

ABSTRACT

As of today, one-fifth of all purchases take place online, and with a current growth rate of 9%, this fraction of active online shoppers will continuously increase over the next years. Accordingly, the beauty and cosmetic industry, one of the fastest-growing consumer goods industries, has also been confronted with the most momentous movements in recent years. Although beauty retailers can benefit in various aspects from the shift to e-commerce, there are unsettled issues impacting the customer experience. The cosmetic sector, consisting largely of experience products, suffers from the non-existent direct product experiences as they are associated with non-transparency, intangibility, and limited sensory data, thereby hindering customers to conduct important pre-purchase product examinations. As a result, customers present themselves uncertain about the new way of shopping, which is demonstrated by high shopping cart abandonment rates and higher return rates that are attributed to post-purchase dissatisfaction.

Intending to overcome these major obstacles, increasingly more e-marketers started applying technological advancements, whereby augmented reality emerged as one of the most disruptive innovations in the beauty industry. Although many scholars have already addressed the topic of augmented reality in online retailing, there are still many unresearched aspects due to the technology's novelty. Therefore, the present study aims to reveal if and to what extent augmented reality can enhance the online shopping experience in the beauty industry, by emphasizing the pre-defined constructs: imagination, uncertainty, anticipated emotion, attitude towards buying online, and online purchase intention.

For this purpose, a quantitative research approach was applied, whereby a one-factor between-subject experiment was conducted within a sample representative of the Austrian population. The respondents of both groups were exposed to L'Oréal's online shop. However, only the experiment group was treated with L'Oréal's virtual try-on function, whereas the control group was limited to the brand's two-dimensional product presentation. The results of the experiment revealed a significant difference between the two groups, indicating that augmented reality stimulates customers' imagination abilities stronger as compared to the non-augmented condition. Moreover, the collected data demonstrated that imagination reduces uncertainty while at the same time increasing anticipated emotions. However, other than expected, only anticipated emotions but not uncertainty impact attitude toward buying online which in turn affects online purchase intention. Overall, it can be concluded that augmented reality offers beauty e-retailers valuable opportunities. Thus, the implementation should be emphasized by businesses that seek to build a strong omnichannel presence that offers customers superior online shopping experiences.