It benefits retailers by helping to:

- *Keep retailers relevant through greater shopper engagement.*
- *Create new opportunities to appeal to customers’ lifestyle choices and stand out from competitors.*
- *Enhance flexibility to respond to changing customer whims and competitive threats.*

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*“Even on Madison Avenue, it’s amazing to see how many stores look exactly the same, except for maybe colors. The staffs look the same, the fixtures look the same—as if they were all done by the same designer. Stores should speak to the ‘soul’ of the brand. Otherwise, stores are simply manifestations of Web catalogs and customers are just as well served shopping online.”*

—David Polinchock

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Depending on your exposure to new technologies, the idea of taking people into your brand using immersive technology and experiences may sound technically challenging or too futuristic. So how could it look in your stores and tie into your Web sites? Let’s explore several scenarios to help you picture the different types of possibilities.

*“Something that gets our heart racing is the question of how the retail environment goes from an inventory management place to the social experience place where retail happens.”*

—David Polinchock

*“Ubiquitous, behind-the-scenes technology can play a big role in creating a positive brand experience. Consider stores where you have a great experience and then must show your bag to security when exiting. Technology can help decrease theft less intrusively.”*

—David Polinchock

#### Creating memorable in-store experiences

The possibilities for immersive strategies in stores are limited only by imagination. From an emotional perspective, immersive technology can help retailers create stronger bonds with customers. For example, fashion retailers can create microenvironments in the store to transport their customers to what feels like a front-row seat at a virtual fashion show in Milan—complete with the smell of the models' perfume and brushes of wind as they pass by. It's possible through 3-D technology and audio and olfactory systems that closely mimic real life. David Polinchock points out that an in-store solution could also be as simple as providing fashion tours of stores in the form of celebrity podcasts.

Three-dimensional technology can also augment reality to help customers highlight their uniqueness. For example, it could enable them to customize an item, such as a dress, on the sales floor and see how it would look on them. Or customers could more easily try on clothes using virtual dressing rooms that superimpose clothes on their body image, and they could even share the fashions with their social network using cell phone technology or the Internet. Customers could also use their cell phones to obtain information about products and to locate departments or particular items. Potential benefits include increased cross-selling, higher customer satisfaction, increased conversion, fewer returns and increased revenue per transaction. Best of all, augmented reality solutions provide opportunities for retailers to try new things, partner with other businesses, expand their footprint and expose inventory from across partners—all without requiring disruptive remodels in stores.

*“I think Second Life will break down  
the walls between Internet shopping  
and brick-and-mortar stores.”*

—Phil Lempert

#### Redefining the online experience

Immersive technology has the potential to dramatically reshape the retail experience, both online and in the store. Retailers can leverage microenvironments to more closely interact with shoppers. For example, they can offer 3-D design tools (online and in the store), such as a solution for designing a home entertainment system based on room dimensions, and unique experiences in 3-D Internet environments, such as the opportunity to co-create new store environments or provide product feedback. Phil Lempert thinks it's critical for retailers to push the envelope with 3-D Internet technologies if they want to survive the next revolution in retailing. Lempert thinks that successful retailers can leverage technology, like the 3-D Internet, to create emotional experiences and develop a relationship with the personality of shoppers—not just views of customers that are based on their transactional history. To underscore the possibilities and importance of the 3-D Internet, Lempert launched Phil's Supermarket, the first virtual supermarket, which is located in the online world of Second Life. Just like in the real world, shoppers, in the form of their virtual avatars, can wander through Phil's, browse items and attend food forums, cooking demos and other interest-group-based meetings that empower users with the information they need to enhance their relationship with food brands that they're interested in. The key benefit of the more immersive experience is that users form more emotional bonds with brands.

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*“Second Life provides a social aspect to the shopping experience  
that you can't get on the Web. ... It also enables you to create a retail  
experience you can change in five minutes at a minimal expense.”*

—Phil Lempert

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*“We ask a lot of questions, like when I’m shopping and see a beautiful dress that I think would be great for my daughter, why isn’t there a way to easily send a picture of the dress to my wife? If I didn’t have to bring her back to the store to see it, there’s a better chance I’d buy it on the spot. If I can do it online, I should be able to do it in the store. We call it ‘e-tailing your retail.’”*

—David Polinchock

#### **Blurring the lines between online and in-store**

So far, we’ve examined in-store and online scenarios for immersive retailing separately. However, the shopping experience of the future is not an either/or option. It’s a multichannel, multiplatform experience. Consider the process of remodeling a kitchen, for example. In the store, shoppers can view samples of items, but there’s no way to actually configure a room to see how it would look when the remodel is complete.

With new technologies, the remodeling process could begin online, where shoppers create a profile by providing the dimensions of their kitchen and features, such as the cabinets they are replacing, including their placement in the room. They could also narrow the styles of cabinets and colors of tiles they’re interested in to streamline the time it will take them in the store. When they go to the store, instead of looking at samples, they could enter a scaled 3-D re-creation of their kitchen and mix and match their various choices to see and experience how they would all look together. Using this information, they could then easily choose the best option. This model would enable companies in many retail segments to move from product pushers to true solution providers.

### **Immersing the shopper in an engaging, 360-degree experience**

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*“To stand out in a crowded marketplace, retailers need customer advocates, not just shoppers.”*

*—IBM Institute for Business Value<sup>2</sup>*

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Clearly, immersive technology in retailing presents compelling opportunities. But what's appropriate for the brand experience, and what are the factors that help define and deliver those experiences? When charting a strategy, it's important to consider your business objectives and how you can link them with customers' expectations for your brand to create advocates. And depending on the retail segment you're in, part of the challenge may be rethinking how customers use your store. Think Starbucks. It's as much a community meeting place as it is a coffee shop. The Apple store is as much a help desk, customer support center and Wireless Fidelity (WiFi) access point as it is a store. And American Girl is as much a theater, playhouse and museum as it is a store.

#### **Focus on customer expectations to create advocates**

What makes the above brands successful? Their customer focus. According to a 2007 series of IBM surveys that polled nearly 20,000 consumers, those retailers that integrate customer-focused initiatives throughout their businesses have a greater number of advocates and often outperform their competitors. Advocates are defined by three criteria: they are customers who recommend their retailer to their friends and family, who would increase their purchase amount if their retailer offered products found at other stores, and who would stay with their retailer even if another retailer offered a competitive product. IBM surveyed U.S. consumers from five retail segments—grocery, large-format apparel, mall-based specialty (MBS) apparel, drugstore and online retailers—to identify the key retailer attributes that drive consumer advocacy. Knowing the underlying reasons why customers become advocates enables retailers to pursue customer-focused initiatives and investments, such as immersive retail technology solutions, with greater precision and success.

To better understand what retail features, or attributes, are most important to advocates, IBM studied 14 attribute statements across each retail segment, and then grouped the 14 attributes into 7 attribute categories. IBM then asked customers to rate their primary retailer on a scale of 1 to 10, from “strongly disagree” to “strongly agree.” The survey results showed that, on average across the segments, the single attribute statement that advocates ranked highest was “store is pleasant and enjoyable to shop,” which falls into the “store experience” category. Similarly, the survey showed that the most important attribute category for advocates is a positive store experience. Advocates want their primary retailer to provide a pleasant, easy and enjoyable overall shopping experience—all of which are attributes that immersive technology solutions can help deliver.

#### **Meet varying demographic needs**

Today’s marketplace is full of customers with very different relationships to technology and brands. Traditionalists and baby boomers tend to want help from store associates with product expertise. Generation X shoppers, on the other hand, are more comfortable with technology and seek out solutions that help them form their own opinions and figure things out on their own. Millennials or Internet generation (iGen) shoppers—the generation whose members have used the Internet and advanced technology their entire lives—will demand an arsenal of support from all channels, including a high-touch service experience based on interactions with self-service technology and associates. As millennials figure more and more into sales equations, it will be important to *pull* rather than *push* them into sales. Regardless of demographic, all customer advocates demand access to rich information so that they can make the right buying decision the first time.

*“Putting a new store environment in Second Life with the idea that it will sell a lot is a recipe for failure. Retailers who go on with the intent to learn and figure out what’s next—and get to the future faster—will succeed.”*

—Phil Lempert

*“Technology will play an increasing role in the shopping process ... some of the revolutionary developments poised to enhance the shopping experience in the near term include smart fixtures that sense and respond to shoppers, 3-D volumetric video displays and telepresence devices that allow shoppers to consult with product experts in remote locations.”*

—Dr. Raymond Burke

**Combine your innovative strategy with technology to create immersive environments**

An immersive environment is enabled by technology and spatial experiences, but it’s fueled by business objectives and customer expectations. Three-dimensional Internet, 3-D video, motion-tracking solutions, surround sound, and environmental design and merchandising can all be key components of immersive retailing, helping to change buying attitudes and deliver the type of experience that keeps customers coming back. How? A fashion store could enable customers to see themselves in social situations, such as at a bar or walking down the street, in the clothes they’re interested in. Media stores could transport customers to front-row seats of a concert for the artists they’re interested in. Or a craft store could provide virtual crafting sessions that enable clients to learn from experts situated anywhere in the world.

Of course, immersive technology solutions are only one aspect of next-generation retail technology environments. Ultimately, next-generation stores and Web sites will be sense-and-respond environments that morph themselves to meet the temporal demand of customers’ immediate shopping objectives.

The immersive retailing experience will be delivered via microenvironments that narrow the focus of shoppers’ experiences to “I” and “me.” It will leverage the dynamic aggregation of flexible technology, realtime sales, and rich customer data and business rules. And it will be driven by the ability to evaluate inventory, store and business conditions, along with specific customer preferences, on the fly. An array of technologies will combine to create these environments, revolutionizing the shopping experience in stores and online. In the store, the integrated technologies will include radio frequency identification (RFID), kiosks, electronic shelf labels, biometrics, digital media, shopping cart companions, mobile workforce solutions and the consumer’s own personal device. Online, 3-D technologies, true user-driven design and collaboration tools will spur the turn to innovative, dynamic and user-driven experiences.



Immersive retailing presents a way to take shoppers beyond detached browsing into brand and product experiences that they won't soon forget. When you're ready to explore this new frontier and forge stronger relationships with customers, IBM can provide the tools and insight to put you on the path to success.

### **Why IBM?**

Given the saturated retail marketplace, creating exciting shopping experiences that build advocacy and keep customers coming back is harder than ever. For more than 35 years, IBM has provided leading-edge retail solutions, and we're working hard to provide groundbreaking immersive retailing solutions that are designed to open personalized dialogues with customers and deliver real business benefits to retailers. IBM brings solutions to market that enable this total vision for on demand retail operations. A solution is a business-objective-based aggregate of capabilities that supports the life cycle of enablement.

IBM also provides the IBM Retail Integration Framework, a best practice combination of IBM business process, open-standards-based information and security management software and services that can help hasten solution implementation and optimize choice. The Retail Integration Framework can support the infrastructure flexibility and the people-to-people, people-to-process and process-to-process interactions needed to enable immersive retailing environments. To differentiate your operations and take customers into a whole new brand experience—look no further than IBM.

### **For more information**

To learn more about immersive retailing and immersive retailing solutions available from IBM, visit:

**[ibm.com/retail](http://ibm.com/retail)**

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IBM Software Group Industry Solutions  
Route 100  
Somers, NY 10589  
U.S.A.

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01-08  
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- 1 *Call to Action*, Yankelovich Monitor, 2006.
  - 2 *Turning shoppers into advocates*, IBM Institute for Business Value, 2008.