

# ***THE LATEST IN ECOMMERCE INNOVATION: TECH THAT'S REDUCING FRICTION AND DRIVING ENGAGEMENT***



## INTRODUCTION

Online research and customer engagement is now a critical part of most consumers' path to purchase, even when that path ends in a store transaction. Yet despite its integral role, many crucial elements of the online shopping experience fall short. From search and product discovery to checkout, ecommerce journeys are still littered with multiple points of frustrating friction. Perhaps even worse, from both the retailer's and the shopper's perspective, the online shopping experience remains, well, uninspired.

"There's nothing special about ecommerce," said Matt Maher, Founder of **M7 Innovations** in an interview with *Retail TouchPoints*. "As people go back to stores, they get to flex that shopping muscle again, **but most of ecommerce is just a means to an end. There's no surprise and delight moment** when you go to buy something online."

But this sorry situation also can be an opportunity, according to Carolina Arguelles, Head of AR Enterprise Product and Product Marketing Strategy at **Snap, Inc.** "**Where there is friction and challenges, there is room for innovation and disruption,**" she said in an interview with *Retail TouchPoints*. "For example, **70%** of shopping carts are abandoned online, and **58%** of customers intentionally buy more goods than they intend to keep. Online return rates are **30% to 50%**, which is creating **9.6 billion** pounds of waste in just the U.S. every year. And **loyalty is meaningfully declining**; what I mean by that is customers are much less likely now to be a repeat buyer from the same store than they were previously.

"These are really clear issues. The question becomes, why are they happening?" added Arguelles. "One of the most common throughlines that is directly impacting [all of this is] shoppers' confidence when buying online and that online shopper experience. **Confidence and experience continue to be areas where there's so much innovation to be had, especially when you look at emerging technologies like AR and AI, because they're uniquely suited to solve these problems.**"

That innovation is already taking place, as retailers and tech leaders employ new strategies and tools to shape the next era of digital shopping across **three** key areas:

- **Shopping discovery**, to help consumers find the products they want, and even ones they didn't know they wanted, with the help of AI, social media and new website dynamics;
- **Search**, to bring Google-level search engines to retailer websites, reducing shopper abandonment and enhancing the customer experience; and
- **The online shopping experience itself**, with tools like 3D models, AR and even contextual shopping applications that could eventually bring us to a 'post-smartphone future.'



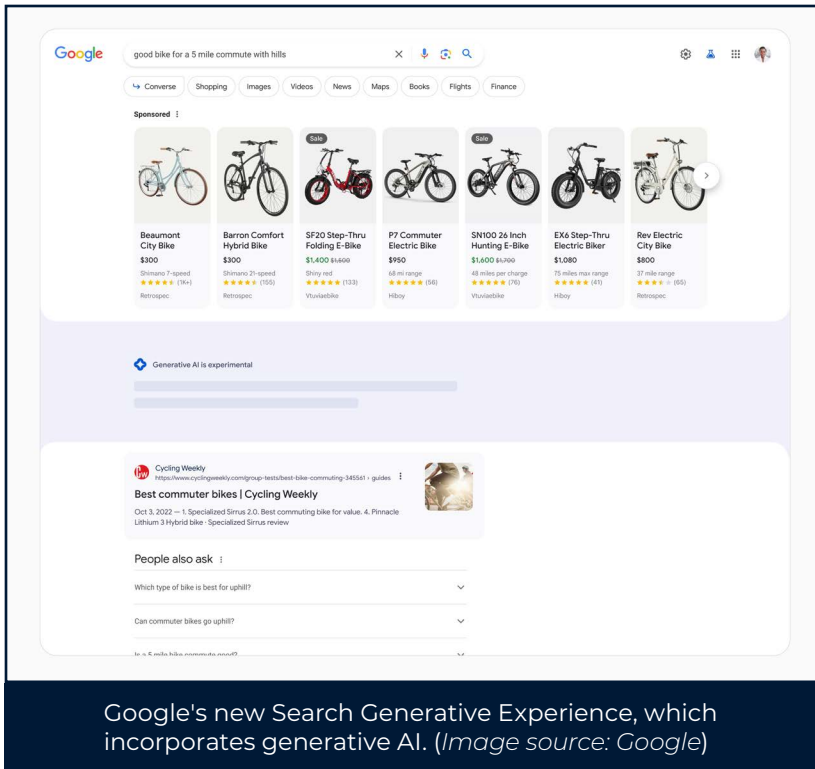
## AMPING UP PRODUCT DISCOVERY WITH NEXT-GEN PERSONALIZATION

One of the biggest pleasures of shopping is walking into a store or shopping center and simply exploring. Maher calls it “**the HomeGoods effect,**” where you walk into a store with nothing in mind but end up with **10** things in your cart.

“One of the reasons I love retail is that it’s an emotional and a transactional experience,” said Amy Eschliman, Managing Director of Cloud Retail Industry Solutions at **Google** in an interview with *Retail TouchPoints*. “To do retail really well, you’ve got to have both. **When you think about ecommerce experiences, the parts that aren’t solved yet are the parts that get in the way of bringing together both the emotional and transactional.**”

Ecommerce is very good at the transactional side of the equation (most of the time); where it falls short is creating that emotional experience. One of the biggest ways Eschliman sees this improving is through advances in **personalization**, and in this regard she thinks **generative AI** could offer a big unlock: “It’s hard not to get really excited about the potential with generative AI — it’s going to transform every industry,” she said. “I’m a retailer by training, and I’ve spent **20-plus years** thinking about how to make experiences relevant and interesting to each individual. **One of the things we’ve talked about in retail for forever is this idea of one-to-one personalization across an entire journey, and generative AI has the potential to unlock that.** You have the ability to think about one-to-one personalization at scale — unique creative, unique copy, unique campaigns tailored to the individual.”

As generative AI makes “conversational discovery paths a reality,” Eschliman also sees the potential for the consumer-directed search process to become more dynamic. Users could start their search with a query like, “I’m looking for a dress for a Saturday afternoon outdoor wedding.” That’s a very conversational interaction. **Generative AI [has the potential] to make the entire experience intuitive and fundamentally easier for customers to find what they’re looking for.**



Google already is working on this: its new **Search Generative Experience** uses generative AI to make more complex search tasks “simpler and smarter,” by summarizing insights from the commerce ecosystem and even offering up suggestions for follow-up questions as shoppers continue their research.

Of course, Google isn't the only place shoppers search for products, and increasingly among younger generations, it's no longer the default go-to. According to **Google's own data**, **40%** of Gen Z now uses **Instagram** or **TikTok** as their primary search engine.

“Gen Z doesn't think, ‘Oh, I need to go to Google to search for something,’” said Maher. “They're already spending **92 minutes** a day on TikTok, so they just look for it there. The question becomes, what can retailers start to learn from those search behaviors that can carry over to their site to help with discovery?”

“I think brands have to start thinking about **breaking down their site into different doorways that people can walk into**,” Maher added. “So if I'm coming from a TikTok ‘hallway,’ I might want to walk into a different type of site that's quicker and more video-based, whereas if I'm coming from **Snapchat** maybe it's more ephemeral, and if I'm coming from **Pinterest** maybe it's more discovery-focused. Over the last **20** years the dot.com became retailers' cathedral, and no matter which door people come from, they landed in the same cathedral. **Retailers need to start taking into account these types of attitudinal mindsets, and switching up the homepage experience depending on where shoppers are coming from.**”



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— Matt Maher, M7 Innovations



## THE STRANGE POWER OF THE TYPED WORD

Once shoppers land on a retailer's website, they are often left to their own devices to find what they're looking for. A recent **Harris Poll study**, commissioned by Google, found that the **search bar** and **general website browsing** are the **two** primary ways shoppers find their way around retailers' sites. But despite being one of the most basic functions of any website, most retailers' search engines require a special degree in keyword dynamics to get the best results. In fact, only **one in 10** shoppers in the study said that they get exact results for their queries (**12%**) or good alternatives (**11%**) every time they use the search function on a retailer's site.

It might seem like a small thing, but the impact on a retailer's business can be large. **Search abandonment** — when a shopper searches for a product on a retailer's website but doesn't find what they are looking for — costs retailers more than **\$2 trillion** annually globally, and more than **\$234 billion** in the U.S. alone. In fact, **81%** of U.S. respondents said that **after an unsuccessful search on a retail website they are more likely to leave the site and purchase elsewhere**, and **82%** said they avoid websites where they have experienced search difficulties in the past.

But developments in **AI, natural-language processing** and **data optimization** are finally changing the game, enabling brands to offer a Google-level search experience on their own sites. In fact, Google itself has packaged its search capabilities and made them available as a **white-label solution** for retailers to use on their own sites.

## Search results for "lbd"



Plus Size Ruched Short Sleeve Shirt Dress  
\$14.99



Solid Basic Mini Tank Dress  
\$7.99



Ruched Mesh Mini Dress  
\$14.99



Ruched Cami Bodycon Mini Dress  
\$14.97

**Rainbow Shops** is one retailer that has integrated the solution: “I’ve been doing this a long time, and while there have been small improvements in search, there was nothing dramatic until Google’s new offering,” said David Cost, VP of Ecommerce and Marketing at Rainbow Shops in an interview with *Retail TouchPoints*. “My favorite example is [the search term] ‘LBD,’ for ‘little black dress.’ A customer may do a search for LBD, but if we didn’t use that abbreviation [in our website copy] because we were worried that not everybody knows it, the search will return with no results. With Google, because they see **billions** of searches, **they know what somebody means when they search LBD**. Now when you do that search on our website, you get a page of black dresses, and if you do ‘plus size LBD’ or ‘plus LBD,’ you only get plus-size ones. **The fact that it knows what things mean and what the intent is — that’s the game changer.**”

Since implementing Google Retail Search, Cost said that the number of customers using search has **doubled**. And his team no longer has to spend hours every week looking at failed searches and manually tagging applicable products or putting in rules around synonyms.

“Fashion examples are some of my favorites, because there’s such a constant stream of new terms coming into that space that you haven’t heard before, but suddenly someone’s going to be on your site looking for it,” said Eschliman. Think about terms like “Eras Tour,” which was **trending on TikTok** recently as fans looked to gear up for the Taylor Swift concerts. **“What’s so exciting about AI in this world of product discovery is the ability to move away from a rules-based system**, which is what most retailers have traditionally done. So in the example of ‘Eras Tour,’ I would have had to set up something manually that said what products to put into the mix [for that search term]. You don’t have to do that anymore because **the AI will automatically learn and adjust to make sure that it’s serving up the right product.**”

This includes understanding what a consumer is looking for even if they misspell a word, forget a space or if their device autocorrects a search term to something different. The capability to understand what consumers are looking for — even when they type it in incorrectly — has been particularly valuable to Cost, who said that his customer base shops almost exclusively on mobile, where those kinds of errors are more common.



## BRINGING THE DIGITAL SHOPPING EXPERIENCE TO LIFE

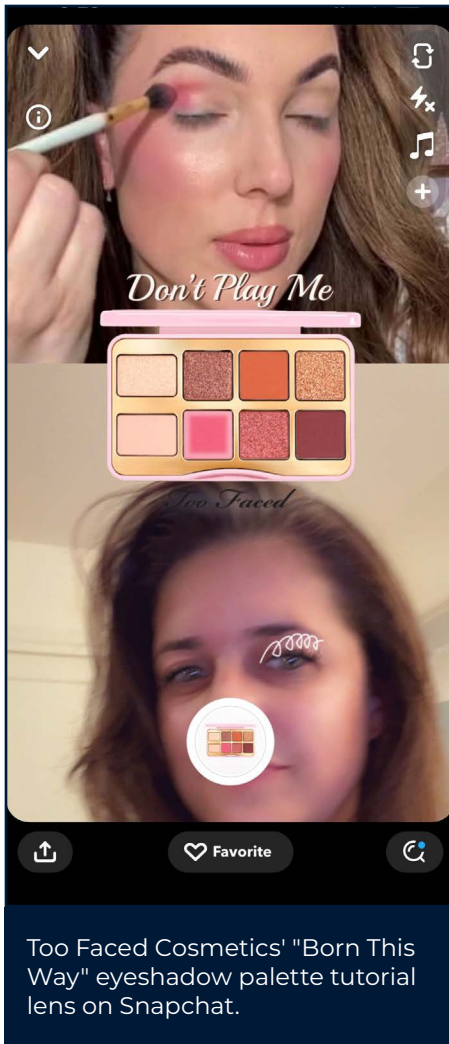
But even as websites get better at putting the right products in front of people, it doesn't change the fact that the standard ecommerce experience is, as several experts described it, "sterile," "flat" and often "boring." Maher believes that 3D models are the "base foundation" of fixing that.

A recent [study from Shopify](#) found that merchants with 3D content on their website saw a **94%** lift in conversions and a **40% reduction in returns**. In fact, engagement levels on 3D imagery are so much higher than 2D imagery that Google has announced it will begin to [emphasize 3D content](#) in search results, beginning with the home goods and footwear categories.

Having 3D content is a good start, but it's only the beginning, according to Cathy Hackl, Founder and Chief Metaverse Officer at [Journey](#): "If you have 3D models, that's great, but how do I really know that a product fits me? There's nuance that's lost in these flat surfaces, but AR is getting a lot better in that regard," she said in an interview with *Retail TouchPoints*.

Snap has long been a leader in AR experiences, and the company recently launched a [white-label version](#) of its **AR and AI fit, sizing and try-on tech** for use by retailers. [Princess Polly](#), one of the first retailers to integrate the solution, has already seen a **24%** reduction in the return rate for products that customers tried on virtually versus those they didn't.

The integration of this kind of tech also **allows retailers to create a more communal experience that brings shopping online closer to the experience of being in a store**. "For many people on a retail website, sometimes they want to get advice from their friends before making a decision," said Snap's Arguelles. "We make it really easy for them to take that [AR try-on] photo and then share it out in Snapchat to ask for their



friends' advice. Sometimes that might be used just for fun, but more often than not when you're starting on the retail site, it's because you want help or advice," just like one would in a store fitting room.

Arguelles said she's also seeing a lot of innovative uses for AR in the realm of instructions and tutorials where, for example, a beauty brand like **Too Faced Cosmetics** can use AR filters to give users step-by-step tutorials on how to apply their products. **"It's about thinking about the physical products as the entry point to content and having that content be something that's experiential,"** said Arguelles. She foresees many potential future applications for experiences like furniture assembly and appliance repairs as well.

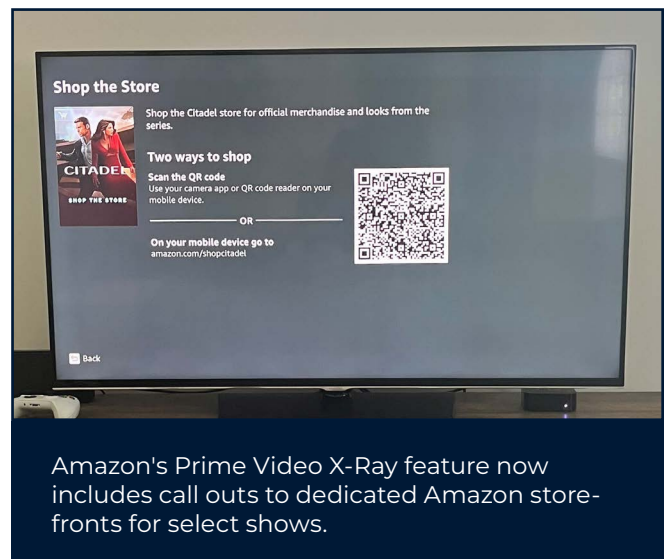
One of the biggest barriers to developing AR experiences, however, is having the 3D product imagery needed to develop them. Both Snap and Google have invested in **making the process of generating 3D imagery easier, cheaper and faster for brands**. Arguelles said Snap is beginning to test a new technology with a few select partners that will create 3D models from 2D images, and Google also said it is planning to roll out a tech that **uses machine learning** to create 360-degree spins of footwear using existing 2D imagery.

And this is only the beginning. **"There's this divide between physical and digital that still hasn't been solved yet,"** said Maher, but he points to new tech like **Amazon's Prime Video X-Ray**, which allows users to access the Amazon store during certain shows to purchase products they see on the screen.

Gaming is another arena that remains relatively untouched when it comes to commerce (not counting the sale of virtual goods and products), but Amazon is working on that too with its new **Amazon Anywhere** offering, which lets customers discover and buy physical products from virtual environments. And then there's the whole world of **virtual stores**, which, while still relatively rudimentary in their execution, offer new potential for adding dimension to the online shopping experience.

For her part, Hackl is looking even further into the future to a "post-smartphone world," which she describes as an "AI-driven future that includes some type of wearable, potentially AR glasses.

"When you think about that post-smartphone future, **AR becomes a way for you to augment your reality to make it more beautiful, more exciting, and offers a new way to shop,**" Hackl said. "When we do eventually replace the rectangles in our hands with something else, what we shop and how we shop will change dramatically, because **what we see and what we wear will become both physical and virtual at the same time.**"



Amazon's Prime Video X-Ray feature now includes call outs to dedicated Amazon store-fronts for select shows.



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Nicole covers the retail industry at large with a focus on ecommerce, looking at digital innovation and the evolution of modern retail.