# Do you want it right now? The exciting future of contextual commerce

E-commerce has revolutionised the retail experience by enabling individuals to purchase goods and services from the comfort of their homes with a simple click. "Contextual commerce", the next frontier for retail experience enhancement, takes the convenience and spontaneity of one-click purchasing even further by providing a platform through which to make those purchases the instant you see something you want to buy, be it a product appearing on your favourite TV show or advertised on a billboard as you're walking around town, or perhaps even a piece of clothing being worn by someone you pass on the street. Contextual commerce is the concept behind the buy buttons that we have started to see on social platforms such as Instagram, Pinterest and Facebook.

Whereas e-commerce requires an individual to visit the website or web application of a retailer in order to make a purchase, contextual commerce seeks to leverage the "right here, right now" mentality. Contextual commerce capitalises on the purchasing "pull" of the "consumer moment" – the moment when a consumer sees something and thinks "I want that" – by using technology to integrate purchasing opportunities seamlessly into the consumer's everyday activities and surroundings.

Contextual commerce, as a fully-fledged scalable retail channel, is still in its infancy; however, there are a variety of technologies at various stages of development which, it is hoped, will enable contextual commerce to become the dominant platform for retail in the near future. These technologies take a variety of different forms, and include:

a. the combination of sophisticated and well-organised consumer databases with AI systems which allow for highly-personalised real-time consumer targeting;

b. hardware and software which embed retail interfaces into the "natural environment" of the consumer; for example, shoppable content (see below) and mobile device-based retail interfaces powered by augmented reality software; and

c. technologies which can transform single-use applications into multiple-use e-commerce platforms.

## Existing applications of contextual commerce

Unsurprisingly, some of the bigger players in the digital arena have already seized on the opportunity to become frontrunners in the contextual commerce race: Google, Amazon and Facebook have all launched new retail platforms which show promising signs of what the future of contextual commerce could look like.

### Shoppable content

Shoppable content is perhaps one of the more tangible applications of contextual commerce. On one level, this concept is not new – QVC has been successfully running shopping channels since the 1980s. However, the revolutionary aspect lies in the possibility of watching your favourite TV show and, within a couple of clicks on your remote (or more likely via a voice activated command to Siri/Alexa/ Google Assistant), being able to shop your favourite character's outfit or finally get your hands on one of those Love Island water bottles. This next-level product placement technology is already being trialled by a number of players in the content and e-commerce sectors. Fox recently launched shoppable content functionality on their Fox Now app to enable users to buy items featured in the hit series New Girl. Similarly, Google have recently released a new feature enabling the integration of shoppable content into YouTube videos and advertisements.

### Amazon Dash and Alexa

Amazon has been active in the contextual commerce space for some time now, most prominently through its Dash and Alexa services. The Dash service (first launched in 2014) allowed consumers to buy Wi-Fi enabled, product-specific Dash buttons which could be attached onto any household surface, and allowed users to place instant orders for pre-selected products at the touch of a button. The Dash USP was the ability to (for example) re-order laundry detergent by pressing a button next to your washing machine and have a replacement bottle delivered to your door in a matter of hours. Dash has to a large extent been rendered obsolete by Amazon's latest contextual commerce offering, Alexa. Alexa has been a game-changer for e-commerce and offers a virtually frictionless shopping experience by allowing users to place orders on the Amazon website with a simple voice-command to an Alexa-powered device.

### Social media integration

Facebook's Messenger app provides several in-app features that allow users to transfer money to other users, interact and receive updates from retailers on the platform, and place orders for certain products and services. Given the large number of users and the significant amount of time spent by users on the Messenger platform, these in-app purchasing features make for a convenient contextual commerce experience. Whilst adoption of these features (both by retailers and consumers) has perhaps not been as rapid or widespread as some might have expected, the development of this technology, via an already popular platform, presents a variety of expansion opportunities.

Perhaps a more obvious route-to-market for this kind of technology (and one which Facebook has already started to roll out in the US) is the integration of in-app purchasing into Instagram, an offering which will likely have strong appeal for the millennial audience. Instagram presents a clear opportunity for the integration of contextual commerce, being the playground of "influencers" and a platform already used by millions to follow the latest trends in (amongst other things) fashion, homewares, travel and fitness. Current examples of contextual commerce on Instagram include the integration of a "swipe up to buy" option in Instagram stories and embedded links to items that appear in posts.
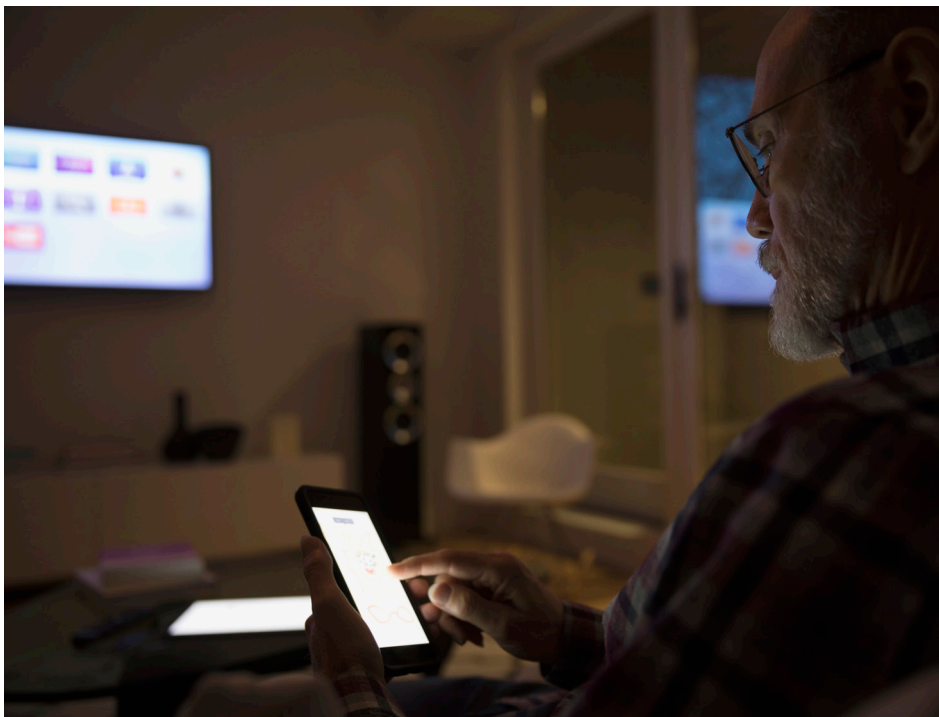
WeChat, the massive Chinese social media application, also provides a number of in-app commerce functionalities that range from making travel arrangements and ordering food, to direct B2C interaction through "micro-stores" set up by retailers within the app. These features allow users to make a variety of purchases on-the-go.

## The future of contextual commerce: key enabling technologies

As we have seen, there have already been a number of promising forays into the contextual commerce space. That said, contextual commerce remains more of a pipedream than a reality at the moment, and its success will be largely dependent on a number of other technological developments.

### Internet of things (IoT)

Contextual commerce is well poised to harness the data goldmine increasingly generated by a plethora of emerging IoT technologies and connected devices. In particular, IoT applications which can identify and/or track individuals as they move around their environment (be it at home, in the car or walking along a high street) allow for sophisticated exploitation of contextual commerce opportunities. For example, fridges that automatically order your favourite food and drinks when stocks are running low, connected vehicles which notify you of relevant loyalty-based discounts as you drive past a gas station, or smart advertising panels which not only tailor adverts on an individual basis but can instruct your smartphone to flash up a "click-to-buy" button as you walk past.

### Augmented Reality (AR)/Virtual Reality (VR)

While the concept of AR/VR shopping experiences has existed for some time (many big retailers such as eBay and Ikea have already rolled out some form of AR/VR-assisted retail solution), most would agree that the full potential of AR/VR is yet to be realised. However some exciting new developments in this area may be just around the corner.

Last year, PayPal was granted a patent in respect of a new technology which would auto-suggest items to purchase based on whatever the individual is looking at through a pair of AR-enabled glasses. This technology would, for example, allow consumers to purchase items instantly as they browse through a shop (thereby avoiding the hassle of

queuing at the till) or even as they see products advertised on a passing bus.

Walmart has also jumped on the VR bandwagon, buying VR startup Spatialand in February 2018. Spatialand, which develops VR software tools to transform existing content into immersive VR experiences, is expected to create new VR and AR applications for Walmart, both in the online and physical retail spaces. These kinds of collaborations may in the future lead to entirely VR-based shopping "outlets" which not only improve the retail experience for consumers but solve a whole host of real-world barriers to retailers (such as the cost and physical capacity of real estate).

See our Future of Retail article on Augmented Reality and Virtual Reality to read more on how these technologies are disrupting the retail sector and the associated legal issues.

### Chatbots and AI

AI-powered natural language chatbots are also expected to be a vital enabler for contextual commerce, by providing a virtual intermediary to facilitate not only the transaction itself but also pre-sales and after-sales customer care. An early example of this type of functionality was launched in 2017 by Mastercard in the form of a chatbot providing secure checkout functionality via Facebook Messenger. The degree of sophistication of most existing chatbot solutions suggests that there is still some way to go before these technologies can deliver a fluent end-to-end shopping experience from product discovery right through to purchase

and after-sales care. See our Future of Retail article on Artificial Intelligence for more examples of chatbot and AI applications in this area.

### Payment processing

Payment processors such as Braintree have developed software that allows merchants to integrate their existing e-commerce platforms with a range of major payment gateways such as PayPal, Apple Pay, Android Pay and Venmo. Whilst there may be a degree of quid pro quo attached to these tie-ups (usually in the form of commission), allowing consumers to pay for products using their existing e-wallets (thereby removing the friction created by lengthy payment information forms and redirection to partner payment sites) can have a dramatic impact on sales. For example, Skyscanner saw a 20% increase in flight conversions when it integrated its booking platform with Braintree (https://www.techworld.com/startups/skyscanner-ups-booking-conversion-by-20-following-braintree-integration-3661042/). Given the rapidly evolving nature of payment processing, these kinds of multi-platform payment solutions will be crucial in ensuring widespread adoption of contextual commerce applications going forward.

## Legal issues associated with contextual commerce

Given that contextual commerce encompasses a variety of different technologies, platforms and services, the legal considerations to be taken into account in

respect of any given solution will need to be assessed on a case-by-case basis.

We have set out below some key areas of law that are likely to be relevant when it comes to considering contextual commerce. In addition to these areas, there will also be the myriad of commercial arrangements that will need to be put in place when a contextual commerce solution is being implemented and rolled out.

## Regulatory issues

Contextual commerce providers will in many cases need to take into account the regulatory impact on their contextual commerce services.

Sector- or product-specific regulations are likely to be relevant in some cases, such as television and broadcast regulations. At EU level, these regulations place a raft of restrictions around commercialised content, so shoppable content providers will either need to structure their services to comply with these rules or lobby for deregulation in this area.

Consumer rights regulations are also likely to have a bearing on how some of the contextual commerce applications discussed in this article are presented to consumers. For example, contextual commerce providers will need to assess whether their users are being presented with sufficient information at the point of purchase (including in relation to pricing, terms of sale, delivery etc.). Earlier this year, Amazon's Dash service was held to have breached German law precisely because the requisite level of information was not available

to consumers when they purchased products using their Dash buttons.

We are also seeing increasing regulation and calls for regulation in the online world so any contextual commerce provider will need to remain abreast of these developments and ensure that any solutions remain compliant.

## Data privacy and cyber security

As is always the case with any data-driven technology, data privacy and protection should be top of the list of issues to be addressed. A lot of the technologies discussed in this article rely on a degree of personal data collection, processing and sharing, which many consumers would regard as intrusive (particularly when it comes to identification and tracking technologies). Consumer consent, combined with clear notices and policies explaining how consumer data will be used, will therefore likely become a cornerstone of contextual commerce.

In addition, given the reliance of contextual commerce on sharing of personal data between a number of different entities in the retail value chain (including retailers, advertisers and payment services providers), data controllers will need to satisfy themselves as to the adequacy of not only their own data protection compliance but also that of any third party data processing (or joint-controlling) partners.

Robust technical and organisational measures to mitigate any cyber security vulnerabilities will be of utmost importance,

taking into account the sensitivity of some categories of data (e.g. biometric data and payment data) which will likely need to be collected and stored to facilitate contextual commerce applications.

## Data commercialisation

Once data protection and cyber security issues have been addressed, it is worth considering the opportunities arising from the quantity and quality of data that contextual commerce applications (if implemented successfully) are likely to generate. These data sets will of course be of inherent value (from a contextual commerce perspective) to the retailers collecting and processing them, however they will almost certainly be of some value to third parties as well. Retailers who have invested time and effort acquiring and exploiting data for their own contextual commerce-related purposes may therefore be able to extract incremental value from such data by licensing it out to third parties for other unrelated purposes. If done properly, this kind of data commercialisation can represent a significant source of ancillary revenue. However, given the lack of any concrete legal right in data in and of itself (and the difficulty of asserting copyright, database rights or other ancillary IP rights in data), successful data commercialisation will likely depend on carefully drafted contractual protections and restrictions relating to third party use of data.

## Looking ahead

Clearly there is a difficult balance to be struck between complying with pro-consumer legislation and regulations whilst maintaining the user-friendliness and frictionless look and feel of contextual commerce services. In addition, many of the contextual commerce solutions referred to in this article remain untested (both from a commercial and a regulatory perspective), so providers will need to tread carefully in developing and rolling out the various technologies involved. That said, there appears to be consensus in the retail sector that contextual commerce has significant potential and could deliver considerable benefits for retail businesses and consumers alike.

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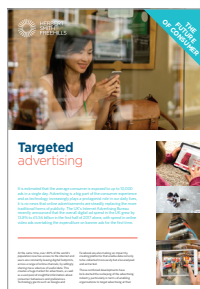
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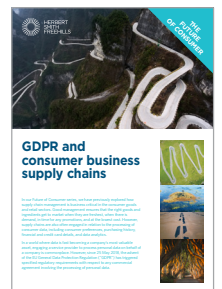
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