Let's get phygital

Tasten, riechen, schmecken: Weltweit versuchen Unternehmen, Online-Angebote mit Offline-Erfahrungen zu verbinden – und werden dabei kreativ.

Von MELITA CAMERON-WOOD

MEDIUM AUDIO

phygital [ˈfɪdʒɪtəl]
➤ [wg. Aussprache]

diverge [daɪˈvɜːdʒ]
➤ (voneinander) abweichen

meet sb.'s needs
➤ jmds. Bedürfnissen gerecht werden

backlash
➤ Gegenreaktion

branch ➤ Niederlassung

Even if the word "phygital" is new to you, you've probably experienced it before. From QR codes on restaurant tables to the touchscreens of ticket machines at train stations, "phygital" ("physical" + "digital") solutions refer to the combination of offline and online experiences. The ways in which consumers like to interact with businesses is diverging — some prefer digital applications in certain cases; others are happier when talking to a human employee. Businesses need a range of options to meet their customers' needs.

A good example comes from the banking sector. Despite the popularity of online banking services, banks often face an angry backlash when they close branches and restrict personal interactions with their customers. A 2021 report by the US fintech company MX Technologies found that "Baby Boomers were far more likely to visit a physical branch than

"It's not about replacing one channel with another"

Virtual tours — estate agents now have more ways of showing houses

Millennials or Gen Z, and they were also more likely to join a bank based on in-person experiences over digital offerings." For something as complex as personal finance, however, consumers cannot be divided simply along generational lines. There are plenty of cases in which younger customers also prefer face-to-face communication.

Not one or the other

Phygital solutions help to eliminate friction points between online and offline interactions. "It's essential for businesses to recognize that phygital is not about replacing one channel with another," Annik Meulemans, a Brussels-based digital-transformation consultant at The Birdwing, told *Business Spotlight*. "It's about leveraging the strengths of physical and digital experiences to create a more compelling and memorable customer experience."

This might involve the use of spectacular real-world visuals to impress consumers and get them to post photos on social media.

Many retailers, for example, use such out-of-home (OOH) advertising methods — basically, publicity campaigns in public spaces. While these campaigns aim to encourage digital brand engagement, they allow businesses to expand beyond their customer base, bringing more people into contact with their products, both online and offline.

In other cases, phygital solutions are more practical, easy-to-use features that help customers get things done. Augmented reality (AR) wayfinding features, used as a store navigation tool, are an example of this. A customer looking for a specific product in a large outlet can be guided towards it by their own phone. This can be very targeted, rather than simply pointing someone in the general direction. It reduces costs and frees up in-store employees for other tasks. Businesses may also gain new data-driven insights into customer behaviour, allowing them to optimize their activities and resource allocation.

Disadvantages of going digital only

Of course, there are many use cases in which digital technology can go only so far, as the tangible experience is too important. Many consumers will not be prepared to buy an expensive

In-store shopping with holograms

couch, for example, without having had the chance to sit on it first. However, AR and other digital technology can help customers see what the same couch might look like in their own living room.

Physical interactions and spaces help to build emotional connections and create a sense of community. This can be very important for customer loyalty. According to a 2021 neuroscientific study published by *Frontiers in Psychology*, "[...]touch is a sense that should be <u>maintained</u> in retail strategies because it is able to provide the consumers [with] a full and complete cognitive experience of the product, even when other senses are absent or temporarily isolated."

Touch, smell and taste are obviously difficult to achieve in a virtual <u>environment</u>. In e-commerce, in the absence of free postal <u>samples</u>, buyers and sellers are relying entirely on visuals (and, sometimes, audio). However, more sophisticated phygital solutions are being developed to expand the range of sensory experiences that are possible. The company AirParfum, for example, demonstrated the potential of digital <u>olfactory</u> experiences at the 2023 Mobile World Capital, in Barcelona, Spain. The technology combined a personalized on-screen avatar of the customer with a <u>device</u> that <u>releases</u> various <u>fragrances</u>, allowing visitors the chance to experience the smells of iconic locations of the city, including Park Güell or Las Ramblas.

AirParfum's technology is being used to create digital sensory experiences in retail spaces, such as perfume shops and even the Prado art musuem, in Madrid. The idea of <u>enhancing</u> a visual digital experience with fragrance is itself not new, but <u>AI</u> and other technological improvements are making it a more practical and <u>viable</u> option for <u>marketers</u>. It could easily become mainstream in the future, adding a whole new dimension to the customer journey.

Planning the road ahead

Phygital solutions have benefits as well as challenges —particularly if the exact purpose, the added value and the necessary strategy have not been carefully considered. "<u>Bridging the gap</u> between physical and digital experiences requires the integration of different systems, processes and data sources," Meulemans says. "Businesses need to invest in technology infrastructure that can support real-time data exchange and enable <u>seamless</u> customer interactions across channels."

By <u>tracking</u> consumer preferences, businesses can <u>tailor</u> their services to specific needs, encouraging customers to come back. However, when businesses save information about consumer habits, they must manage <u>data privacy</u> and security carefully.

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maintain sth.
► etw. beibehalten

environment
► *hier*: Umgebung

sample ►
(Waren-)Probe, Muster

olfactory [ɒlˈfæktəri]
► Geruchs-

device [diˈvaɪs] ► Gerät

release sth.
► etw. freisetzen

fragrance [ˈfreɪgrəns]
► Duft

enhance sth.
► etw. verbessern, steigern

AI (artificial intelligence)
► KI (künstliche Intelligenz)

viable [ˈvaɪəbəl]
► realisierbar, tragfähig

marketer
► Vermarkter(in)

bridge a gap
► eine Lücke schließen

seamless ► nahtlos

track sth.
► etw. (nach)verfolgen

tailor sth.
► etw. individuell ausrichten

data privacy [ˈprɪvəsi]
► Datenschutz

AirParfum is creating a digital fragrance experience in shops

Sophisticated phygital solutions expand the range of sensory experiences

"Phygital transformation involves sharing customer data between physical and digital channels, increasing the potential for data breaches and privacy concerns," says Meulemans. "Businesses must implement robust data security measures to protect customer information."

Quantifying growth

In addition to customer analytics, metrics can be used to measure sales performance and the effectiveness of the phygital transformation. If staff can quantify the progress these changes lead to, they'll feel more motivated and open to adapting their style of working. "Phygital transformation requires a cultural shift within the organization," Meulemans says. "Businesses need to move away from siloed departments and embrace collaboration between teams responsible for physical and digital experiences."

To advertise their services on social media, for example, an events company could take a collaborative approach in which the event organizers and the social media team work together. Livestreams, traceable event hashtags and Instagrammable moments within events would help to translate the physical event into a digital experience.

In the future, phygital stagies are likely to become more visible as businesses recognize their value. Customers can expect to encounter immersive reality and spatial-computing solutions in the coming years, as the underlying technology becomes more affordable. "Businesses that embrace this transformative approach will be well-positioned to thrive in the future of commerce and customer engagement," Meulemans says. Those who don't begin investing in phygital today may find themselves behind the competition later.

data breach
➤ Datenschutzverletzung

robust ➤ solide; *hier*: nicht angreifbar

metric ➤ Messgröße

shift ➤ Wandel

siloed department
['saɪləʊd]
➤ isolierte Abteilung

embrace sth.
➤ etw. annehmen, akzeptieren

traceable ['treɪsəbᵊl]
➤ zurückverfolgbar

translate sth. into sth.
➤ *hier*: etw. in etw. überführen, verwandeln

visible: become ~
['vɪzəbᵊl]
➤ in Erscheinung treten
(**visible** ➤ sichtbar)

encounter sth.
➤ auf etw. treffen; *hier*: mit etw. in Kontakt kommen

immersive reality
➤ Eintauchen in virtuelle Welten

spatial-computing solution
➤ Mensch-Computer-Interaktionstechnologie, in der eine virtuelle Umgebung als echt simuliert wird

thrive ➤ erfolgreich sein