



# RETAIL WEEK FOREWORD



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DEPUTY COMMERCIAL EDITOR, RETAIL WEEK CONNECT

**T**he evolution of the connected consumer has been happening for some time now, but in the past year the pace of change has been phenomenal.

Developments in technology have a huge role to play in this. Contactless payments and wearable health trackers are just two examples of the innovations in this area that have quickly become part of everyday life for many connected consumers.

But this change is also being driven by consumers, and their ever-increasing expectations of the businesses they interact with on a daily basis. Just as consumers no longer differentiate between a brand's store, online or mobile offering, they also don't differentiate between retailers and other companies they buy from.

Instead, they think about services they need, and which companies can best deliver those services. They think about how they want to

consume products, and seek out the companies that allow them to do that. They shop around, blending the physical and the digital constantly, and look for companies that offer a seamless experience at every touchpoint.

They are willing to exchange their data for offers or experiences, but only when they trust how that data will be used. And they expect the best service at every stage, or they will move on.

The expectations of today's connected consumer are high, and only getting higher.

Those businesses that can offer a seamless experience across channels and exceed consumer expectations, while also allaying any concerns about data, security and privacy, will be the ones to succeed in the connected future. But this is no easy task.

I hope this report offers you some insights into the connected consumer that help you and your business exceed your customers' expectations now and in the future.



**The expectations of today's connected consumer are high, and only getting higher**



## RETAIL WEEK CONNECT: CONNECTING RETAIL WITH CREATIVE INTELLIGENCE

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# PARTNER VIEWPOINT



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**D**o businesses work for the connected consumer or do consumers connect more because of what businesses offer? That's the multi-billion-dollar question and one that this report tries to answer. The answer appears to be that businesses are adapting to the changes connected consumers expect from them.

Some businesses are further down that journey than others but almost every industry can and should connect better with its consumers: what was considered sci fi yesterday is the norm tomorrow. You cannot ignore the sheer pace of change we're experiencing.

Having been close to the development of this report, I'd make three main observations:

1. Change is already happening: more consumers shop online than ever before. More are willing to have virtual consultations with their GPs. More are willing to give away their data in exchange for 'real' value-added services or offers, particularly personalised offers based on their search or purchase history. New business models are emerging, disintermediating industries and new entrants are after your market share.

2. The scale of the opportunities that lie ahead for businesses willing to work for the connected consumer are huge. Predictions of 25 billion connected devices in the internet of things by 2020 speaks volumes. That's four connected devices for every human being on earth within the next five years.

3. Laggards aren't too late – but the clock is ticking and they need to act quickly to catch up and win in the new world. Hopefully this report will help those of you who are yet to rise to the challenges the connected consumer will pose.

And there are challenges and potential backlashes ahead: from major data leaks and creaking legislative frameworks to trust erosion and systems failures, we will see some bumps in the road ahead. You can draw on our experience to help you with those bumps.

But the way ahead is clear. It's being determined by an always-online global consumer base of billions who ask for better tailored products and services first time, every time. Let us know how we can help you rise to that challenge.

**For more on connected consumer developments, visit [occonnectedconsumer.com](http://occonnectedconsumer.com).**



**You cannot ignore the sheer pace of change we're experiencing**



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#### WHAT IS A RETAILER?

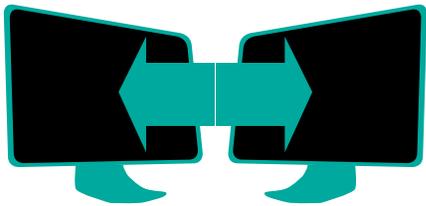
Throughout the report the term 'retail' or 'retailer' is commonly used. This is not a narrow definition of a store or online shop, but refers to the many businesses connected consumers purchase products or services from across areas including transport, leisure, entertainment and health.

#### WHAT IS A CONNECTED CONSUMER?

Connected consumers use their connected devices to interact with each other and the environment in consuming products and services. They might use smartphones, tablets, e-readers, portable navigation devices, media players, mobile gaming devices or other connected devices.



**31%**  
of German consumers  
(21% UK, 18%  
Netherlands) are not  
comfortable sharing their  
personal data when making  
a purchase



Just less than half of UK  
consumers use  
peer-to-peer platforms



**38%**  
of UK consumers  
prefer to download  
online content  
compared with  
34% who prefer  
streaming



**12%**  
of UK consumers  
use a fitness tracker

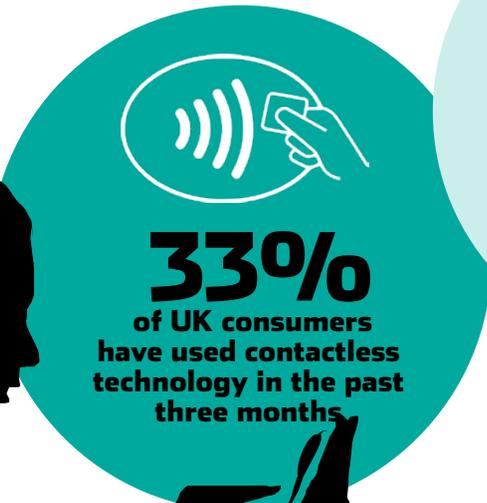


but only  
**55%**

of these say  
they are aware  
of how their  
data will be  
used and shared



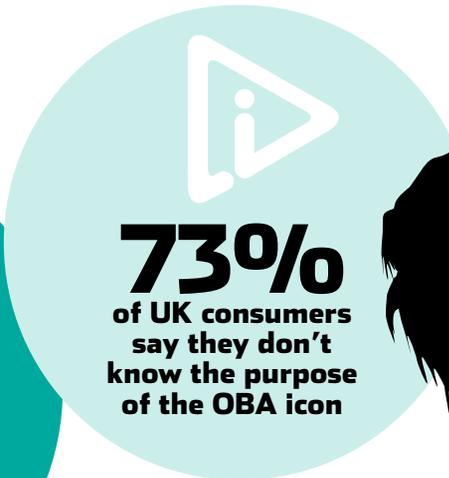
**32%**  
of UK consumers  
(27% Germany,  
21% Netherlands)  
shop mostly  
online



**33%**  
of UK consumers  
have used contactless  
technology in the past  
three months



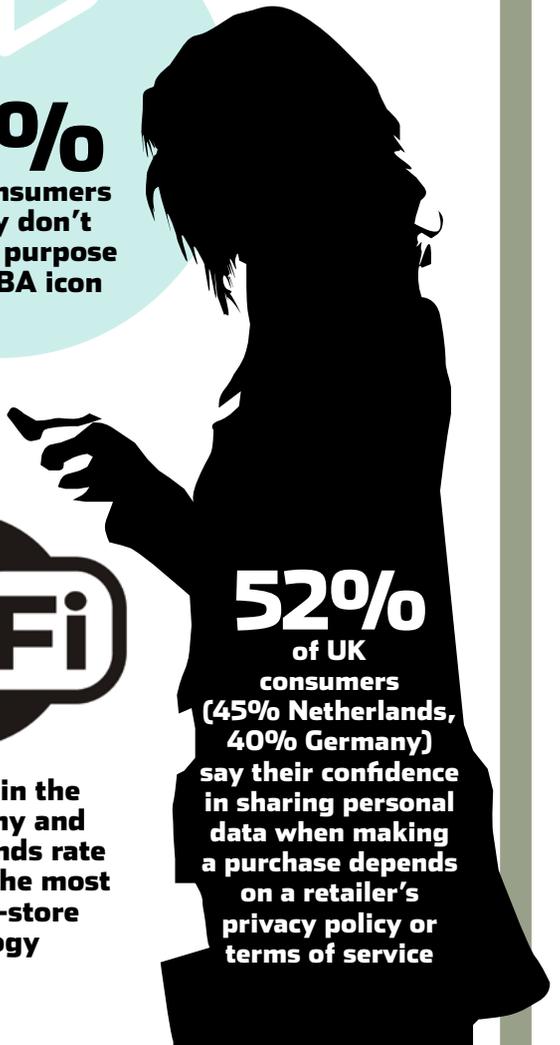
**44%**  
of UK tablet  
owners price check  
and research on  
tablet devices



**73%**  
of UK consumers  
say they don't  
know the purpose  
of the OBA icon



Customers in the  
UK, Germany and  
the Netherlands rate  
free wi-fi as the most  
valuable in-store  
technology



**52%**  
of UK  
consumers  
(45% Netherlands,  
40% Germany)  
say their confidence  
in sharing personal  
data when making  
a purchase depends  
on a retailer's  
privacy policy or  
terms of service

**CHAPTER ONE**

# TODAY'S CONNECTED CONSUMER

**T**he past five years have seen a step change in the way people interact. Almost every aspect of people's lives now interconnects across a personal network of online devices, objects and services, driven by technology that is continually advancing and consumer expectations that are constantly evolving.

Whether it is a wearable fitness tracker, a telematics device for your car or a contactless payment credit card, the public's appetite for smart products shows no sign of waning; an 'always on' culture is the norm and the internet of things a reality.

This is the world of the connected consumer, and it defines how people interact with

businesses in areas as diverse as health, leisure, transport, retail and entertainment.

Through research that questioned 2,000 consumers from a nationally representative split across the UK, this report identifies trends in consumer behaviour and the associated business and legal challenges. It offers country comparisons with Germany and the Netherlands, where we questioned 1,000 consumers in each country to benchmark the UK and learn from other jurisdictions.

Among EU member states, Germany has one of the strongest data privacy regimes, while the Netherlands is one of the fastest-growing countries in terms of m-commerce,

with smartphone and tablet penetration rates among the highest in the world.

According to consumers surveyed for this report, most people now own more than one internet connected device, many of which are mobile. Three-quarters (74.3%) of UK respondents say they own a smartphone, and more than half (57.2%) say they own a tablet.

The connected consumer is here – is your business prepared?

## WHAT IS A CONNECTED CONSUMER?

Connected consumers use their connected devices to interact with each other and the environment in consuming products and services. They might use smartphones, tablets, e-readers, portable navigation devices, media players, mobile gaming devices or other connected devices.

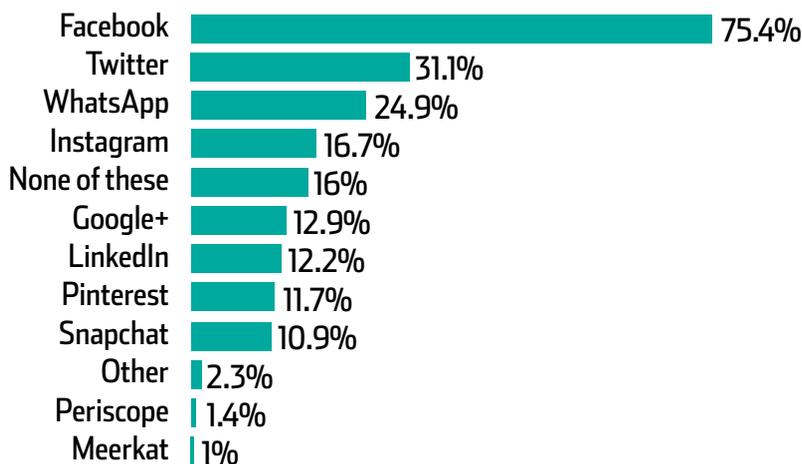
## ONLINE SOCIAL SCENE

Burgeoning mobile access has transformed social interaction, changing the face of gaming, photo and video sharing and product reviews. Social networking has been used by 61% of adults in the UK in 2015 and, of those, 79% use it every day or almost every day, according to research<sup>1</sup>.

Social media use in the UK is slightly higher than in some of our European counterparts; users in the UK spend on average 2.2 hours a day on social media, while users in Germany spend 2.1 hours, and in the Netherlands the figure is 1.9 hours<sup>2</sup>.

Among UK consumers, Facebook still dominates the social media scene with 75.4%

### 1.1 Which social media do you use at least once a week?





of respondents using the site regularly (at least once a week). Twitter remains popular too with 31.1% using it regularly, while WhatsApp is used regularly by 24.9% and Instagram by 16.7% (see chart 1.1).

### CHANGING SHOPPING HABITS

When asked what best describes their shopping behaviour, just less than half of UK consumers (46%) say they shop mostly in store, while 32% say they shop mostly online (see chart 1.2).

The numbers are slightly higher for in-store shopping in Germany and the Netherlands; in Germany 50.2% say they shop mostly in store, and 49.2% say this in the Netherlands. When it comes to online, 27.2% of German consumers shop mostly online, but this figure sits at 21.7% for customers in the Netherlands.

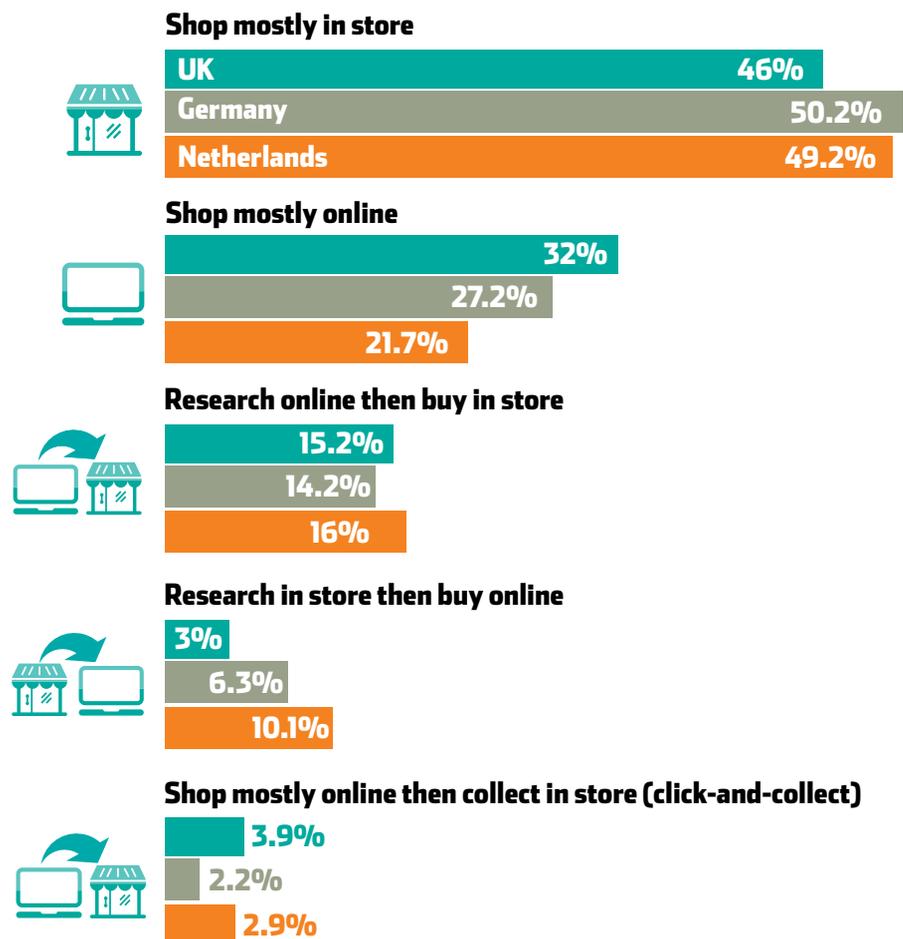
Although the majority of respondents say their shopping behaviour generally comprises mostly online or in store, in reality, customer journeys are rarely easily defined as one or the other.

Of UK consumers, 15.2% say they prefer to research online and buy in store, and our research shows this is very similar in Germany and the Netherlands too at 14.2% and 16% respectively.

Just 3% of UK consumers mostly opt to research in store and then make their purchase online. The number of people researching in store then buying online is marginally higher in the Netherlands, where 10.1% of consumers say this best describes their shopping behaviour, compared with Germany where 6.3% of consumers choose this option.

Click-and-collect has a similar uptake in all three jurisdictions too; in Germany this is favoured by 2.2% of consumers, the Netherlands 2.9% and the UK 3.9%.

#### 1.2 Which best describes your shopping behaviour?





**COMMENT**  
**OSBORNE CLARKE'S**  
**JEROEN LUB**

There is a fundamental desire for social interaction and decision reassurance. Consumers will always be attracted to an in-store shopping experience and this cannot entirely be replaced by the traditional ecommerce model.

Social shopping sites integrate social aspects (such as product sharing, rating and front-facing user engagement). They contain feeds specifically for the user and the process of collective shopping helps to reaffirm and guide purchase decisions. Social shopping focuses on making online shopping fun and sharing your buys with friends or likeminded strangers.



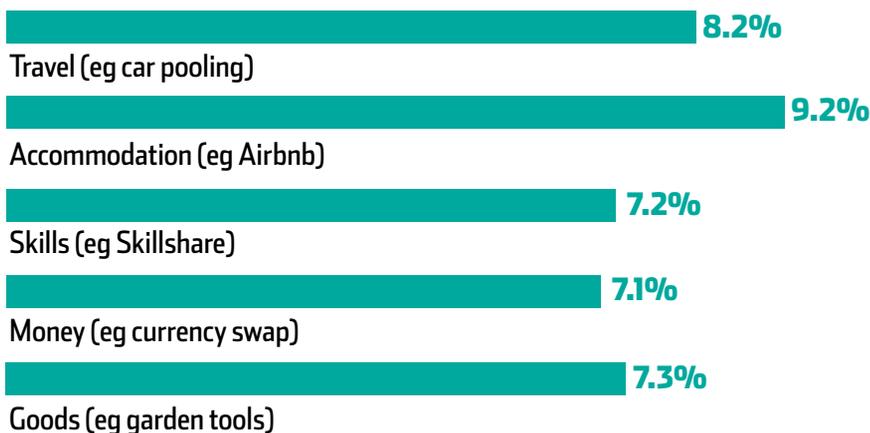
While the Germans and Dutch may be happy researching on their smartphones, when it comes to making the final leap to buy, it is people in the UK who are most confident. In the UK, 39% of smartphone users say they have made a purchase via their phone. In Germany, 32% of people

say they have made a purchase using their phone, while it is just 18% in the Netherlands<sup>3</sup>.

Connectivity is having a major effect on bricks-and-mortar stores, the use of store space

and the retail supply chain. Although the trend towards online shopping is increasing, consumers still want an in-store experience. Those retailers that can exceed customer expectations in store, while also offering consumers convenience and connectivity, will be the ones to succeed in the future.

**1.3 Have you ever used an online platform to share any of the following?**



**THE SHARING ECONOMY**

Sharing economy and peer-to-peer platforms, such as eBay and Airbnb, where consumers deal with other consumers directly, are growing in popularity. Nearly half of the UK consumers surveyed (47.6%) say they use peer-to-peer platforms and the majority of those (59.4%) say their use of these peer-to-peer platforms has increased in the past three years.

However, when asked if they have ever used an online platform to share travel, accommodation, skills, money, goods or other products and services, just 23.6% of respondents say they have and some in more than one category (see chart 1.3). The majority (76.4%) have not.

There are a variety of reasons for this including 42.3% who say they don't wish to share, 23% who say they don't know enough about it at the moment to take part, 22.9% who



**COMMENT**  
**OSBORNE CLARKE'S**  
**ANDREW SAUL**

There are various possible responses to the growth of the sharing economy by 'traditional' businesses. These include:

- Embracing it and incorporating a 'sharing economy' type offering as part of the customer proposition
- Emphasising the differentiators (and perceived benefits) of the 'traditional' business
- Incorporating 'sharing economy' businesses as part of the supply chain

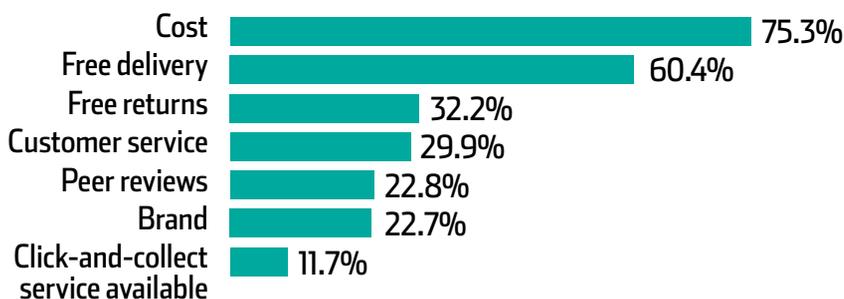
As with many disruptive business models, one issue for sharing economy companies has been building trust among actual and potential users. That issue has lessened as the sharing economy matures, user rates increase (and user reviews become more widespread) and appropriate insurance products are developed. There are various proposed structural changes that will help further, such as the planned introduction of a quality mark by Sharing Economy UK, the industry association for the sharing economy.

say they see no need to share, and 11.8% who are unaware it is possible to share any of these services via online platforms.

The growth in these services has a number of consequences for more traditional businesses. On the supply side, a number of companies are engaging with the sharing economy as part of their supply chain, led by the UK Government, which has indicated that Government employees should use sharing economy solutions where cost-effective.

There have also been several acquisitions of sharing economy businesses by more traditional companies; car-sharing service Zipcar was acquired by Avis in 2013 and City Car Club by Enterprise in 2015, while others have entered into partnerships such as that between JustPark and BMW. These moves suggest businesses see the value in these sharing economy services and the potential business opportunity too.

**1.4 What are the most important factors to you when making a purchasing decision?**

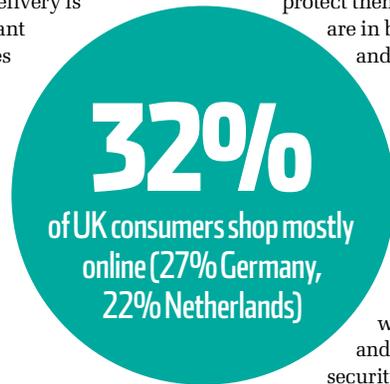


**EXPERIENCE MATTERS BUT COST IS KING**

While the way we shop has changed significantly, fundamentally what matters to consumers has not. Cost remains king when making purchasing decisions for the majority of people in the UK (75.3%), whether they are shopping online or in store.

However, online shopping is undoubtedly influencing priorities. Free delivery is now the second most important factor to people when it comes to making their purchasing decision, with 60.4% choosing it as being most important to them (see chart 1.4). Online shopping concerns also come to the fore with free returns selected as most important for 32.2% of respondents.

Today's consumer expects services to be seamless, convenient, unobtrusive and delivered on their own exacting terms, which equates to a multifaceted customer journey that companies must map if they wish to keep up with, or even outperform, the competition.



The good news is that in exchange for convenience, value for money, varied payment methods and an entertaining experience, consumers will hand over unprecedented volumes of data, arming businesses with many opportunities to boost profits through targeted marketing and personalised offers. That doesn't mean consumers aren't cautious about how and where they share that data and what they get in return. Companies must act responsibly to protect themselves against claims they

are in breach of privacy legislation and against reputational damage.

The best way to do this is to provide consumers with clear and concise information about what data they are collecting, what it will be used for, and how it will be shared, a subject visited in chapter four: data and privacy.

Many consumers are still wary of sharing too much data, and nervous about potential security breaches. It is the businesses

that can not only offer an enhanced customer experience and the most advanced technology, but also allay consumer concerns over privacy and data security that will ultimately win out in the connected world.

## CHAPTER TWO

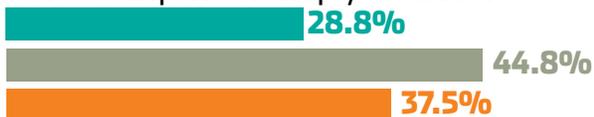
# TECHNOLOGY ADVANCES

### 2.1 Which in-store technology do you find valuable?

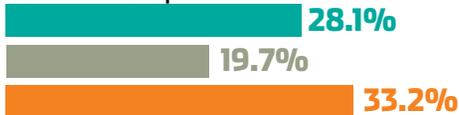
Free wi-fi



Tills that accept contactless payments/cards



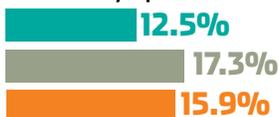
Scan-and-shop



Kiosks to access products not currently in stock



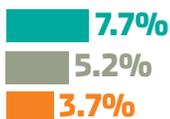
Constantly updated virtual displays



In-store iPads



Bluetooth beacons to send personalised offers to your phone



Increasingly consumers engage with companies in a way that blends the digital and the physical.

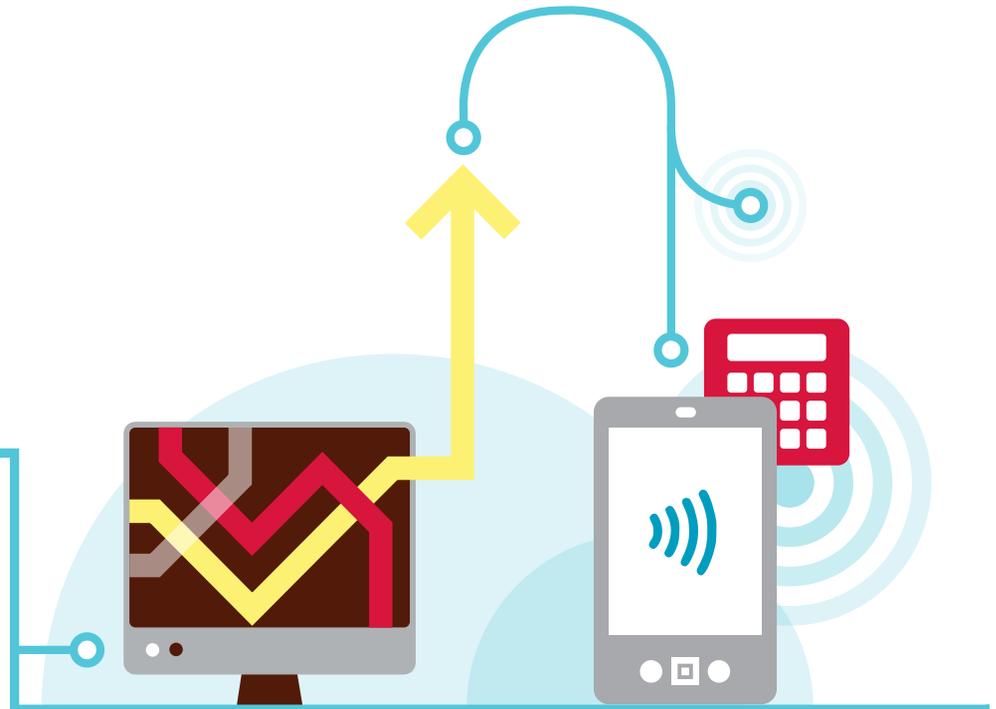
The 2,000 UK consumers interviewed for this report reveal that they own a range of digital devices and are using them in different ways. For specific details on which devices consumers own and what they are using their connected devices for, see Appendix 1.

### BUYING ONLINE

When buying online, almost half of the UK consumers surveyed (47.7%) say they prefer to use a desktop site to make their purchase. And apps are more popular than mobile sites, with 14.7% saying they prefer to use an app when making an online purchase, while 11.8% say they prefer to use a mobile site. Retailers' apps are often easy to navigate, give direct access, regularly have a fun and interactive element and may only require the user to log in once.

The results could reflect a perceived visual disadvantage in using smartphones' smaller screens for browsing and buying online. According to recent research<sup>1</sup>, more than half (53%) of people in the UK say not being able to get a clear or large enough image of a product is the reason they shop on a desktop computer rather than a mobile device. The second most significant factor is not being able to easily view product information (40%).

**21%**  
of German consumers don't mind how their shopping behaviours are tracked and used (11% UK, 10% Netherlands)



## RIGHT TO RETURN

Consumer law was updated across the EU in 2014 with the aim of arming consumers with more information and improving their cancellation rights, particularly in relation to online purchases.

But are consumers aware of their enhanced rights? Our research suggests many UK consumers are still confused about their rights when making online purchases. Consumers typically have the right to cancel an order for an item up to 14 days after they receive the item but, when asked, only 41.5% of respondents knew this was the case. While 15.7% think they have a legal right to return an item for any reason within seven days, 36.6% believe they have 28 days to return – double the correct time.

Recent changes introduced by the Consumer Rights Act in the UK are intended to harmonise consumer law and make it clearer and easier for UK consumers to understand. A crucial element of this Act is, for the first time, to give consumers specific quality rights and remedies for digital content purchases such as apps and digital media.

## IN-STORE TECHNOLOGY

The proliferation of mobile devices has also changed the way consumers interact. In a retail environment, this has implications for store design, layout and particularly connectivity.

When asked what in-store technology they find valuable, respondents say being able to use technology in store for practical purposes wins out over constantly updated virtual displays, in-store iPads and Bluetooth beacons sending personalised offers to their phones (see chart 2.1).

Just 12.5% of UK consumers and 15.9% of Dutch consumers say they value constantly updated virtual displays in store and, while these were marginally more popular in Germany, where 17.3% say they find them valuable, the results still show little consumer appetite for this technology.

Armed with their own devices, people do not significantly appreciate in-store iPads as only 11.5% of UK consumers say they value them. This number drops to 9.5% in the Netherlands and just 6.7% in Germany.

Consumers want to be able to use their own devices in store and contact with sales assistants seems to be low on people's priorities.

Instead, free wi-fi is the most valued in-store technology across all jurisdictions, and was most popular in Germany, where 66.3% say they find free wi-fi valuable, compared with 60.9% in the UK and 56.8% in the Netherlands.

Tills that accept contactless payments come second, and again prove particularly popular in Germany, with 44.8% of consumers saying they value this technology. The number is 37.5% in the Netherlands and 28.2% in the UK, although UK numbers are likely to rise following the recent increase in the limit on contactless payments in the UK from £20 to £30.

The ability of consumers to use multiple touchpoints is important; scan-and-shop technology is valued by 33.2% of Dutch



### COMMENT OSBORNE CLARKE'S JON FELL

While retailers may be increasingly geared up to deliver a personal experience, their customers still need some reassurance about how their data is being used. Retailers need to be upfront with their customers as to what data they are collecting, how they are going to use the data and with whom they will be sharing it. The challenge is to be brief and to tailor the way in which this information is provided to the communications channel being used.



**11%**  
of UK consumers have  
a telematics device fitted  
to their car

bringing operational data to the shopfloor, latest-generation POS systems are helping sales assistants engage with consumers and offer them personalised promotions based on customer activity both on and offline.

However, while retailers may be increasingly geared up to deliver a personal experience,

their customers need greater reassurance about how their data is being used.

German consumers are the most comfortable sharing their data; when asked if they would be happy if their online shopping behaviours were used to create an individual profile about their shopping habits, 21.3% say 'yes – I don't mind how my online shopping behaviours are tracked and used'. This is compared with just 11.1% of UK consumers and 10% of Dutch consumers choosing the same option.

In contrast, the Dutch are most reticent. In response to the same question, 39.7% say 'no – not under any circumstances', while 35.2% of UK consumers and just 26.8% of German consumers take this stance.

Many of the consumers surveyed are happy to share their data under certain conditions. Among UK respondents, 27.2% would be happy

## GERMAN APP INNOVATION

**Trend** The preferred method of shopping by smartphone of those in Germany is via an app and innovation in this area is on the rise.

**Example** Touchables are stickers designed to remind their owners to perform tasks such as watering plants, exercising or eating an apple a day. The physical stickers link to a smartphone app, which the user can set to indicate how often they would like to be reminded to do something. Once the phone alerts the owner, the alarm is switched off by pressing the physical Touchable sticker. Evidence of the internet of things in Germany, Touchables represents digitally connected objects that help enhance people's everyday lives.

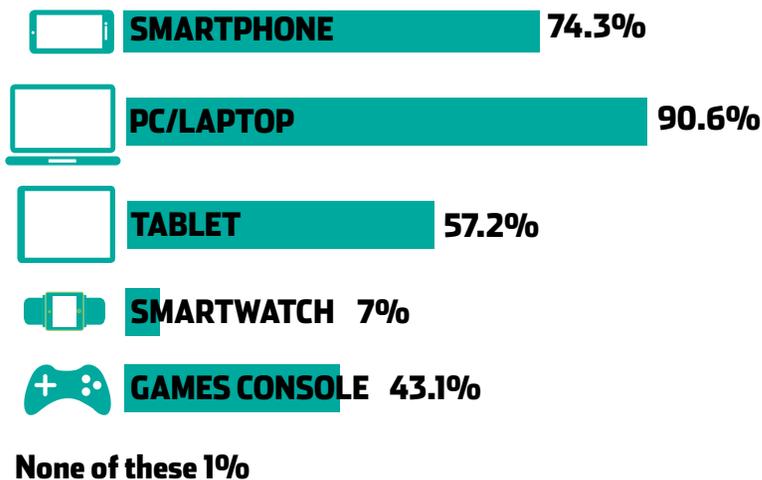
*Case study from Mintel research 2015*

consumers, 28.1% in the UK and 19.7% in Germany, and the use of kiosks to access products not currently in stock is broadly the same in all three countries; 20.5% in the UK, 19.2% in the Netherlands and 15.8% in Germany.

The use of Bluetooth beacons to send personalised offers to a customer's phone is not hugely valued by any of the consumers surveyed. Those in the Netherlands are the least enthusiastic; only 3.7% say they find this valuable compared with 5.2% in Germany and 7.7% in the UK. Although this may be due to a lack of exposure to this technology.

Positive in-store experiences are increasingly personal to the individual shopper. Technological developments are arming retailers with information about their individual customers, helping them enhance both in-store and online shopping. Evolving POS technology with cloud capabilities is aiding data application and sharing too. By

## 2.2 Which of these devices do you own?



if it meant they got a better discount and special offers on their purchase. This was similar for consumers in the Netherlands, where 28.1% choose this option, but it was only important to 21.7% of German consumers.

Understanding how their data was to be used in advance is important to 30.3% of German consumers, 26.6% of UK consumers and 22.2% of Dutch consumers.

The issues raised by data collection and privacy are discussed in greater detail in chapter 4: data and privacy.

### WEAR AND SHARE ON THE RISE

Wearable technologies such as smartwatches and fitness trackers are taking widespread connectivity to new levels and providing companies with even more information about their customers.

Fitness trackers are the most prevalent wearable technology among UK consumers; 12.3% use a fitness tracker while 5% use a health tracker. This increased popularity provokes questions around how data from these devices is collected and shared, an issue explored further in chapter 4: data and privacy.

### INTERNET OF THINGS

The internet of things is a network of physical inanimate objects, or things, with the necessary sensors and software embedded within them to enable them to collect and exchange data

with other devices via the internet.

There are more than 4.9 billion connected things in use worldwide<sup>2</sup>. Consumer data has become the virtual currency of the internet age.

One area where this is already having an effect is transport, particularly through the use of telematics by car fleet managers and insurance companies. Although the uptake among consumers of telematics devices is still relatively small, only 10.8% in the UK say they use them, the growing number of insurance companies and businesses stipulating their use, and the rise in the number of connected cars on our roads, mean their adoption is set to rise in the next five years.

Telematics devices can also help improve vehicle maintenance, as data about the wear-and-tear status of important components in the vehicle can be transmitted constantly to the manufacturer or third parties. This can be used to predict the service needs of the vehicle, and also give a competitive advantage to any business looking to offer repair or maintenance services to the owner of the vehicle.

Most car manufacturers are experimenting with completely autonomous cars, with the chief technical officer of Ford, Raj Nair, saying earlier this year that he expects a manufacturer to introduce a completely autonomous vehicle — one that requires zero human intervention — within five years.

The law will need to catch up with technology in this area.



### COMMENT OSBORNE CLARKE'S DR THOMAS FUNKE

If data is the gold of the 21st century, who should have the mining rights? Technology suppliers may be able to rely on copyright, software patents or database rights to exclude others from free-riding on their investments. But certain machine-generated information may not be protected at all.

In fact, where vehicle data is essential for competition, the manufacturer may be obliged to license it on fair and reasonable terms to the service provider of the consumer's choice.

EU law states that information related to repair or maintenance should be made available to independent aftermarket operators. Compulsory licensing can be mandated by competition law, which may advance open platforms and interoperability to the benefit of consumers.

<sup>2</sup> Gartner Inc 2014

## CHAPTER THREE

# INNOVATIONS IN PAYMENT

**T**he UK is in the midst of a mobile payments revolution. In August, Samsung announced it had chosen the UK as the first European country to gain access to Samsung Pay, a system that will allow people to use their mobile phones to pay for products. This followed Google unveiling its contactless payment system, Android Pay, in May and the launch of Apple Pay in July.

With mobile devices increasingly positioned at the centre of people's connected worlds, and the growing availability of near field communication (NFC) contactless payment systems and cloud technologies, businesses are being urged to ensure they are prepared for mobile payments becoming the norm.

### CONSUMER ATTITUDES TOWARDS CONTACTLESS

Contactless payment is growing in popularity among consumers; 33.3% of those UK consumers interviewed for the report have used contactless payment technology in the past three months. Delve a little deeper, and 86% of those who have used contactless payments in the past three months have done so via contactless cards (see chart 3.1). The newer concept of mobile payments technology is also increasing in popularity, with more than a quarter (27.4%) of consumers in the UK saying they use it.

When asked which in-store technology they find most valuable, more than a quarter

(28.8%) of UK respondents choose tills that accept contactless payments and cards. More consumers in Germany (44.8%) and the Netherlands (37.5%) choose this option, making it the second most valued technology across the UK, Germany and the Netherlands, with only free wi-fi proving more popular.

Also on the rise is the use of mobile purchasing apps, such as the Starbucks payment app; 23.2% of consumers say they use mobile purchasing apps a few times a month or more.

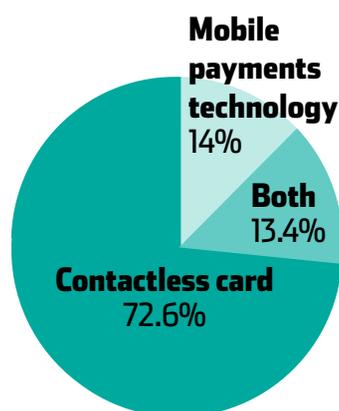
In the Netherlands, contactless and mobile payment methods are showing signs of becoming more widespread; 80% of the Worldline brand payment terminals in the Netherlands are capable of accepting contactless payments<sup>1</sup>.

In April, supermarket chain Jumbo claimed to be the first company to offer contactless ATMs across all of its stores in the Netherlands. For withdrawals up to €25, consumers do not need to enter their PIN and can use a contactless card instead, helping improve convenience and cut queues.

### A CASHLESS FUTURE?

Although UK consumers are embracing contactless and mobile payments, they still have reservations about the potential for a completely cashless future. The most pertinent concerns for consumers are around fraud and security; when asked what they would be concerned about if mobile payments replaced cash in the future, 74.8% say fraud and 72.6% say security (see chart 3.2). Sharing too much personal data is a concern for 59.6%, while

**3.1 If you used contactless payment technology in the past three months, what did you use?**





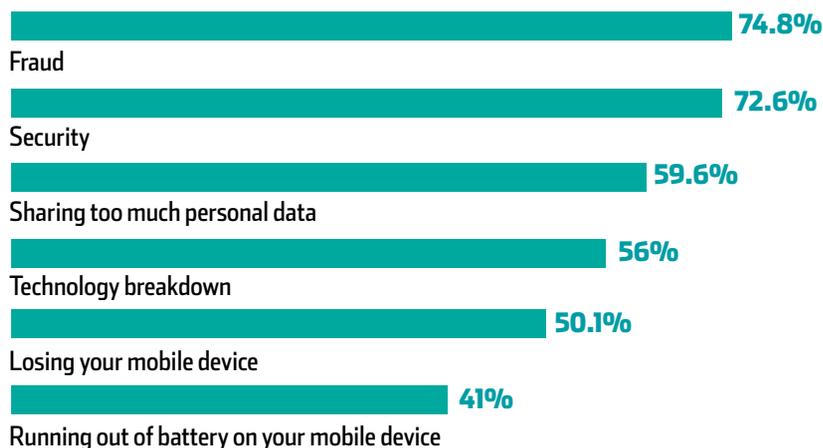
potential technological problems worries 56%, and losing their mobile device is selected by 50.1% of consumers as a concern.

German willingness to try alternative payment methods is of particular interest in light of the country's notoriety for its different payment culture where cash – considered safer – is far more popular for purchases than credit cards. A study by ECC Cologne<sup>2</sup> found that invoice, direct debit, GiroPay, PayPal, RatePay and cash on delivery were popular payment options, with direct

debit and invoice accounting for more than 62% of German ecommerce transactions. The same survey found that 79% of German online shoppers vote invoicing as the most preferred payment option, a method that allows them to pay once the product is delivered within a set period of time, commonly 15 days.

However, 40% of the top 100 online stores in Germany do not offer an invoice payment option<sup>3</sup>. Default risk and higher admin fees are said to be the reason retailers are not as keen to comply with an invoicing payment option.

### 3.2 If mobile payments completely replaced cash in the future, is there anything you would be concerned about?



#### COMMENT OSBORNE CLARKE'S KATE JOHNSON

Smartphones will become the primary wallet, although not a replacement wallet, given consumer reticence to relinquish cash entirely. There are still trust and security issues around mobile payments. One hypothesis is that when it comes to payment security it is banks that are the trusted names and, in the UK at least, we are yet to see banks moving beyond the introduction of contactless plastic cards to offer a full mobile contactless solution.

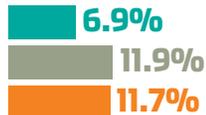
<sup>2</sup> Payment in E-Commerce – Internet Payments from the Perspective of Retailers and Consumers (a study by ECC Cologne) 2014  
<sup>3</sup> Retailing in Germany, Retail Week Report 2014

### 3.3 What is most important to you when making an online payment?

#### Security



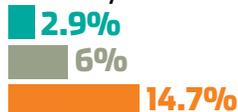
#### Convenience



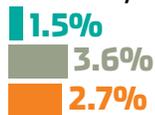
#### Speed



#### Reliability



#### Availability of different payment methods



### DEFEND AND PROTECT

To find out about people's priorities when making an online payment, respondents were asked to rank five options, which comprised security, convenience, speed, reliability and availability of different payment methods, in the order of what is most important to them (see chart 3.3). The vast majority of respondents rank security as their most important factor out of the five options across the UK (84.7%), Germany (75.5%) and the Netherlands (68.9%).

Convenience comes in second, and is valued by more consumers in Germany (11.9%) and the Netherlands (11.7%) than the UK (6.9%).

Perhaps surprisingly, only 2.9% of UK consumers say reliability is most important to them when making an online payment, although 47.3% choose it as their second choice, again illustrating the dominance of security as the primary concern of consumers.

Reliability is more important to consumers in the Netherlands, with 14.7% saying this was



most important to them, and 54.4% picking it as their second option. Only 6% of German consumers rank reliability as most important when making an online payment, with 46.4% ranking it second.

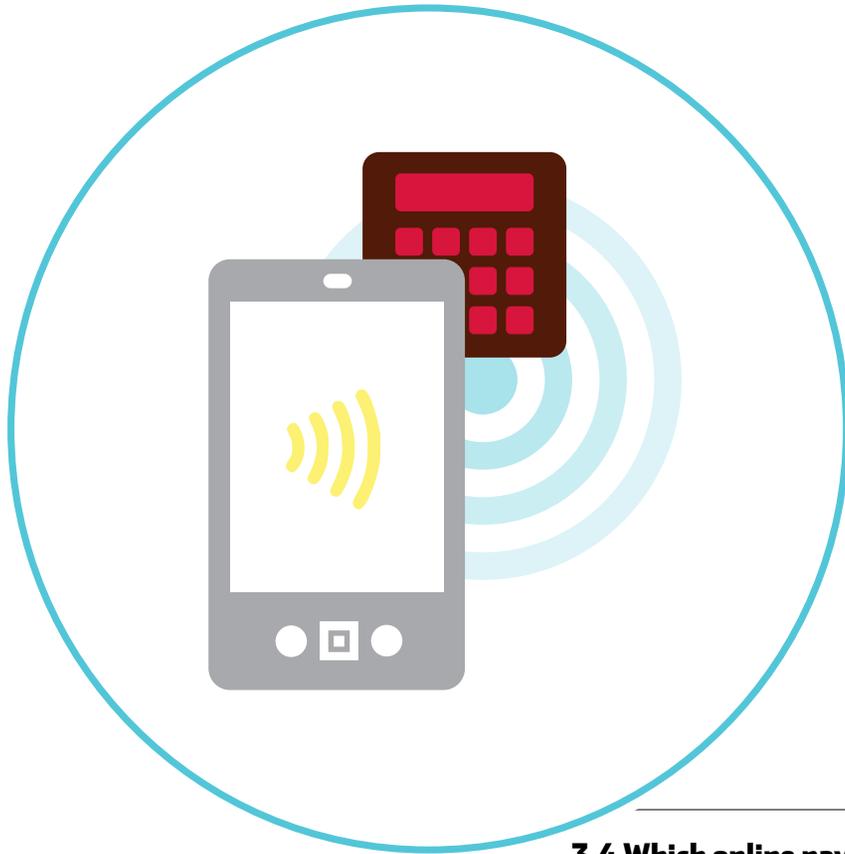
Speed is marginally more important to UK consumers when it comes to payments, with 4.1% saying this is most important to them when making an online payment, compared with 2.8% in Germany and 2.4% in the Netherlands. Availability of different payment methods is the least important to consumers across the board.

Indeed, so important is security and concerns around data sharing that 30% of UK respondents say security concerns have caused them to abort an online purchase in the past six



### COMMENT OSBORNE CLARKE'S MATTHIAS TERLAU

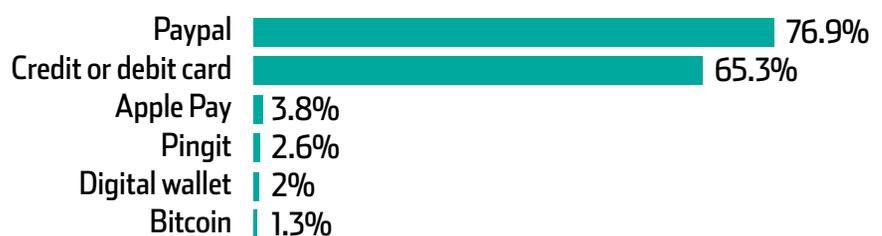
Concerns around security apply across all age groups surveyed in the UK, Germany and the Netherlands. However, market experience in online payments shows that convenience is also a crucial factor. I am sure that it is one of the great challenges of the industry to combine security and convenience in order to persuade consumers to wholeheartedly embrace mobile and online payments.



**COMMENT**  
**OSBORNE CLARKE'S**  
**COEN BARNEVELD**  
**BINKHUYSEN**

The Dutch payments landscape is rapidly changing. Contactless and mobile payments have already become part of most people's daily lives. These innovations appear to be the start of a new era in the payment industry, which is the latest industry to be disrupted by modern technology. An example being a Dutch IT company that successfully applied for a banking licence in the Netherlands with the intention to disrupt the payments industry. Their customers are encouraged to pay electronically by phone, while payments are verified by the use of fingerprints, selfies and NFC.

**3.4 Which online payment options do you regularly use?**



months, while 23.7% say a request for too much personal information was enough to make them abandon their online shopping cart.

PayPal is selected by a significant majority of UK respondents (76.9%) when asked which online payment option they regularly use (see chart 3.4), even above credit or debit cards (65.3%). Consumer confidence in PayPal may be explained by its solid buyer protection policy and promises not to share financial information.

Technology companies are already endeavouring to protect users of 'wave and pay' systems. For instance, Apple Pay requires fingerprint authentication and when a card is added to Android Pay, the system creates a virtual account number used to process

any payments so the actual card number is never shared with the store during the transaction.

Contactless payment systems are much more advanced in other international markets, such as Hong Kong, where the Octopus payments card has developed into a system that can be used to pay for services throughout Hong Kong.

The system is a contactless smart card that was first introduced in 1997 as a way for commuters to pay for public transport. The card can now be used at 15,000 retail outlets, conference centres, cinemas, sports stadiums, financial institutions and many other points where payment is necessary. It can also be used to pay bills, make purchases from vending

machines, hire lockers, book sports facilities and even to access more than 220 residential and commercial buildings in Hong Kong.

According to the company's corporate profile, more than 99% of Hong Kong residents between 15 and 64 have an Octopus card, while there are more than 28 million cards and products actively in circulation that facilitate around 13 million transactions a day, valued at more than HK\$150m.

The Hong Kong example shows it can be done but concerns around security still apply across all age groups surveyed in the UK, Germany and the Netherlands. Businesses need to work hard to ensure their priority is meeting their customers' payment preferences while putting security first.

# CHAPTER FOUR DATA AND PRIVACY



**COMMENT**  
**OSBORNE CLARKE'S**  
**EMILY JONES**

All businesses need to assess the way they collect, process and use customer data. This means that businesses should consider the following action.

- Assess all data-processing activities – consider what data is being collected, how data is being used and whether that use is fair and can be justified.
- Align privacy policies and statements – do they accurately reflect reality and are they clear to consumers?
- Look at the data-capture processes objectively – when and how is information about privacy given to customers? How much control do they have over how their data is used? How easy is it for consumers to find simple and straightforward information about data-processing activities?
- Review supply chain contracts – make sure suppliers have to comply with good data handling practices so they do not cause compliance headaches.
- Train staff to treat personal data properly – make sure everyone takes responsibility.
- Have a tried and tested plan to deal with data security breaches – put measures in place to deal with any security issues quickly and efficiently.

**C**onnected consumers understand that there is a trade-off for living a convenient, connected lifestyle, and often that trade-off is the exchange of personal data.

But that doesn't mean consumers aren't cautious about how and where they share that data, and what they get in return.

**DATA DILIGENCE**

While consumers may be confident using a variety of digital devices for most aspects of their lives, they are not yet entirely comfortable with handing over huge amounts of information, particularly if they feel a company does not have robust enough policies in place to protect consumer data.

Interestingly, the attitudes towards sharing data when making a purchase vary across Germany, the Netherlands and the UK (see chart 4.1). While UK consumers seem reticent about sharing their data, 26.4% say they are comfortable sharing their personal data when making a purchase and 21.3% say they are not comfortable, those in the Netherlands are much happier to share data when making a purchase; 37% say they are comfortable doing this and only 17.6% say they are not.

German consumers sit in between the two, with 29.3% saying they are comfortable sharing their data, although 30.7% say they

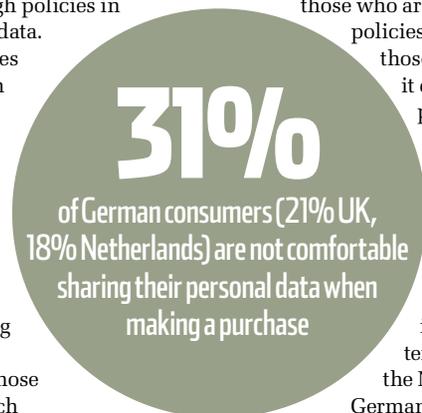
are not comfortable – the highest figure of all three jurisdictions.

Some consumers will share their data under certain conditions. More than half of the UK consumers asked (52.3%) say their confidence in sharing personal data when making a purchase depends on the retailer's privacy policy. Of those who say it depends on the privacy policy, 47.3% say they have decided not to continue using a site after reading its privacy policy.

Fewer consumers in Germany and the Netherlands are swayed by privacy policies when deciding whether to part with their data; 32.3% of German and 33.3% of Dutch consumers say this affects their decision. But

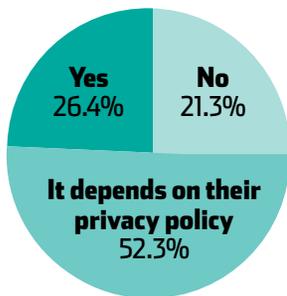
those who are influenced by privacy policies are easily turned off; of those Dutch consumers who say it depends on their privacy policy, 55.1% say they have decided not to continue using a site after reading its privacy policy, while the figure is 54.9% in Germany.

A small number of consumers are also interested in a company's terms of service; 12.1% in the Netherlands and 7.7% in Germany say this is something they consider before sharing personal data, and of those who do check terms of service a majority both in Germany (56.4%) and the Netherlands (64%) then decided not to continue using that site. UK consumers were not asked about terms of service.

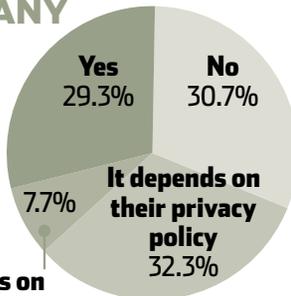


#### 4.1 Are you comfortable sharing your personal data when making a purchase?

##### UK

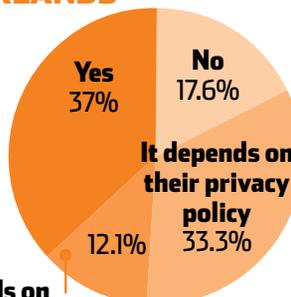


##### GERMANY



It depends on their terms of service

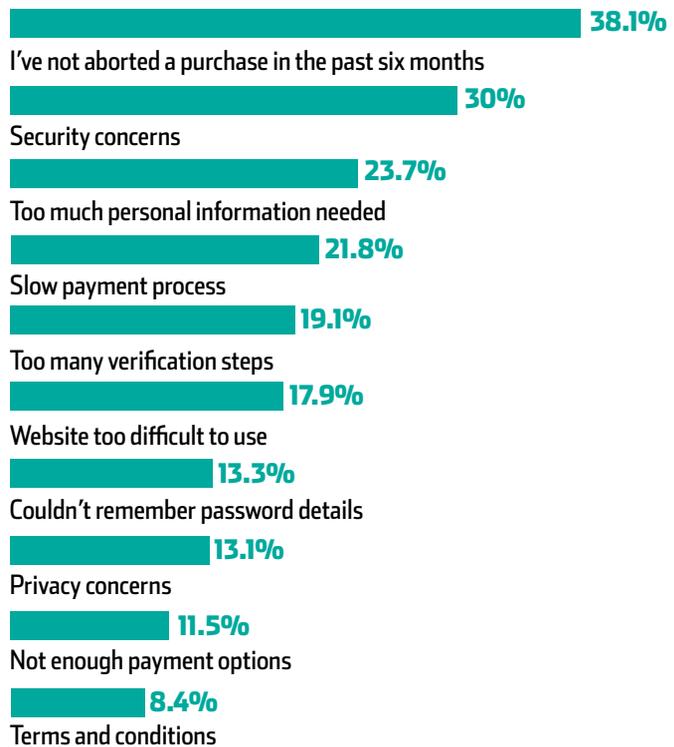
##### NETHERLANDS



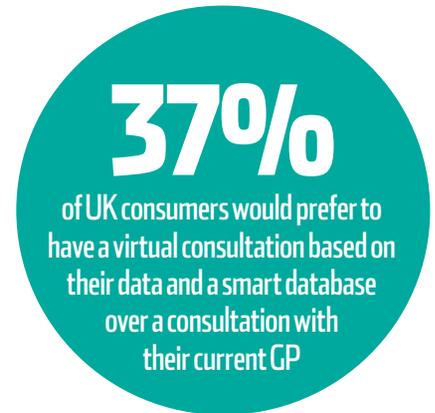
It depends on their terms of service

UK consumers were not asked about terms of service.

#### 4.3 What has caused you to abort an online purchase in the past six months?



#### 4.4 What do you expect in exchange from a retailer for sharing your personal data?



Concerns over security (30%) and websites asking for too much personal information (23.7%) are the most common reasons UK consumers have aborted an online purchase in the past six months, showing consumers vote with their wallets when it comes to privacy and security concerns (see chart 4.3). The reasons consumers abort online

**COMMENT**  
**OSBORNE CLARKE'S**  
**DR TIM REINHARD**

Health related personal data is always particularly sensitive. One of the biggest challenges for everyone in the field of digital health will be to make sure that data is only available to those who really require it and only to those persons disclosure to whom the customer has consented.

Anyone failing to protect such data will risk a loss of trust from which it may be hard to recover – especially in Europe's more sensitive environment. Recent scandals, such as the Anthem case in the US in early 2015, where the health insurance data of more than 70 million people was leaked, show the impact that the loss of trust can have on a business. Our challenge as advisors is to ensure that the right measures are taken to safeguard data privacy without limiting the incredible opportunities presented by digital health.

## HEALTH DATA

The increasing popularity of wearables also provokes questions around how data from these devices is collected and used. Of those people in the UK who use either a fitness tracker (12.3%) or health tracker (5%), more than half of them (55.5%) say they are aware of how data collected from these devices will be used and shared, 36.9% say they are not aware but use one anyway, and 7.6% say they do not mind how their information will be used.

The results of the survey suggest consumers are starting to appreciate the potential future benefits



of sharing and analysing the data collected from their fitness and health trackers. Of those in the UK that indicated they would be willing to wear a fitness or health tracker (38.6%), more than half would like to be contacted about an impending health issue or medical recommendations for an impending health issue based on the data shared through the device. And more than a third (36.8%) of UK consumers say they would prefer to have a virtual consultation based on their data and a smart database, over a consultation with their current GP.

purchases is explored further in chapter three: innovations in payments.

The results indicate that a transparent, honest and fair privacy policy is enough to make consumers feel more secure.

While customers are generally reacting positively to the ways their data is being used, particularly when it comes to helping ensure

value for money and attractive personalised offers, 35.2% of UK consumers say under no circumstances would they be happy if their online shopping behaviours were used to create an individual profile about their shopping habits. The number rises to 39.7% among consumers in the Netherlands, but is just 26.8% for German consumers (see chart 4.5).

## DATA EXCHANGE

When asked about the services they expect in exchange for handing over their personal data, consumers in Germany and the Netherlands show a greater reluctance to share any data at all; 16.8% of Dutch consumers and 14.3% of German consumers say they don't share data, compared with just 7.2% in the UK (see chart 4.4).

Nearly a fifth (18%) of consumers in the Netherlands and 15.8% in Germany have actively stopped using retailers that use personal data to send personalised offers, this is in contrast to just 6.4% of UK consumers.

### 4.5 Would you be happy if your online shopping behaviours were used to create an individual profile about your shopping habits?

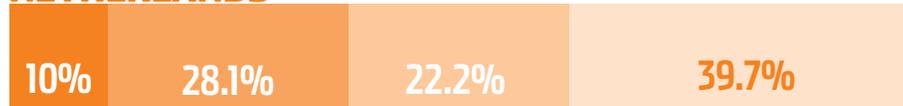
#### UK



#### GERMANY



#### NETHERLANDS



**Yes** - I don't mind how my online shopping behaviours are tracked and used

**Yes** - but only if it meant I would get better discounts and special offers

**Yes** - but only if I knew who would be using the profile and had been told in advance

**No** - not under any circumstances



### COMMENT OSBORNE CLARKE'S JON FELL

The National Health Service in the UK is under considerable cost pressure. It needs to find more efficient ways of treating patients to be able to meet the demands placed upon it by a growing and aging population. The use of connected technology and data analytics will facilitate more efficient monitoring and treatment.

The technology is ready to use, it just needs to be adopted. As consumers are already used to the concept of sharing their data via wearable technology, the biggest challenges will be to gain the trust and consent of all patients for the data to be collected, analysed and shared within healthcare and to work out who is responsible if anything goes wrong.

The results suggest UK consumers are more comfortable sharing their data in return for services or offers, but that companies in Germany and the Netherlands still have some way to go to convince customers to part with personal data.

Of those who are happy to hand over their data, the most popular service they expect in return is personalised offers based on their search or purchase history – UK consumers are more comfortable with this as 52.3% say this is something they value, compared with 43% in Germany and 37.9% in the Netherlands.

## ONLINE BEHAVIOURAL ADVERTISING

Online behavioural advertising (OBA) is now an established part of the online browsing experience. This uses cookies that are dropped onto the devices of those visiting certain sites. These cookies are then used to record the browsing history of the device, and send targeted advertising to that device, usually in the form of banner ads.

The law requires that, with very few exceptions, cookies can only be deployed if full disclosure is given about their purpose and the user gives their prior consent.

In the UK, these regulations led to a twin track regime; one legal, the other self-regulatory. The norm has become implied consent, which involves notifying consumers when they land on a site that uses cookies and making it clear that by continuing to use the site, the user is consenting to their use.

The self-regulatory scheme applies to third-party OBA, is operated by the Advertising Standards Authority (ASA) and is based on the 'advertising option icon' (pictured).



This lower level of enthusiasm for personalisation in Germany and the Netherlands compared with the UK is evident in many of these responses; 39.2% of UK consumers say they appreciate personalised pricing based on their search and purchase history, but only 27% of consumers in Germany appreciate this, and just 21% in the Netherlands.

The lack of perceived value of these services from German and Dutch consumers goes online too; personalised marketing emails are valued by 18.5% in the Netherlands and 15.8% in Germany, compared with 26.6% in the UK. And personalised ads online are only popular with 11.1% of Dutch consumers and 14.7% of Germans, whereas in the UK this number rises to 20.2%.

Customer service is believed by some consumers to benefit from clever data capture; 27.4% of UK consumers would welcome staff making product recommendations based on their search and purchase history, compared with 19.9% in Germany. But this is particularly unwelcome in the Netherlands, where just 12% of consumers would value this in exchange for sharing their personal data.

There is clearly a divide between these three countries when it comes to both sharing data and the perceived value in the services that are on offer in return.

But the three jurisdictions are in broad agreement about one thing, there is a point where over familiarity is deemed too invasive; only 15% of Dutch customers, 12.3% in the UK and just 9.6% in Germany say they would welcome staff greeting them by name when they shop in store. This suggests consumers across the board still need some convincing about the merits of certain aspects of personalisation.

## TARGETED BANNER ADS ONLINE

Website operators are required to process personal data fairly and lawfully, and although the Data Protection Act does not define fair processing it does say that, unless a relevant exemption applies, personal data will be



### COMMENT OSBORNE CLARKE'S STEPHEN GROOM

So, what should advertisers and website publishers who are increasingly reliant on OBA do?

One reaction to consumers' lack of recognition and understanding of the purpose of the advertising options icon might be to consider moving beyond the minimum needed for compliance ('implied consent' for use of cookies and ensuring third-party OBA networks use the icon and the OBA control mechanism that sits behind it) and aim for a higher level of transparency, consent and choice.

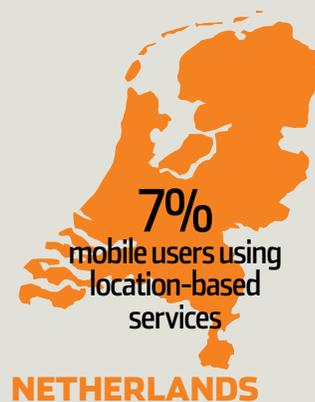
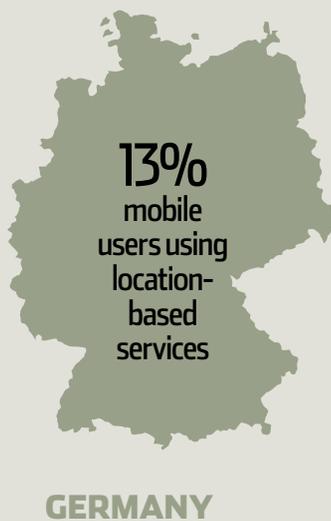
At present, however, this course of action is unlikely to appeal unless more major stakeholders set an example, in the way that Google has done in its move to require all websites using Google advertising services to collect affirmative consent for cookies. It may become essential, however, when EU data-protection reforms arrive and Europe's online marketers could face strict consent requirements for 'profiling'.

processed fairly only if certain information is given to the individual or individuals concerned.

But consumer awareness of the measures that have been put in place to allow them to find out more information, or opt out of targeted advertising based on the browsing history of their device, is lacking.

The advertising options icon is supposed to appear whenever ads are served on a device as a result of tracking using cookies or other similar devices, to offer consumers information and the option to opt out (see box). When people were asked whether they recognise what the icon represents, there is no widespread recognition. Indeed, just 27% say they know the purpose of the icon, compared with 73% who do not. Delve a little deeper and misconceptions about what

## BEACONS IN THE NETHERLANDS AND GERMANY



**TREND** In the Netherlands and Germany, beacon technology is changing how consumers interact with their surroundings, as well as retailers and brands when out and about.

**EXAMPLE** The use of location services on mobile devices is relatively low in the UK, Germany and the Netherlands, according to recent research<sup>1</sup>. Germany has a higher percentage of mobile users using location-based services (13%) than the UK (9%) and the Netherlands (7%). When it comes to smartphone users searching for local information via their phones the three countries are very similar with Germany at 88%, compared with 87% in the UK and 81% in the Netherlands.

Demonstrating an appetite for beacon technologies in the Netherlands, the village of Grou claims to be the most connected village in the country, thanks to beacon technology<sup>2</sup>. The Lightcurb app is being used to deliver personalised content to people during their visit to Grou. Visitors receive messages from the stores they pass via their Bluetooth connection. More than a hundred beacons have been installed in the village at participating stores so when people visit Grou they can download the Grou app and receive tailored content about everything from new in-store promotions and upcoming events to exclusive offers only available for visitors to the village on that day.

In Germany too, beacon technology is becoming more established among the public. Mobile phone company O2 has created a campaign called 'Watch Out!' that aims to help young people look up from their phones before crossing the road, helping improve road safety. Using beacon technology, the device sends a warning to phone users approaching the crossing, telling them to 'Watch Out!'.

the icon means become all too apparent.

Of the 27.1% who say they know the purpose of the icon, 41.8% correctly say the purpose of the icon is to inform them about the use of behavioural advertising and provide them with an opt-out; 36.8% believe the icon is intended to indicate that the site complies with UK advertising standards; 5.7% say the purpose is to launch the BBC iPlayer; and 15.7% say the icon indicates a secure mobile payment system. The results show the ASA still

has some way to go to achieve healthy levels of public recognition for the icon. Although one of the reasons for the lack of awareness of the icon may well be that it is not currently available on mobiles in the UK, the results indicate a disconnect between consumers' concerns about the tracking of their online browsing and their awareness of the steps that have been taken to address those concerns.

As well as changing consumer attitudes, the regulatory landscape is also set to

change in the next few years with the new EU General Data Protection Regulation currently in its final phase of negotiation at European level. The new Regulation will harmonise laws across Europe.

The results demonstrate that the business benefit of taking time to convey to customers in simple terms how data is being used and shared is a compelling reason to invest time and resources in taking data-privacy issues seriously.

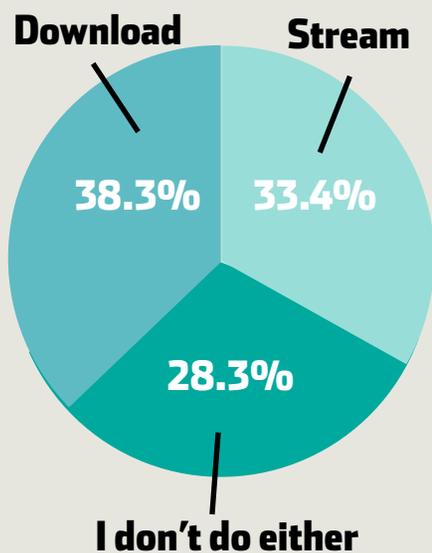
<sup>1</sup> We Are Social European Digital Landscape 2014

<sup>2</sup> Mintel research compiled for Retail Week in 2015

**CHAPTER FIVE**  
**DIGITAL MEDIA**



**5.1 Do you prefer to stream or download online content?**



**C**ross-channel content consumption is now the norm, while streaming services are growing in popularity for consumers who value the choice and flexibility they offer.

But this move in digital media consumption is not without its challenges. Transferring digital libraries across devices is often not straightforward. Depending on the nature of the service a consumer has been using, sometimes it is not an option at all. In some cases, when a consumer leaves one service and joins another, they will lose all their playlists and content.

In exchange for the availability of a huge range of digital media at the touch of a button, consumers often don't actually own the digital content they either stream or download. Instead they get a licence to use the content. Consumer

preferences towards and their understanding of the issues around digital media are changing as this area evolves.

The majority of UK consumers consider the ability to consume the same content online across multiple devices as important. Content access across devices is quite important to 40.4% of people, while for 26.9% it is very important. For 27% of people, this is not at all important, and 5.7% don't consume content online (see chart 5.2).

**STREAM OR DOWNLOAD?**

The way people expect to consume content is changing too, thanks to cloud technologies and multiple connected devices. Downloading

## 5.2 When consuming content online, how important is it that you can access the same content across multiple devices?



online content is still slightly more popular among UK consumers at 38.3% than streaming at 33.4% (see chart 5.1). But 15% of consumers left a downloading service in favour of a streaming service in the past year, and the growing popularity of streaming content is evidenced by the growth in services such as Spotify (see box).

This trend in the uptake of streaming services is happening globally in the music industry<sup>1</sup>. In the Netherlands, the majority of digital music revenues are now driven by subscription services.

For those UK consumers who have left downloading in favour of streaming in the past year, a 61.5% majority say the reason is more choice and variety through a streaming service. The second most popular reason (38.2%) is that streaming does not clog up mobile device memory, while concerns about not being able to transfer digital libraries account for 34.7%.

### OWNERSHIP ISSUES

Aside from increased choice and freeing up more memory on a mobile device, the fact that consumers don't own the digital content they download might be another reason for the increasing popularity of streaming services. When asked if they are put off buying digital content because they get a licence to use it rather than a product they physically own, 18.5% say yes it does put them off, and 20.2% say it puts them off somewhat. For 30.4% this doesn't matter at all to them, but a further 31.1% were not aware this was the case, suggesting consumers don't always understand the nuances of dealing with digital content and that they don't read the terms and conditions.

When it comes to dealing with problems that may arise when purchasing digital content, UK consumers are confident asking for a refund; 47.3% say this is the course of action they would take if they downloaded a faulty digital music file that had cost 99p.

## THE RISE OF STREAMING

Revenues from music downloads in the UK fell for the first time in 2014 since downloading became mainstream in 2004 when Apple launched its iTunes store in the UK. Revenues from music downloads in 2014 declined 15% year on year, three times faster than sales of physical formats<sup>2</sup>.

In contrast, music streaming service Spotify doubled the number of paying subscribers it has between May 2014 and May 2015 from 10 million to more than 20 million. The company, which was founded in 2008, also has 75 million active users and operates in 58 markets around the world.

In a bid to compete with Spotify and also appeal to consumers who have built a large digital library in iTunes, Apple launched its own streaming service at the end of June 2015. It's too early to tell if consumers will choose Apple over other services such as Spotify, but one thing is clear; streaming is a key battleground for the future of the connected consumer.



### COMMENT OSBORNE CLARKE'S JOHN DAVIDSON-KELLY

The new UK consumer legislation means that it will become easier than ever for consumers to obtain refunds from the providers of digital content where the content does not conform to the statutory quality rights. Examples of situations where refunds may be available include: if a single film failed to stream satisfactorily, as part of a monthly subscription, the appropriate amount of the refund may reflect the portion of the monthly subscription that could be ascribed to that film; and where a consumer purchases access to 'streamed music' and the trader loses the right to supply music from a particular record label, the consumer would be entitled to a refund proportionate to the amount of music that record label made up of the whole volume of streamed music originally provided.

Traders need to take action to ensure that, among other things:

- their consumer-facing terms are updated to conform to the new legislation;
- they take care with their product description and, for example, make it clear that 'content may change from time to time';
- they ensure that their staff don't inadvertently imply terms into contracts and that their processes and procedures comply with the new consumer remedies.

<sup>1</sup>IFPI Digital Music Report 2015

<sup>2</sup>Entertainment Retailers Association 2015

By contrast, 5.6% would take no action, while 6.6% would re-purchase without complaining, 5.6% would purchase from another site instead and 2.1% would buy it in physical format instead. A further 33% say they don't download digital music files at all.

The growth of streaming services has several knock-on effects for content providers, telecoms companies and consumers. As these services often have low price points, consumers can take more than one subscription service at any one time, creating the potential for services to co-exist and compete to offer something different.

Telecoms companies are able to sell larger data packages to consumers to allow unlimited streaming of content, or bundle streaming services in with handset or airtime deals. Streaming services can also co-exist with pay TV services in a move that is mutually beneficial for consumers; services such as Netflix are available on platforms including BT, TalkTalk and Virgin Media.

With a huge 94.3% of people in the UK consuming some form of content online, the area is only set to grow in significance in coming years.

### GAMING

One of the fastest-growing sectors of digital content is games. Gaming applications are also an important revenue driver in the mobile world. Even though many games can be played for free, revenue from the sale of optional premium features or in-game currency is increasing. And games are ubiquitous, with consumers playing them not only on PCs/laptops (33.1%) and game consoles (91.3%), but also on smartphones (35.2%), tablets (41.7%) and even smartwatches or smart jewellery (22.7%).

With consumers so used to playing on their devices, the application of game-like mechanics to other types of applications, gamification, combined with location-based and augmented-reality features, mobile games and applications open up new and interactive ways of engaging consumers with brands and businesses.

However, marketers need to be aware of licensing and privacy issues if they want their customers to unlock virtual secrets and earn high scores when they visit stores.

Interestingly, only 91.3% of consumers say they use their game consoles for gaming; a small number of people use dedicated gaming devices for non-gaming purposes. These range from consuming other digital content (14.4%) and using social media (8.1%) to banking and payment applications and even dating for 1.7% of console owners. For hardware manufacturers, such diverse use of their products perhaps shows the beginnings of the wider opportunities for sales and marketing co-operation to which dedicated game consoles can be applied.



#### COMMENT **OSBORNE CLARKE'S KONSTANTIN EWALD**

Points to consider when distributing digital content for mobile devices:

- Your privacy policy needs to be specific for mobile and address topics such as phone numbers and location data.
- Consumers across Europe have withdrawal rights when they purchase digital content – limiting them requires careful legal design.
- Check your regulatory compliance: advertising standards and restrictions apply, and in some jurisdictions, such as Germany, youth protection is also a big deal.
- If you're turning your business website into an app, check that all your content licences allow you to do so.



#### COMMENT **OSBORNE CLARKE'S PAUL GARDNER**

The relatively high percentage of consumers who use their smartwatches or smart jewellery for gaming (22.7%) illustrates that a high proportion of early adopters are also gamers, a fact that has in the past been used to drive the installed base of various hardware devices. However, the small percentage of UK consumers who use their games consoles for something other than gaming shows that console manufacturers still have a lot of work to do if they are to turn games consoles into home entertainment / communications hubs.

## CHAPTER SIX

# THE FUTURE

**A**rmed with multiple devices, consumers can be more promiscuous than ever before, able to compare prices at the touch of a button and switch from one retailer to another at the swipe of a finger.

Accommodating consumer needs is vital for the success of all businesses looking to attract today's connected consumers, whether that means improving website usability, introducing apps, employing beacon technologies to send personalised offers based on location, or creating a fun, interactive in-store experience.

### WEARABLES OF THE FUTURE

Wearable devices are likely to make a significant impact on how businesses and consumers interact.

As well as providing retailers with opportunities when it comes to demonstrating products to consumers in innovative, engaging ways, the most significant impact of wearables in the near future will be around data capture and use.

When it comes to data, consumers' awareness of their rights and how their data is used is not as advanced as their grasp of the latest technologies they are using. As high-profile instances of leaked data continue to appear in the media that may change.

### INTERNET OF THINGS AND THE PROLIFERATION OF CONNECTED DEVICES

There are many predictions about the potential growth in the number of connected devices that consumers will own in the future; research

suggests it will be 25 billion by 2020<sup>1</sup>. Such numbers may seem high, but considering the current technology in this area, both large and small, the opportunity for connected devices to penetrate almost every aspect of people's lives is huge.

In January 2015, Fujitsu announced the launch of a new wearable sensor intended to improve the safety of long-distance driving, now available to buy in Japan. Initially for use in the transportation sector, the FEELYthm is a wearable sensor that detects when drivers are drowsy based on their pulse via a device attached to the earlobe. If tiredness is detected, it alerts the driver with a sound and vibration. It also notifies the vehicle fleet manager, enabling companies to monitor the conditions of their staff in real time. Some in the automotive industry are taking this a stage further and contemplating how the information from the fatigue sensor could be used to offer the driver a discount on a coffee at the next rest station.

On a much smaller scale, technology start-up WAY, from South Korea, has developed a portable device that can monitor a user's skin conditions and health, and then suggest ways to improve it.

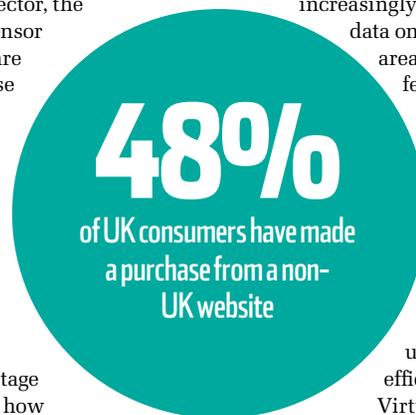
A change instigated by the Taiwanese Government is intended to drastically reduce commute times along national highways by replacing manual toll booths with electronic

gantries. These gantries collect vehicle registration data and serve bills to consumers via mobile banking platforms. The Government says it saves road users 22.5 million minutes of commute time daily, reduces fuel usage by 60 million litres and cuts carbon emissions by 138,000 tonnes.

Developments in connected technology also have the potential to revolutionise big industries such as agriculture; farmers are increasingly using drones to gather data on crops. They use it to map areas of highest yield, assess the fertility of the soil, or detect and track areas of plant disease, thus enabling them to target pesticides more effectively. This is known as precision agriculture, and related to crop management that uses GPS and big data as a way to boost food yields and use natural resources more efficiently.

Virtual and high street shopping are being combined into novel forms of retailing to create a better experience for consumers. At the Audi city showroom in London's Mayfair district, life-size computer screens let visitors experience every combination of the vast Audi range. What you see is what you get – disappointments about colour combinations are a thing of the past, as are the problems formerly associated with displaying an array of vehicle types and variants in small city showrooms.

While technology developments for the



<sup>1</sup>Gartner Inc 2014



**THE FUTURE OF CONSENT**  
**OSBORNE CLARKE'S**  
**ULRICH BAUMGARTNER**

Individual consent to data processing has been the lynchpin and last resort of data protection and privacy laws across Europe and beyond. This concept has played a key role so far, but it is no longer fit for purpose in the digital times in which we live. Not only is it often impossible to secure valid individual consent (particularly in relation to some regulators' excessive requirements regarding prior information) but also individual consent loses its function as a means of individual choice and control if today's connected consumer is asked for consent several times a day.

What could replace individual consent? Legitimate interest data processing may be a way forward, ie where the processing of consumer data is deemed to be in the interest of the consumer and individual consent is no longer required.

home look at improving convenience and giving consumers more control. Reemo is a patent-pending technology that enables users to interact with their environment via a wristband. Users can select and control everyday devices in the home with a wave or arm gesture that works by using existing motion sensors like accelerometer, gyroscope, and/or magnetometer.

By 2017, all Samsung TVs will be internet of things (IoT) devices, and in five years all



Samsung hardware will be IoT-ready, according to the company. Samsung is currently developing advanced sensors, which are precise enough to understand a person's surrounding environment and offer the right solution or service. For example, the company is developing a new three-dimensional range sensor that can detect the tiniest movements.

It is also working on chips, such as the embedded package on package (ePOP) and the Bio-Processor, that are energy-efficient and compact enough to go into a wide range of devices, especially wearables and mobile devices.

And parents can keep a closer watch on their children with the hereO tracking watch, which tells you where your kids are at all times, using GPS, wi-fi networks and cell towers to locate them.

These examples all have the ability to revolutionise the lives of consumers and increase the productivity of many industries, and, when combined, it's easy to see why analysts are excited by the potential of the connected consumer in areas including transport, healthcare, retail and entertainment.

**THE DEATH OF THE PASSWORD**

With consumers wanting ever-greater convenience coupled with the significant importance they attach to security, it's likely we'll see the rise of tech solutions that enable a single-sign-on method across a range of platforms and technologies. Apple has done this within its ecosystem by enabling Touch ID fingerprint log to be used by multiple apps, but this concept looks set to widen out across platforms.

And wearables, such as the Nymi band, may lead the way – by using algorithms to map a user's unique heart rhythms or other unique biometric info, and transmitting this to the relevant device/platform via Bluetooth or NFC, a unique 'passport' can be created that, if allowed to work across platforms, could remove the need for separate passwords. The success of these technologies will of course depend on consumers' trust, which will have to be earned, but expect to see continued innovation in this area.

**LOOKING AHEAD**

The pressure of fulfilment on companies will only intensify, particularly as consumers become more international in their outlook. The survey shows 48% of UK consumers have made a purchase from a non-UK website, and of those who made a purchase, 85.3% bought goods to be shipped or collected.

Greater consumer connectivity is also resulting in retailers competing directly with suppliers. For example, British Gas sells its connected heating product Hive active heating in Currys PC World stores, but it also sells the product direct to customers.

Price and convenience remain priorities for people both on and offline. With retail sales generated through mobile expected to increase from £9.7bn a year to £53.6bn by 2024<sup>2</sup>, companies need to adapt their businesses now to win in tomorrow's world.

While it may be hard for companies to predict what is on the horizon, one thing they can be sure of is that, while today's consumer is demanding, tomorrow's will expect even more.

<sup>2</sup> Conlumino research carried out on behalf of Barclays in 2015

## APPENDIX ONE

# DEVICE OWNERSHIP AND USAGE

### DEVICE OWNERSHIP AND USAGE

We asked our consumers to tell us which devices they own and how they use those devices.

Unsurprisingly, a high percentage (90.6%) of consumers in the UK still own laptops and PCs. Many also use compact, lighter mobile devices too. Connectivity is clearly the norm, with just 1% of respondents revealing they own none of the digital devices listed.

Smartphone ownership is highest among younger people in the UK. The 18-to-24 year olds represent the highest smartphone ownership group (91.5%) while it is lowest among the oldest age group of 55 and over (55%). In terms of tablets, age groups in the middle age ranges report the highest ownership. The biggest percentages sit with the 25-to-34 year olds (69.3%) and the 35-to-44 age group (63.5%).

### CALLS

It is not at all surprising that most UK consumers use their smartphones to make calls (91%), as it's the primary function of the device from which they were developed. This doesn't mean that making calls is the primary function of smartphones, though. The research shows that UK consumers use devices for many different and mostly data-related purposes. Laptops and tablets are both used in almost equal measure to make calls (14% and 12% respectively), which reflects the popularity in the use of VoIP or OTT applications. The percentage of consumers who own wearable devices and use them to make calls (33%) reflects the emergence of smartwatches and

other devices linked to our smartphones. As the percentage of smart devices to fitness bands increases so will the percentage of calls made using wearable devices.

### EMAIL

Our research found that 72.5% of those surveyed in the UK used their smartphones to send and receive emails, illustrating the pervasive nature of today's always on economy. As screen sizes and definition have improved, the way in which we use our mobile phones has changed. While laptops and PCs (89.6%) are still used by more people to access their email accounts, smartphones (72.5%) and tablets (67.7%) are not far behind. Even wearable technology is used by 42% of those who use it to check email.

Companies targeting consumers via marketing emails can be confident that, across devices, people are likely to be accessing their emails both at home and on the go. The significant portion of people who use their smartphones to check email indicates the usefulness of using beacons for geolocation and sending personalised offers to people's email addresses while they are in certain locations.

### SOCIAL MEDIA

While PCs and laptops are still considerably more popular for activities such as shopping and online banking than smartphones in the UK, consumers are using social media across all of their digital devices. In fact, there is little

to choose between the use of smartphones (63.9%), laptops (64.6%) and tablets (59.1%). The relatively low percentage of users accessing social media by wearable devices may have more to do with the functionality of the devices than the proclivities of the users.

Today's consumer is increasingly comfortable with a life lived online in which mobile devices allow them to capture moments as they occur and share them faster than ever before. Indeed, smartphones are number one when it comes to photos and videos. The fact that 70.5% of those UK consumers surveyed said they use their smartphone for taking photos and videos, as opposed to 45.4% using their PC/laptop and 44.9% using tablets, is indicative of the nature of the device – small, portable, always with us and with the functionality to take and disseminate photos and videos.

It is clear that some devices are better suited than others for particular types of content. It is also clear that all our devices are used to differing degrees for the same functionality.

### SHOPPING

Despite the growth in the use of smartphones and tablets over the past few years, when it comes to shopping the majority of people in the UK are still more comfortable using their PC/laptop. More than three-quarters (78.6%) say they use their PC/laptop for shopping and 68.2% use their PC/laptop for price checking and researching purchases.

Tablets are the second most popular device for shopping, with more than half of people (50.5%) saying they use them for this purpose, while 43.7% price check and research on tablets. However, smartphones are not trailing far behind, with 38.6% of people using these devices to shop and 37.1% using them to price check and research.

**92%**  
of 18-to-24 year olds in  
the UK own a smartphone

## 7.1 HOW DOES SMARTPHONE USE DIFFER IN THE UK, GERMANY AND THE NETHERLANDS?

Consumers use their smartphones for a wide range of activities, but the level of consumer uptake differs across Europe. The Netherlands leads the way in paying bills online, with 27% of consumers there saying they currently use their smartphone for this, compared with 22% in the UK and just 12% in Germany. Across the board, consumers are reluctant to use their smartphones for personal identification, while scanning QR codes and finding or redeeming coupons is quite popular across jurisdictions.

### SMARTPHONE ACTIVITIES CONDUCTED<sup>1</sup>

	UK	GERMANY	NETHERLANDS
<b>Online bill payments</b>	<b>22%</b>	<b>12%</b>	<b>27%</b>
<b>Scanning QR or barcodes</b>	<b>18%</b>	<b>25%</b>	<b>15%</b>
<b>Finding or redeeming coupons</b>	<b>22%</b>	<b>16%</b>	<b>13%</b>
<b>Theatre and event tickets</b>	<b>17%</b>	<b>7%</b>	<b>11%</b>
<b>Loyalty cards</b>	<b>16%</b>	<b>9%</b>	<b>8%</b>
<b>Boarding passes</b>	<b>13%</b>	<b>10%</b>	<b>7%</b>
<b>Payments in store at time of checkout</b>	<b>13%</b>	<b>8%</b>	<b>8%</b>
<b>Personal identification</b>	<b>8%</b>	<b>7%</b>	<b>11%</b>

## APPENDIX TWO

# ABOUT THE RESPONDENTS

### UK

A nationally, representative survey of 2,000 UK consumers were asked the same 30 questions during July and August 2015. The respondents were split as follows:

#### GENDER

- Male: 49.5%
- Female: 50.5%

#### AGE

- 18-24: 12.1%
- 25-34: 16%
- 35-44: 18.6%
- 45-54: 17.2%
- 55+: 36.1%

#### REGION

- Scotland: 8.4%
- Northern Ireland: 2.4%
- Wales: 5.7%
- Southwest: 8.6%
- West Midlands: 8.9%
- Northwest: 11.4%
- Northeast: 4.2%
- Yorkshire: 8%
- East Midlands: 7.2%
- East England: 8%
- Southeast: 14.5%
- London: 12.7%

### GERMANY

A nationally representative survey of 1,000 consumers in Germany were asked the same six questions in September 2015. The respondents were split as follows:

#### GENDER

- Male: 52.9%
- Female: 47.1%

#### AGE

- 18-24: 22.1%
- 25-34: 22.8%
- 35-44: 18.2%
- 45-54: 16.6%
- 55+: 20.3%

#### REGION

- Baden-Württemberg: 16.2%
- Bayern: 12.5%
- Berlin: 8.4%
- Brandenburg: 3.1%
- Bremen: 1.2%
- Hamburg: 4%
- Hessen: 5.6%
- Mecklenburg-Vorpommern: 1.4%
- Niedersachsen: 7.5%
- Nordrhein-Westfalen: 21.2%
- Rheinland-Pfalz: 4%
- Saarland: 1.5%
- Sachsen: 5.2%
- Sachsen-Anhalt: 2.9%
- Schleswig-Holstein: 2.6%
- Thüringen: 2.7%

### THE NETHERLANDS

A nationally representative survey of 1,000 consumers in the Netherlands were asked the same six questions in September 2015. The respondents were split as follows:

#### GENDER

- Male: 51.8%
- Female: 48.2%

#### AGE

- 18-24: 17.6%
- 25-34: 19.3%
- 35-44: 19%
- 45-54: 16.8%
- 55+: 27.3%

#### REGION

- Noord: 17.9%
- West: 35.8%
- Zuid: 26.2%
- Oost: 20.1%

### ABOUT OSBORNE CLARKE

Osborne Clarke (OC) is an international legal practice. We have 1,200 employees, including 200 expert partners and more than 500 lawyers, working in nine countries. Our offices are located in Amsterdam, Barcelona, Brescia, Bristol, Brussels, Cologne, Hamburg, Hong Kong, London, Madrid, Milan, Munich, New York, Padua, Paris, Rome, San Francisco, Silicon Valley and Thames Valley.

The business issues raised by the connected consumer are relevant across several industry sectors in which OC is an established leader, including digital business, financial services, retail, transport, life sciences and real estate.

OC is at the cutting edge of connected consumer developments, including in the areas of crowd-funding, data commercialisation, health-tech, interactive entertainment, payments and the sharing economy.

We help our clients succeed in tomorrow's world.

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They are not intended and should not be used as a substitute for taking legal advice.

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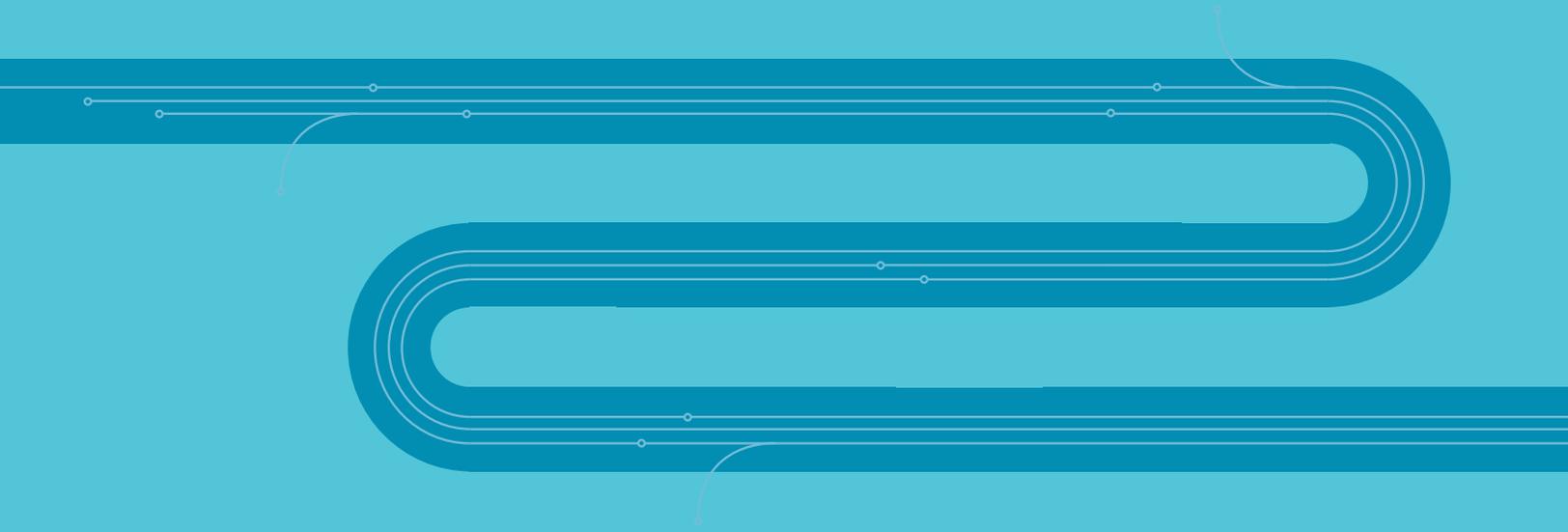
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■ To discuss the data in more detail, please contact [julie.marshall@osborneclarke.com](mailto:julie.marshall@osborneclarke.com)

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