



DigitalBridge

The imagination gap: Retail's £1bn problem

Research by DigitalBridge

independent research of 1,000 UK consumers conducted by Usurv in October 2016



Foreword

David Levine, DigitalBridge CEO



I first came up with the idea for DigitalBridge a few years ago. I came home one day from my senior corporate job and my wife asked if we could redecorate our lounge.

I said yes and she showed me a number of wallpaper and paint samples she had picked up that day and asked me what I thought. Unable to imagine what they'd look like in our room I started looking for software that would help me imagine what our lounge would look like if we redecorated.

Whilst there were a few tools there was nothing that would allow me to quickly and easily imagine our new room - so I decided to leave my safe, stable role and solve this problem once and for all.

The intent of this report is to comprehensively investigate just

how big a problem the “Imagination Gap” is and how much money it is costing Home Decor retailers.

New technology is making it possible to overcome the imagination gap. Virtual, augmented and mixed reality platforms, coupled with computer vision and machine learning tools can now allow consumers to “try on” furniture, wallpaper or paint, and floorcoverings before buying them.

With that in mind, this report will also look to highlight whether this type of technology would help consumers make purchasing decisions that they would otherwise put off or decide against.

Some retailers, like John Lewis whom we have recently announced as an investor in DigitalBridge, have already recognised the potential benefits and are looking to this new technology to boost their customers’ experience online.

This report will try to help retailers understand the imagination gap, and show that demand is there for a commercial tool that benefits consumers and businesses alike.



Christine Kasoulis, Buying Director, Home in John Lewis:

“In areas like furniture, floor coverings and wallpaper we know that the majority of our customers shop across our website and our shops, and there is a long and considered journey to the point of purchase. Customers want to see how a product will look in their own home - both for style and to understand scale.

“There is a gap at this point in the customer journey at the moment and it is one that visualisation tools will fill in the near future, helping a considered purchase to feel less complex. I am delighted to be working collaboratively with DigitalBridge on exploring how the future of visualisation could work for Home in John Lewis”

Introduction

Taking on a home improvement project can be a stressful time for consumers.

Afraid of getting it wrong and overwhelmed with infinite combinations of wallpapers, paint, and flooring choices, consumers put off buying or simply don't buy at all. Until now there has been no undo button for home improvement projects.

And it is a problem retailers struggle to assist with, because the one thing they cannot do is help customers visualise what their purchases will look like in their own rooms.

For consumers and retailers alike this problem of the “imagination gap” – not being able to visualise how a product will look in their own homes – is not just an inconvenience, but is a major commercial challenge that needs to be overcome.

And with online retail sales in the UK expected to grow 14.9% to more than £60bn by the end of 2016, according to the Centre for Retail Research, it is vital that retailers adapt and upgrade their online offering if they are to remain competitive.

With technology becoming more prominent in the retail sector, there are more opportunities than ever for businesses to enhance the customer experience.

Using innovations like virtual, augmented and mixed reality platforms, computer vision and 3D depth imagery, retailers can make it possible for consumers to virtually “try on” home décor items and see what new furniture, wallpaper or flooring will look like in their own rooms, with their own mess, before they spend a penny.

But just how big of a problem is this imagination gap? What can retailers do to help customers overcome the problem? And will this technology reduce the number of consumers putting off home improvements projects, or buying home décor products?

This research will examine:

- How widespread the imagination gap is
- How much the imagination gap could be costing retailers from a commercial standpoint
- How the imagination gap impacts consumer behaviour
- How online tools can help consumers overcome the imagination gap
- If retailers are offering the kind of shopping experience consumers want
- The ways consumers prefer to shop for home décor products





About DigitalBridge

DigitalBridge is an award winning mixed reality company that uses computer vision and machine learning to allow customers to virtually “try on” home décor products.

Launched in 2013 by CEO David Levine, DigitalBridge allows consumers to place furniture, wall, and floor decorations into their own room within seconds. Despite being a young company, DigitalBridge is already recognised as an innovative tool having been named Retail Week start-up of the year in 2015.

Most recently DigitalBridge was named Partners’ choice at John Lewis’ 2016 JLAB accelerator programme, received £100,000 investment from the retail giant, and was announced runner up at Wired Retail 2016 Innovative start-ups.

Highlights

Nearly 40% have put off home décor purchases because of the imagination gap

35% have returned a product because they didn't like how it looked at home

Nearly a third (29%) of consumers have put off home improvements for fear of making the wrong decision

20% wouldn't make changes to their home without getting the opinion of friends or family first



Nearly 60% of consumers are planning to make improvements in the next 12 months



More than 10% of consumers are planning to spend between £2,000 and £3,000 on improvements this year

Nearly 30% of consumers are frustrated at not being able to picture what products will look like in their home

Nearly one fifth (15%) of consumers have regretted a change they made to their home

23% prefer to shop via a retailer's website



More than a quarter of 18-24 year olds prefer to shop online

30% of 25-34 year olds prefer to shop online

Findings

The UK's home décor market

Close to 30 million consumers* (60%) in the UK are planning to make improvements to their homes in the next 12 months, according to this research.

The most popular upgrades consumers are planning to make are changing their wallpaper or paint, or buying new furniture.

Bathrooms, bedrooms and kitchens are the most likely rooms to be upgraded this year, with nearly a quarter of consumers saying they have plans for these parts of their homes in the next 12 months.

*Representative sample based on ONS figures of 51m adults

What upgrades are consumers planning for the next 12 months?

- New wallpaper or paint – 62%
- Accessories (lampshades, cushions, curtains etc) – 43%
- New furniture – 40%
- New flooring – 26%

Which rooms are most likely to be upgraded in the next year?

Kitchen – 25%
Bathroom – 24%
Bedroom – 23%
Living room – 17%
Hallway – 16%

How much are consumers planning to spend?

- £500 - £1,000 – 26%
- £1,001 - £2,000 – 25%
- More than £3,000 – 19%
- £2,001 - £3,000 – 11%



The cost of the imagination gap

According to this study, of those consumers who plan to make home improvements in the next 12 months, a quarter are planning to spend £500 - £1,000 per project while nearly 20% predict spending upwards of £3,000.

But a third have also revealed they have put off making purchases or decided against undertaking projects because of the imagination gap.

Forecasting retail sales based purely on a quarter of consumers spending towards the lower end of their budget – around £500 – if the imagination gap continues to impact customers as predicted it could represent a potential £1bn loss for retailers.

Worryingly for retailers in the home décor market, consumers have revealed they are more likely to put off buying items like furniture or wall coverings, with more than half of customers saying they would delay buying these items if they couldn't imagine how they would look in their homes.

And almost a quarter of consumers revealed they have delayed buying new flooring, while nearly a third said they have previously decided against buying items like curtains and cushions because of the imagination gap.

Nearly a third of consumers said they had decided against making any design decisions at all regarding their home because they were too concerned about making the wrong choice.

36%

of consumers decided against buying a product because they couldn't picture it at home

51%

say they have delayed buying new furniture and wall coverings

23%

have put off buying new flooring

29%

have delayed buying accessories like lampshades, curtains and cushions

"With the UK's home décor market worth billions to the UK economy, these figures are worrying for retailers and highlight the need to improve their shopping experience to help consumers overcome the problem of the imagination gap."

Buyer's remorse

This research has also revealed the problem of consumers returning home decor products after seeing them in their room causing extra costs for deliveries and refunds if alternative products cannot be found.

Products not looking how consumers imagined they would in their homes proved to be the biggest reason for returning items, with more than 40% of consumers revealing they had returned home décor products for this reason.

More than a third of consumers said they have returned a product after seeing what it looks like at home because they didn't like how it looked in a particular space, and more than a third said they had returned products because they thought the colour didn't match the room.

Items not fitting into spaces was also flagged as a problem, with more than a third of consumers saying they had returned items that they hadn't measured properly before purchasing them. Of all consumers, an estimated 35% (nearly 18m) said they had returned a home décor product after getting it home.

With consumers potentially having to wait months for furniture to be manufactured and delivered, being forced to return it can be a considerable disappointment, which can often be projected onto the retailer. New technology is making it easier for both sides to avoid this issue and for consumers to make the right decision first time.

"Dealing with returns is not just time consuming but can also incur financial costs for consumers and retailers with refunds and deliveries. This research has clearly identified an issue with consumers not liking how products look when they get them home or items looking different after being delivered. Retailers need to tackle this problem and investing in new technology could be the way to do that."

The main reasons for returns

42%

It didn't look the same
as it did instore

33%

The colour didn't match
the room properly

35%

It didn't fit in the space I
wanted to put it

30%

I didn't like the look of it
in the room

Decorating remorse

Nearly a fifth of consumers in the UK have admitted to regretting a change they have made to their homes.

More than one in 10 consumers also revealed that they have spent extra money making further changes to their homes because they didn't like how the first effort looked.

But the fear of making a bad decision is causing some consumers to put off making changes at all.

Nearly a third of consumers admitted to putting off a design decision because they were concerned about making the wrong choice.

Of those consumers that made changes, almost one in five said they had made changes that looked entirely different to how they imagined and more than a quarter said they had bought products online that looked completely different when they arrived.

Reasons for decorating remorse

15%

I have regretted a change I made to my home

14%

After making changes to my home I have spent more money changing it again because I was unhappy with the original results

19%

I have made changes to my home that look completely different to how I imagined them

27%

I have bought products that looked completely different when they arrived

“Making changes to a home is a major decision for a consumer and feeling you have made a mistake can be devastating, but it is clearly an issue that a large number of consumers are experiencing. For some, the mistake is having a substantial financial impact with some admitting to spending more money making further changes. Being able to preview changes before spending a penny would be hugely beneficial to these consumers.”

How technology can help bridge the imagination gap

New innovations in virtual, augmented, and mixed reality platforms, computer vision, machine learning and 3D imaging are opening up new possibilities for retailers to assist customers in their shopping experience.

In the home improvement market, these type of technologies allow consumers to virtually preview home décor products in their own rooms, with their own lighting, and see what they would look like, before ever spending a penny.

And this research has uncovered a desire from consumers for retailers to invest in this technology with more than 36m consumers in the UK confirming they would prefer having access to this technology when shopping.

Being able to try multiple design combinations before committing to a decision was identified as the biggest benefit, with more than 60% saying they would use the tool for this purpose.

The biggest benefit for retailers is that more than half of consumers said a visualisation tool would help them make a purchasing decision.



With more than half of consumers confirming that being able to use an online visualisation tool would make them more likely to make a purchase, retailers need to examine and invest in new technology to allow them to do that. Retailers that take the lead in the use of this technology will put themselves ahead of the competition and have the chance to shape how this technology is implemented in the future.”

Biggest benefits of a visualisation tool:

55%

It would help me make a purchasing decision

29%

I could get a second opinion before making a decision

61%

I could try different options before committing to a decision

15%

I could shop online rather than going into stores

Visualisation technology not limited to younger generations:

Which age groups would use a room visualisation tool?

- 18 - 24 – 69%
- 25 - 34 – 76%
- 35 - 44 – 75%
- 45 - 54 – 69%
- 55 - 64 – 74%
- 65 and over – 63%

The shift to online shopping

Online shopping continues to grow in popularity as consumers call for a greater omnichannel experience.

According to furnishing provider DFS* 70% of instore purchasers start their buying journey online. And mobile commerce is becoming even more important for retailers to consider with figures from market research company eMarketer suggesting tablet based retail m-commerce sales will hit nearly £21bn in the next two years.

But while online shopping continues to rise, this research has found that shopping instore remains the preferred choice for consumers looking to buy home décor products.

More than 70% of those surveyed said they would still shop instore for furniture, wall coverings and similar products.

Among all consumers, this is well ahead of online shopping with just less than a quarter saying they preferred to shop online via a retailer's website.

However, this research has revealed a shift towards online shopping among younger people, suggesting retailers in the future will have to pay more attention to the online experience of their customers.

Among those aged 25-34, 30% said they preferred to shop online while more than a quarter of 18-24 year olds shared that opinion. Improving online shopping experiences is also likely to speed up the shift to online shopping, with more than 10% of consumers in the survey confirming that having access to digital shopping tools like DigitalBridge would make them more likely to shop via a website.

Where do you prefer to shop for home décor products? (all consumers)

- Instore – 71%
- Online via retailer's website – 23%
- Online via social media – 2%
- Catalogue – 2%

Where do you prefer to shop for home décor products? (18-24)

- Online via retailer's website – 27%
- Online via social media – 4%
- Instore – 54%

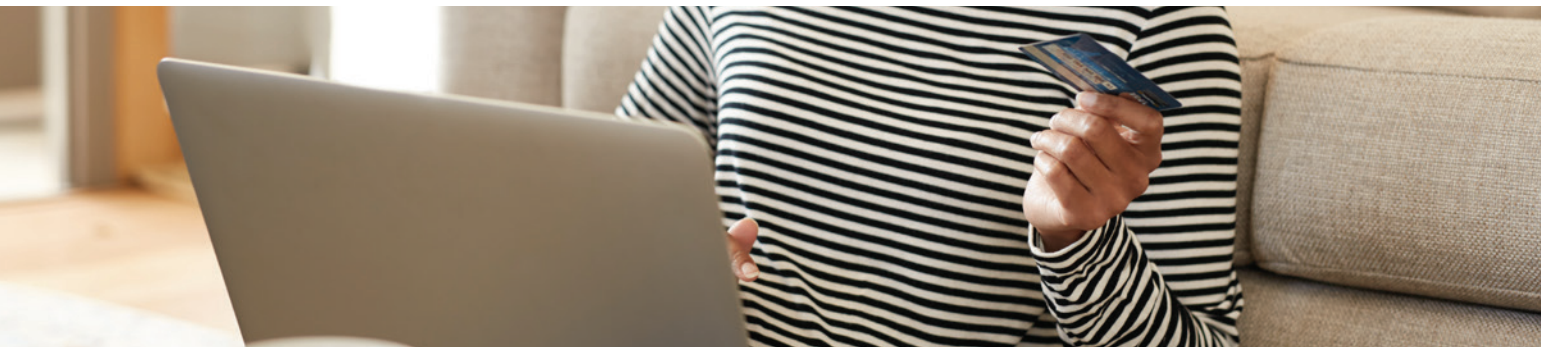
Where do you prefer to shop for home décor products? (25-34)

- Online via retailer's website – 30%
- Online via social media – 4%
- Instore – 62%

Where do you prefer to shop for home décor products? (55-64)

- Online via retailer's website – 21%
- Instore – 76%

*Source: DFS 2015 financial report



Conclusion

The imagination gap is having a significant financial impact on the UK's home décor market, this research suggests.

With a large number of consumers admitting to delaying purchases, or putting them off altogether because they cannot imagine what products will look like when they get them home, retailers should be investing in new technology to help them overcome the problem.

Providing a visualisation tool, either online or instore, would be a commercial benefit for retailers with the majority of consumers revealing they would use the tool if it was offered, and more than (55%) confirming it would make them more likely to make a purchase.

Most worryingly for home décor retailers, items that people indicated they are most likely to buy for their homes in the next 12 months – wallpaper, paint and furniture – are also the most likely items consumers would delay buying because of the imagination gap.

Retailers that invest in new technology are also more likely to get ahead in the market place because they would allow consumers to get second opinions on design decisions before they committed to purchases, something consumers said was an important factor in any decision they made on home improvement.

Almost 30% of consumers in this survey said a visualisation tool would be useful because they could get the opinion of family and friends first, while more than a quarter of consumers said they would never make a decision about changing something in their home without first getting the opinion of family and friends.



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