A global view of consumer trust

How to win the international shopper

In association with **Pinsent Masons**

RETAIL WEEK
FOREWORD

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Expanding overseas is one of the biggest decisions a retailer can make – not to mention one of the most capital intensive. Retailers are all too aware that one size does not fit all and business models and service propositions need to be adapted to fit the needs of different consumers.

But what is the most important factor to attract customers in a new territory? Sharp prices? New and exciting products? No, the number one reason consumers choose to shop with a retailer comes down to one thing – trust.

From Shanghai to Sheffield, trust is the most important factor to whether consumers embrace your brand or not.

However, trust is a vague concept and retailers need to deliver on a number of fronts to build it. What those fronts are and what weight they hold for consumers differs dramatically across the world. Not only from country to country but also from city to city.

For some shoppers, excellent service and knowledgeable staff helps build this trust. For others, stocking quality brands and having competitive prices makes all the difference.

Retail Week and Pinsent Masons have delved into what can win over shoppers across five major territories – China, the Middle East, Germany, France and the UK.

Through interviews with 5,000 consumers, we have developed a picture of what factors are crucial in each territory, which is vital insight for any retailer plotting international expansion.

Cultural, social and local nuances can have a very real impact on what shoppers expect. For example, China's problem with counterfeit goods has left its shoppers dubious and craving authenticity while the importance of approval from friends and family in the Middle East makes social media a powerful tool for both reviews and selling.

This report explores some stark and sometimes surprising distinctions across these five key expansion targets for retailers seeking to internationalise.

It also highlights what factors can dent consumer trust. Retail is increasingly data-focused: we are constantly sharing our personal details with retailers when we browse and buy.

The security of this information, particularly around payment, is a major concern for shoppers across the globe, however, it is more of an issue in some markets.

Attitudes differ considerably based on adoption rates of new technologies and the data privacy regimes in the countries where consumers are based. Read on to discover consumer preferences across these five jurisdictions, where their fears lie and expert advice on how to overcome them.

Overseas expansion is a tricky business but it can be hugely rewarding. Arm yourself with the information you need to make sure you reap the benefits.

RETAIL WEEK CONNECT: A GLOBAL VIEW OF CONSUMER TRUST

PARTNER
VIEWPOINT

TOM LEMAN
PARTNER – HEAD OF RETAIL & CONSUMER,
PINSENT MASONS

With the march of technological innovation giving rise to the ability to reach the far reaches of the globe through online retailing it would be understandable if you were to believe that providing the same brand offering around the world could lead to exponential growth.

Predicting future demand would be simplified, plotting which countries to target and how to enter the market would not take up so much of your valuable time.

If only it were that simple.

Our report, based on proprietary research in Europe, Asia Pacific and the Middle East, gets under the skin of consumer behaviour. What drives the consumer's buying decisions? What is at the top of the priority list and what is at the bottom?

Read the report and find out how that behaviour differs markedly between continents and between constituent countries. As you will see, far from a homogenised set of decision making drivers there are fascinating differences.

By highlighting the differences we have results that you can plug in to your strategic growth plans. Not only will it help inform where you should target for international growth but also how that growth should be implemented.

With the limited budgets you have to finance your business you cannot afford to make too many mistakes. Knowing your product is popular in a jurisdiction is only the start. Is it possible to give the consumer what he or she wants from the entire brand experience so that there is sustained and profitable growth? To answer that you need to know what the consumer values most.

For example, in the Middle East, our research shows that consumers are much more concerned over whether a brand is luxury over whether it offers value for money while in France consumers are much more concerned with the product choice than customer service.

If your idea is to grow in these markets, what do you need to deliver on these demands and how much will that cost? Is it feasible?

That said, while there are nuances in behaviour around the world there is one underlying message that comes through from our research. The most important factor to any brand, wherever your customer resides, is trust.

So while you concentrate on the detail of IT, distribution, customer service and payment systems you shouldn't lose sight of the main constituents of consumer trust. What engenders that trust differs slightly in each part of the world but in most cases include getting value for money, strong product choice and delivering on time.

As trusted advisers in the retail and consumer sector we have the international presence to help guide your thinking.

While law plays a part, local commercial knowledge in the countries you are targeting is even more important. Our retail team is located in our offices across Europe, Asia Pacific and the Middle East and has inputted in to the findings of our report. We hope you can use our local expertise to make your global expansion a success.

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INTERNATIONAL MARKETS SURVEYED

UK
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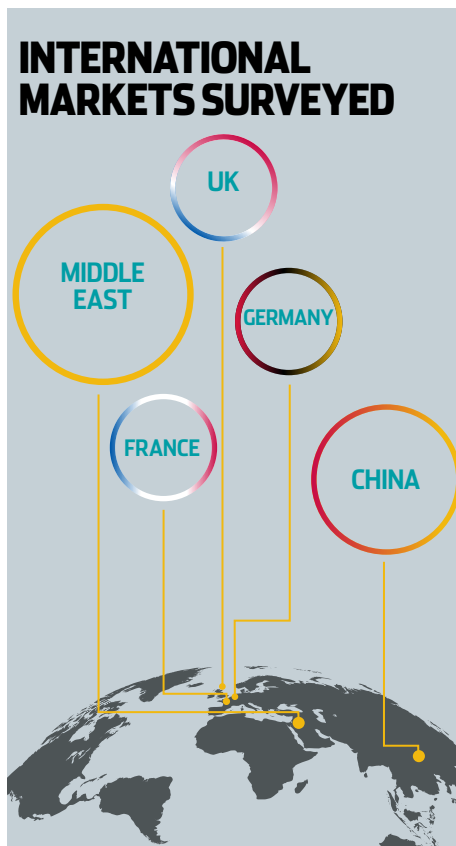
* Please note that the statistics in this report are rounded to the nearest whole number. The consumer research was carried out during September 2016

Number of consumers surveyed:
China: 1,000 (Hong Kong 500, Shanghai 500) | **Germany:** 1,000 | **France:** 1,000
Middle East: 1,000 (Abu Dhabi 250, Dubai 250, Qatar 250, Saudi Arabia 250) | **UK:** 1,000

WINNING CONSUMER TRUST

#1

Trust is the top reason to shop at a new store

BUYING ACROSS BORDERS

Qataris are the most preoccupied with **speedy delivery**

16% say slow delivery is their main barrier to spending with an overseas etailer

22%

of Germans rank free returns as top delivery priority vs **10%** in Abu Dhabi

TURN ONS AND TURN OFFS

51%

of UK shoppers rank cost as the biggest turn off to in-store shopping, compared with **18%** of Qataris

Poor service from shopfloor staff is the biggest in-store deterrent in Hong Kong, chosen by

17%

32%

of shoppers in Shanghai and Abu Dhabi are put off by wrong products and brand selections in store

34%

Brand trustworthiness is most important to Shanghai shoppers as the top reason to shop at a store

23%

Globally, **23%** rank brand trustworthiness as most important when deciding whether to shop a brand online

26% v 2%

of UK shoppers don't want a personalised experience

of Middle East shoppers don't want a personalised experience

Just **5%** of global shoppers have no concerns when entering payment card details online

Dubai's shoppers are the most in need of speed. A **third** rank it as their main delivery priority

TALKING SOCIAL AND TECH

30%

of UK shoppers rate access to a retailer's full inventory as an in-store tech priority

27% of Germans trust reviews of retail websites, making them the most sceptical

26%
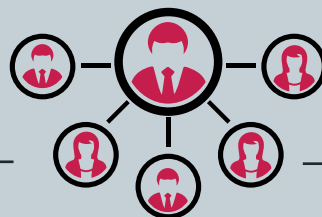
of consumers worldwide have bought products via a social networking site

Trust in celebrity endorsements

1% **France**

33% **Abu Dhabi**

■ CHAPTER ONE
TRUST AND SECURING CONSUMER SPEND

- ■ A retailer's trustworthiness is the most important factor in attracting consumers across the world to shop

- ■ Trustworthiness is most significant among Chinese people, which experts believe is a response to the counterfeit goods issue

- ■ British and German shoppers are most price sensitive and getting pricing right is critical in these markets

- ■ Shoppers in the Middle East and China have embraced mobile shopping – retailers looking to prosper in those regions must have a mobile strategy

- ■ Brand familiarity is a big driver of Middle East and Chinese shopping habits. This means customers prefer to shop online with retailers when they have already visited their stores

Retailers battling for competitive edge in today's rapidly evolving multichannel market can all too easily fixate on practical implementations and strategies. Decisions on technology, digital, data analytics and fulfilment are all necessary, but the success of these factors rely on whether consumers trust the brand and the service it offers.

23%
of global shoppers rank trust as the most important factor when deciding whether to shop a brand

MOST IMPORTANT TO

| ① China | ② UK and France | ③ Germany | ④ Middle East |

For retailers looking to internationalisation for growth, understanding how trust differs from country to country and even region to region – significantly influencing shopping habits – is imperative.

Launching overseas, through stores, online or both, is a costly affair. Due diligence must be undertaken in order to understand target consumers – not just how they shop but how they feel about it.

All too often in retail, grand debuts in international markets, complete with plans to expand and dominate, have resulted in hasty retreats a few years later.

US electricals retailer Best Buy left the UK after just a few years[1], Tesco ditched its US venture Fresh & Easy in 2013 after six unprofitable years[2], and even the world's biggest retailer Walmart beat a hasty retreat from Germany in 2006 in a move that reportedly cost it $1bn (£650m).[3]

Expanding online may have fewer set-up costs but can be just as complex, as proven by Asos' exit from its standalone Chinese operation last year.[4]

These high-profile failures highlight the importance of truly understanding customer demands in the target countries and tailoring strategy to build trust with the overseas consumer.

In research that questioned 5,000 consumers, comprising 1,000 each from the UK, France, Germany, the Middle East and China, Retail Week, in association with international law firm Pinsent Masons, has produced this report to help determine how people feel about different ways of shopping and what makes them trust a retailer.

TRUST IS PARAMOUNT
Trustworthiness is the top reason why consumers across the globe opt to shop with international retailers that launch in their country. More people (18%) ranked trustworthiness as the top reason they would shop with new brands, making it more important than value for money (17%) or product choice (12%).

It is a similar story for ecommerce launches. Almost a quarter (23%) of global consumers rank trustworthiness as the most important factor that drives them to spend with a brand online.

Tom Leman, partner and head of retail and

consumer at Pinsent Masons, says trust is all-encompassing and requires delivery across all consumer expectations: "It's about quality product, quality service and meeting consumer expectations."

There are some markets in which trustworthiness is considered more important, such as China, where 28% of shoppers rank it as their top reason to shop at a new store. This compares to 15% in Germany and 16% in the UK and France.

James Rogers, managing director of Shanghai-based retail consultancy CR Retail, says China has an ongoing problem with counterfeit goods, which has impacted consumer trust.

The number of complaints about fake or shoddy online merchandise registered with the Chinese state regulator has soared 356% since 2013.[5]

The problem goes beyond just counterfeit goods. Fake stores have opened in China for some of the world's biggest brands, including Apple.[6]

According to Pinsent Masons partner in Hong Kong, Paul Haswell: "It's not unusual for consumers, particularly when buying online, to be concerned as to whether they will receive what they ordered or a well-produced fake. Chinese and Hong Kong consumers want reassurance they are receiving a genuine brand, as having the latest designer product rather than a counterfeit is a mark of status. While Hong Kong has done much to combat fakes, China has a long way to go."

Trustworthiness is far more important in mainland China, with 34% of shoppers in Shanghai ranking it their top concern compared to 21% in Hong Kong. Leman says: "There's an opportunity for quality British brands in particular to win over the middle classes in China, where they don't trust their own."

Fraudulent goods have made Chinese consumers more cautious, which is why Rogers says they gravitate towards trusted brands. "Alibaba is doing so well because it gives consumers a direct link to real international brands," he says. "For retailers looking to expand in China, partnering with big trusted retailers such as Alibaba is a good idea."

Rogers also advises retailers to be as transparent

[1] www.retail-week.com, November 7, 2011
[2] www.retail-week.com, October 1, 2013
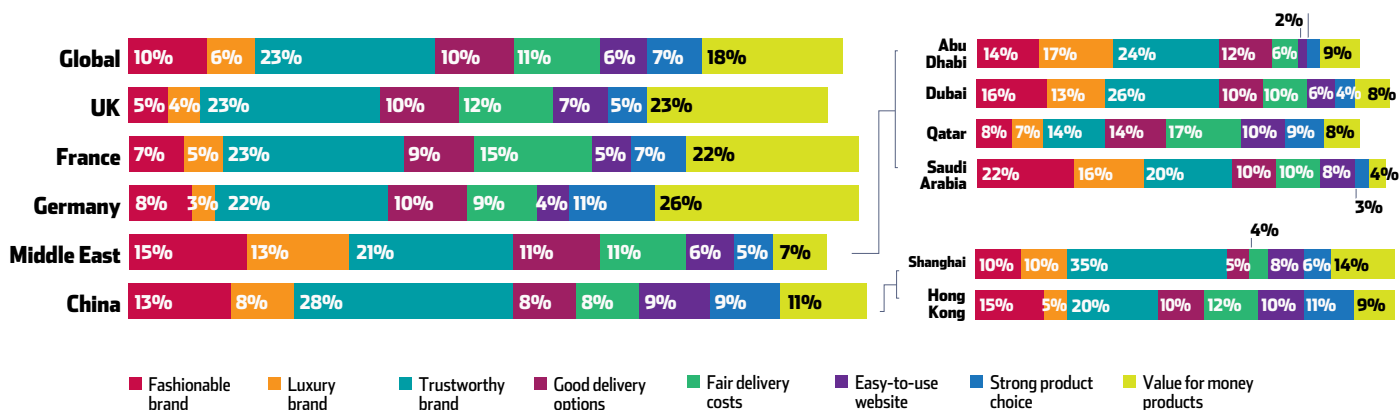[3] www.theguardian.com, July 28, 2006
[4] www.retail-week.com, April 7, 2016
[5] www.ft.com, November 10, 2015
[6] www.bbc.co.uk, August 12, 2011

Chart 1a
What is the top reason you would buy from retailers that launch in your country online?

Left chart (by region):

	Fashionable brand	Luxury brand	Trustworthy brand	Good delivery options	Fair delivery costs	Easy-to-use website	Strong product choice	Value for money products
Global	10%	6%	23%	10%	11%	6%	7%	18%
UK	5%	4%	23%	10%	12%	7%	5%	23%
France	7%	5%	23%	9%	15%	5%	7%	22%
Germany	8%	3%	22%	10%	9%	4%	11%	26%
Middle East	15%	13%	21%	11%	11%	6%	5%	7%
China	13%	8%	28%	8%	8%	9%	9%	11%

Right chart (by city/country):

	Fashionable brand	Luxury brand	Trustworthy brand	Good delivery options	Fair delivery costs	Easy-to-use website	Strong product choice	Value for money products
Abu Dhabi	14%	17%	24%	12%	6%	2%		9%
Dubai	16%	13%	26%	10%	10%	6%	4%	8%
Qatar	8%	7%	14%	14%	17%	10%	9%	8%
Saudi Arabia	22%	16%	20%	10%	10%	8%	3%	4%
Shanghai	10%	10%	35%	4%	5%	8%	6%	14%
Hong Kong	15%	5%	20%	10%	12%	10%	11%	9%

Legend: ■ Fashionable brand ■ Luxury brand ■ Trustworthy brand ■ Good delivery options ■ Fair delivery costs ■ Easy-to-use website ■ Strong product choice ■ Value for money products

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as possible when trading in China. He says local retailers have introduced tracking and RFID (radio-frequency identification) technology so shoppers can trace their goods.

WHAT IMPACTS SHOPPER TRUST?

Globally, the feature most likely to put people off shopping at a specific retail store is cost, with 42% of all those surveyed ranking this as the top reason not to shop and 70% placing it as one of their top three deterrents.

The importance placed on cost varies from country to country. Brits are the most price-sensitive, with 51% ranking it as their top reason not to shop, just ahead of 50% of Germans.

UK consumers, empowered by confidence born from familiarity with an established ecommerce market, are savvy online shoppers and will search to see if prices are in sync with what a brand charges for its products in other markets.

Fashion brand J Crew caused a furore when it launched in the UK three years ago with prices of some products more than double the US price.[7]

Fellow US fashion retailer Gap has also struggled this side of the pond, recently revealing it would close its UK Banana Republic stores.

Neil Saunders, managing director of retail consultancy Conlumino, says part of its problem is that Gap's prices are "out of kilter". "Products are the wrong price to start with, which is why it is always discounting, which devalues the product."[8]

Shoppers in the Middle East are the least price-sensitive, with 25% placing it as the thing most likely to turn them off shopping with a brand.

Within the Middle East, and living in a country that has garnered significant wealth over a

32%

of global shoppers tend to browse and buy from websites belonging to retailers where they shop in the physical store

MOST LIKELY

1. Middle East
2. China
3. UK
4. France
5. Germany

GERMANY: A CHANGING MARKET

It may come as little surprise that Germany – the land that spawned discount grocers Aldi and Lidl – is a price-sensitive market.

Michael Prüßner, legal director at Pinsent Masons and previously general counsel with Peek & Cloppenburg KG Düsseldorf, says although German customers are price sensitive, trustworthiness is the key factor for the success of an online business. The top 10 ecommerce retailers in Germany started life with a value-orientated business model but have adapted to offer a more service-led, range-driven and trustworthy customer experience.

Boris Planer, chief economist at Retail Planet, agrees that price is becoming less important in Germany: "Ten years ago, making savings was the biggest concern for Germans but that's changing. We're seeing nicer store environments, more convenience stores and greater quality products and Germans are prepared to pay for that experience."

International retailers looking to succeed in Germany will still have to remain competitive, however there is a growing impetus to pay more for more compelling products and experiences. In fact, the survey showed that German consumers place greater emphasis on store design, the fashionability of a product and strong product choice than elsewhere in Europe.

[7] www.dailymail.co.uk, November 8, 2013
[8] www.retail-week.com, October 21, 2016

Chart 1b
Which factor is most likely to stop you from shopping with an in-store retailer?

	Global	UK	France	Germany	Middle East	Abu Dhabi	Dubai	Qatar	Saudi Arabia	China	Shanghai	Hong Kong	
The wrong products/brands	20	11	23	19	21	32	18	8	26	25	32	17	%
Cost (eg too expensive)	42	51	48	50	25	20	30	18	29	34	36	32	%
No free wi-fi	4	3	2	1	7	1	8	14	5	5	3	7	%
Unknowledgeable shopfloor staff	8	7	5	8	7	7	6	10	6	12	8	17	%
Poor customer service	8	9	3	7	13	11	17	11	14	8	7	9	%
Poor returns and exchanges policy	4	4	2	2	6	4	4	15	2	4	4	4	%
No virtual fitting rooms	2	1	2	3	4	6	2	7	3	1	1	1	%
Poor store design	3	3	4	2	3	2	2	4	2	2	1	2	%
Insufficient offers and discounts	5	4	5	4	9	10	7	8	10	5	4	6	%
Poor or no loyalty programme	2	1	2	1	2	3	2	4	1	2	2	1	%
Ask for too much personal information	3	4	3	2	2	4	3	1	2	3	2	3	%
Other	1	2	2	2	1	0	0	0	1	0	0	1	%

relatively short space of time, evolving from a fishing country into an fossil fuel export giant, Qataris are the least price-sensitive with just 18% citing it as the top reason they would not visit a store. This compares with 30% in Dubai.

"Qatar is one of the fastest-growing economies in the world and has achieved unprecedented economic growth within the Gulf as well as the global emerging markets," says Dyala Ali, an associate at Pinsent Masons. "It also has the highest per capita income in the world, which makes a case for high spending among Qataris. Luxury retailers and high-end brands have targeted a population which values quality and luxury over price."

Overall, shoppers really value the right mix of products and brands, with 20% saying the wrong selection would put them off visiting stores.

This is more important in some areas than others. In Abu Dhabi, 32% would be deterred by the wrong product selection. However, there is disparity across the Middle East, with only 8% of Qataris rating product choice top.

Despite its store closures in the UK, department store chain BHS, the ecommerce platform and overseas business of which were acquired by the Al Mana Group last June, has benefited from adjusting to international target markets. The provision of a more upmarket proposition than UK consumers were familiar with has been rewarded in territories including Abu Dhabi and Qatar.

SERVICE AND STAFF DRIVE TRUST

After product and cost, excellent service and staff is the next biggest driver of trust.

Globally 8% say poor customer service puts them off a retailer. That figure rises to 13% in the Middle East, with people in Dubai (17%) putting the most emphasis on service.

French shoppers have the lowest expectations of service, with 3% saying a poor experience prevents them from returning to a retailer.

They also put the least emphasis on store staff, with just 5% saying unknowledgeable floor staff is a turn off.

Cost (48%) and the wrong products (23%) are more likely to deter French shoppers. In the same vein as UK market development, this French trend relates to ecommerce growth driving price comparison activity and a greater focus on value for money online.

In November, the French Ecommerce Federation (Fevad) predicted that online retail sales in the country would grow 9.4% to €71bn in 2016.[9]

Pinsent Masons partner in Paris, Annabelle Richard says there is a very strong trend in exchanging and upcycling platforms in France. "For French customers ownership is less important than usage. As a result, there is a strong growth of all intermediation platforms which allow users to be both consumers and sellers. It is particularly true for clothing," she says. An example of this is Vestiaire Collective.

HOW ONLINE IMPACTS TRUST

The internet has made new markets more accessible to retailers. Two thirds of the 5,000 consumers interviewed say they have bought an item online from a retailer based abroad.

However, certain influences mean some nations place more trust in online retail than others. Shoppers in Dubai are the most likely to buy from international brands, with more than three-

quarters (76%) having knowingly purchased from outside their own country. This outlook is not shared across the Gulf region, however. In Qatar just 44% have bought from overseas.

Ali explains there is a lack of a developed marketplace for consumers to shop online in Qatar. "Consumer protection and data protection, up until very recently, were not safeguarded in Qatar, which led to poor trust in online shopping," she says. "Moreover, online payment and online banking platforms are not as sophisticated as they are in other markets."

She adds that conversely, in Dubai, a significant expat population familiar with shopping online in their home countries and more sophisticated and secure e-payment gateways has led to increased trust in ecommerce.

Interestingly, there is also a difference in overseas purchase behaviour in China's largest cities. For example, 74% of Hong Kong shoppers have bought an item from overseas compared to 64% in Shanghai, perhaps because Hong Kong consumers are more familiar with lesser-known brands that use the city as a Chinese launch pad for their physical stores.

This healthy appetite for international brands could provide an opportunity for more retailers looking to make their entry into Asia.

WHICH SITES?

Globally only a quarter of shoppers buy from websites of a brand whose physical stores they have not visited, revealing the importance of a multichannel approach for garnering trust.

Consumers in the Middle East and Far East are much more likely to shop online with brands they have also shopped in-store with.
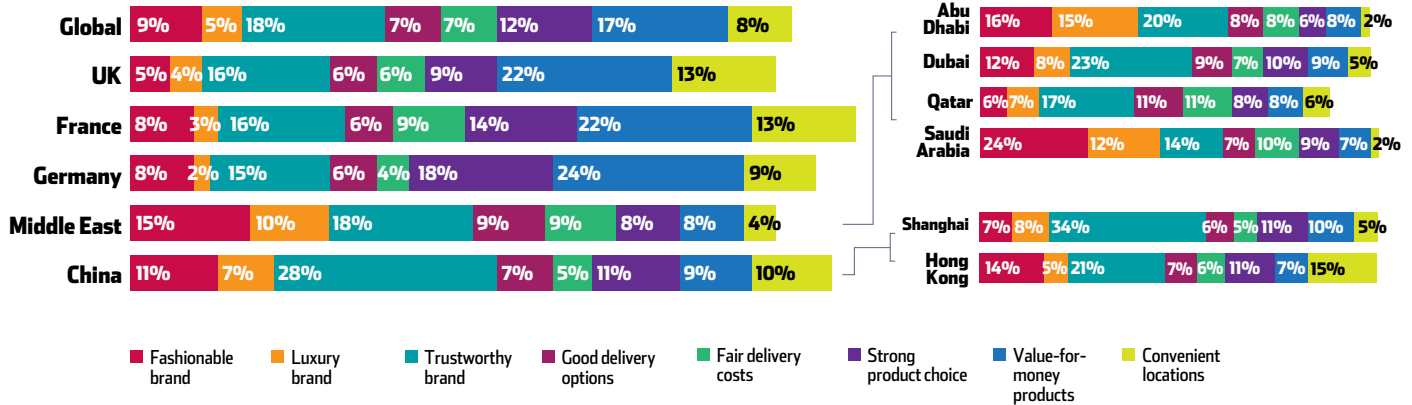
Steve Challes, business development director at fashion retailer New Look, talking in November 2016 about the retailer's 85 stores in China, said: "Stores are very important and that's the footfall driver for us. They build the brand and some of the early stores were very much a marketing investment."

In China and the Middle East, the most popular reason for sticking to certain brands is trust and familiarity. In China, 60% of shoppers who say they tend to shop with online retailers whose physical

WHEN DO WE SHOP ONLINE?

Peak web shopping hours change from market to market.

British shoppers tend to do their shopping after work with a third of online sales made after 6pm, according to email marketing specialist Remarkety. It recommends retailers send out email activity in the late afternoon and evening to capitalise on this.[10]

In contrast, Germans are early birds and tend to shop first thing in the morning.[11]

The mobile-partial Chinese shopper tends to browse websites on their phone in bed. Local fashion etailer Vipshop has launched 8pm flash Sale sessions to specifically target this snoozy shopper.

Chart 1c
What is the top reason you would buy from retailers that launch physical stores in your country?

	Fashionable brand	Luxury brand	Trustworthy brand	Good delivery options	Fair delivery costs	Strong product choice	Value-for-money products	Convenient locations
Global	9%	5%	18%	7%	7%	12%	17%	8%
UK	5%	4%	16%	6%	6%	9%	22%	13%
France	8%	3%	16%	6%	9%	14%	22%	13%
Germany	8%	2%	15%	6%	4%	18%	24%	9%
Middle East	15%	10%	18%	9%	9%	8%	8%	4%
China	11%	7%	28%	7%	5%	11%	9%	10%
Abu Dhabi	16%	15%	20%	8%	8%	6%	8%	2%
Dubai	12%	8%	23%	9%	7%	10%	9%	5%
Qatar	6%	7%	17%	11%	11%	8%	8%	6%
Saudi Arabia	24%	12%	14%	7%	10%	9%	7%	2%
Shanghai	7%	8%	34%	6%	5%	11%	10%	5%
Hong Kong	14%	5%	21%	7%	6%	11%	7%	15%

stores they also visit, rank brand familiarity as one of the top two reasons, while 40% cite trust.

Rogers says this harks back to China's damaging issues with counterfeiting. "If shoppers have been to the store and touched the product they're convinced it's genuine and are reassured over quality," he says.

In the Middle East, of those who shop online with retailers that have stores they have visited, 35% rank familiarity within their top two reasons, while 32% specified trust.

Retailers in the Middle East have adapted to the unique consumer profile by targeting their advertising to a population that spends a great deal of time in shopping centres at the weekend. Retailers have also partnered with Middle East credit card companies to create loyalty programmes that encourage shoppers to make online purchases with specific brands to redeem discounts or points.

The only region in which trust or familiarity are not the most important drivers was Qatar, which ranks store staff and customer services as bigger factors in their online choices.

Ali says this is surprising given Qatar's growing focus on consumer and data protection, however, she points out that Qatari culture values enjoying

THE MOBILE SHOPPER

The world may be increasingly mobile, but some jurisdictions are embracing smartphone shopping more quickly than others.

In China, more than 90% of internet users in the country access the web via smartphones[12]. In fact, China already has more mobile internet users than PC internet users.

"Chinese people are on their phone constantly," says Rogers. "They've skipped using desktop computers and have gone directly to mobile. Chinese shoppers have no issue with spending thousands of pounds shopping via a mobile."

According to Google, 79% of Chinese consumers owned a smartphone in 2016, up from 74% in 2015. Indeed, Alibaba UK senior manager Meifang Chen says 70% of its sales now come through mobile devices.

The Middle East also has a fast-growing mobile population for retailers operating in those markets to tap into.

According to research by telecoms firm Ericsson, smartphone subscriptions will increase by more than 200% in the region between 2015 and 2021 – heightening mobile commerce potential.[13]

In the UAE, which includes Abu Dhabi and Dubai, 91% of consumers own a smartphone – higher than the UK.[14]

Smartphone ownership is slightly lower in Saudi Arabia at 86%.[15] However, shoppers in Saudi are also

more likely to buy with their mobile devices.[16]

The UK has one of the most advanced m-commerce economies in the world. Argos hit £1bn in mobile sales in 2015. And half of fashion etailer Asos' sales were via mobile in its last financial year to August 31, with 69% of its global traffic coming from mobile devices, and according to boss Nick Beighton the UK was "comfortably ahead" of that figure.[17]

Asos is not alone. According to trade body IMRG and Capgemini's latest Quarterly Benchmark, mobile devices accounted for half of all online sales in the second quarter of 2016.[18]

While 65% of British consumers access the internet at least as often via smartphone as computer, this dips to 55% in Europe's second biggest m-commerce market Germany and 50% in France.[20]

When it comes to the type of platforms people prefer to use on their mobiles, Yahoo's Flurry annual mobile report 2015, based on the average consumer in the US, revealed that apps have overtaken mobile browsers.

Only 10% of time spent on mobiles is being spent using browsers, while 90% of time was found to be spent using apps, the report said.

Although app launches may be next on retailers' agendas, at the very least, mobile versions of websites are increasingly essential, providing consumers with a seamless channel experience, whether they choose to simply browse or go on to buy via mobile.

[12] *China Internet Network Information Centre*
[13] *Ericsson Mobility Report 2016*
[14] *Google Consumer Barometer*
[15] *Google Consumer Barometer*
[16] *The connected consumer in Egypt, the UAE and Saudi Arabia*
[17] *www.marketingweek.com, October 19, 2016*
[18] *MRG Quarterly Benchmarking Q2 2016*
[20] *Google Consumer Barometer*

> **GLOBALLY ONLY A QUARTER OF SHOPPERS BUY FROM BRAND WEBSITES WHOSE PHYSICAL STORES THEY HAVE NOT VISITED, SHOWING THE IMPORTANCE OF A MULTICHANNEL APPROACH**

the social activity of buying from a physical store and receiving a VIP experience from staff.

The fact that ecommerce is still in its relative infancy across China and the Middle East – in certain jurisdictions more so than others – may also contribute to a tendency for consumers in these areas to shop with brands that have stores as well as online platforms.

European ecommerce is more established. According to Ofcom, the UK, France and Germany have the most valuable ecommerce markets in the world per capita. The average UK shopper spends £1,591 online a year. In France it is £714 and in Germany £698. In China the per capita spend is £239.[21]

European consumers indicate much higher confidence in buying online than those from the Middle East and Far East, where a physical store presence still holds significant sway in reaffirming trust. Meanwhile, the confidence in the UK, France and Germany is an opportunity for retailers to launch in these markets without making the capital-intensive investment of opening stores.

Chart 1d
Which factor is most likely to stop you shopping with a retailer online?

	Global	UK	France	Germany	Middle East	Abu Dhabi	Dubai	Qatar	Saudi Arabia	China	Shanghai	Hong Kong	
Insufficient delivery options	10	7	6	8	18	26	16	10	20	9	7	11	%
Expensive delivery	37	44	54	43	20	21	27	9	22	23	18	29	%
Poor website design/navigation	6	7	3	5	9	12	6	12	6	7	8	5	%
Security concerns	16	13	12	14	17	12	17	17	24	24	21	27	%
The retailer is not in my country	5	5	4	8	6	4	5	10	4	4	3	5	%
Poor visuals	4	3	3	3	2	2	2	7	5	4	4	6	%
Wrong products/brands	6	4	4	6	9	8	9	10	8	9	14	5	%
Poor returns and exchange policy	4	3	3	4	5	4	4	6	5	4	5	3	%
Insufficient offers and discounts	3	3	2	1	4	3	2	8	2	4	7	2	%
Poor customer service	2	2	2	2	3	3	6	2	2	2	2	1	%
Lack of unbiased customer reviews	2	1	1	2	2	1	2	4	0	3	4	2	%
Poor or no loyalty programme	1	0	1	1	1	0	1	2	0	1	1	0	%
Request for too much personal info	3	3	2	2	1	2	1	1	2	4	4	3	%
Compulsory registration	2	3	3	2	1	1	2	1	0	2	2	2	%
Other	1	1	1	1	0	0	0	0	0	0	0	0	%

CHAPTER 1 KEY FINDINGS

CHINA
The wave of counterfeit goods washing through China has made trustworthiness of brand front of mind for Chinese consumers.

International retailers looking to prosper in China should go that extra mile to prove their goods are genuine and issue guarantees of authenticity.

MIDDLE EAST
This is the least price-sensitive market. Retailers seeking to thrive in this Middle East should emphasise quality rather than price of product.

UK
Britons are the most price-sensitive consumers. International retailers looking to crack the UK market should ensure their price is on par with local rivals . UK shoppers are au fait with searching for cheaper deals online and will soon discover if your prices are out-of-kilter.

FRANCE
French shoppers are most likely to stop shopping with a bricks-and-mortar retailer if they stock the wrong products and brands. There is an opportunity for international retailers with a unique and exclusive brand and on-trend products to win favour with the brand-centric French shopper.

GERMANY
German shoppers are the most susceptible to trying out brands without having visited their stores. This provides an opportunity for international brands to enter the German market with just a web presence, a lower cost way to test the water before investing in a store roll-out.

PINSENT MASONS ACTION POINTS

- Trust in a brand stems from the control a brand owner has over its use both on and offline.
- Protect your brand in all territories in which you trade and intend to trade by registering trademarks and domain names.
- Engage a brand-monitoring service to ensure that your brand is used in ways consistent with the image you want to portray.
- When it comes to consumer attitudes, a one-size-fits-all approach to a region is unlikely to lead to the best results for the brand. Understanding the nuanced differences in consumer culture in the various territories will be key to a retailer maximising its opportunities there.
- Online security is consistently top of the list of consumers' concerns. Make sure you are fully up to speed with the latest cybersecurity and data protection rules in the regions you operate. High-profile breaches damage reputation and brand.
- Ensuring an excellent customer experience is vital in securing brand loyalty. It is important that retailers implement processes to support performance management, including identifying and incentivising top performers, and upskilling those employees who need to develop in this area.

ATTITUDES TOWARDS CROSS-BORDER BUYING

- There is still some nervousness about buying from overseas retailers, with shoppers in the Middle East most hesitant

- Delivery and returns are barriers to cross-border purchases, particularly the cost of such services

- Hong Kong shoppers are the most likely to seek out foreign brands and the most turned off by delivery costs

- Chinese shoppers expect speedy delivery with same-day services prevalent among local ecommerce players

- Failure to offer free returns is most likely to deter German and British shoppers from making a purchase

In the wake of ongoing online proliferation, access to brands from around the world is greater than ever. In fact, two thirds of the 5,000 shoppers interviewed have knowingly bought an item from an overseas retailer. However, there is still some trepidation about cross-border shopping. Almost a third (31%) of global shoppers say they would be put off buying an item if they knew it was coming from outside their own country.

Shoppers in the Middle Eastern states are the most deterred – 55% in Abu Dhabi, 42% in Dubai and 37% in Qatar say it would put them off. This might relate to ecommerce representing a relatively small proportion of Middle Eastern retail, or it could be because global brands are widely available within stores.

Shoppers in Hong Kong also have access to international brands in stores, but they are at the other end of the scale with 74% saying they have knowingly bought an item online from abroad.

Of those from Hong Kong who say the websites they browse and buy from tend to be different to the physical stores they visit, almost one in five (19%) also state that liking retailers that do not have stores in their country is one of their top two reasons to shop with that brand online. Rogers says this illustrates the outward-looking nature of Hong Kong, which until 1997 was under British rule.

At the other end of the scale, none of the 500 shoppers interviewed in Saudi Arabia and only 2% of Brits gave that as one of the main reasons they shop with a brand online.

In fact, globally one in five shoppers (21%) rank overseas ownership as a top three reason why they wouldn't buy from certain retail websites.

Western Europeans are slightly more cautious about cross-border spending. Germans are most concerned, with 28% ranking it as one of the three main reasons they wouldn't buy from a site.

Boris Planer, chief economist at Planet Retail, says that Germany takes a particularly stringent approach to data protection and shoppers are concerned other countries are more lax. "Certification that retailers adhere to [local] laws could help ease fears," he says.

Shoppers in Shanghai are the least worried about buying from overseas websites, with just 11% ranking it as a top three reason they would not buy from a site. Rogers says this is unsurprising given Chinese shoppers' desire for Western brands and familiarity with buying from global retailers.

DELIVERY DILEMMAS
Daunted by the prospect of high costs or unreliable services, some shoppers perceive delivery and returns to be barriers to buying from international brands, further driving retailers to look to local experts to perfect their fulfilment strategy and encourage consumers to trust in their delivery structure.

One in five global shoppers rank the cost of delivery as their main concern while buying from overseas merchants, and there are certain hotspots where shoppers are more likely to be deterred by onerous delivery charges (see Chapter 3).

Hong Kong ranks highest on the list with 31% of shoppers saying it is their biggest turn off and 63%

Chart 2a
Percentage of shoppers who have knowingly bought an item online from another country

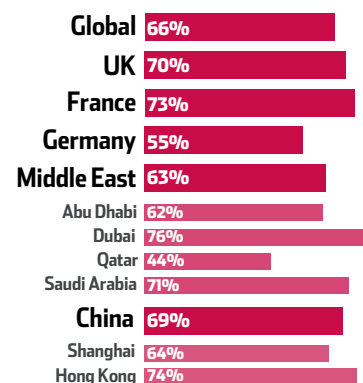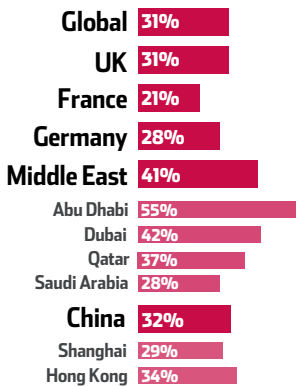|	
Global	66%
UK	70%
France	73%
Germany	55%
Middle East	63%
Abu Dhabi	62%
Dubai	76%
Qatar	44%
Saudi Arabia	71%
China	69%
Shanghai	64%
Hong Kong	74%

Chart 2b

Percentage of shoppers who would be deterred from buying an item online if they knew it was coming from a country other than the country in which they live

Global	31%
UK	31%
France	21%
Germany	28%
Middle East	41%
Abu Dhabi	55%
Dubai	42%
Qatar	37%
Saudi Arabia	28%
China	32%
Shanghai	29%
Hong Kong	34%

EXPRESS DELIVERY

Speedy delivery has been a major trend in UK retail over the past few years. Next-day delivery has become commonplace and the likes of Argos, House of Fraser and Dixons Retail now offer same-day services. Amazon is pushing expectations further by rolling out one-hour delivery in the UK.[2]

However, the UK is not alone. Chinese shoppers are also embracing express delivery. Online giant JD.com offers free same-day delivery in every major Chinese city[3] and Alibaba revealed plans last year to launch an express service. [4]

Alibaba's UK senior manager Meifang Chen says shoppers in tier one and two cities expect delivery in one to two days, although it can take longer in lower tier cities.

German retailer Zalando has teamed up with Adidas to fulfil orders made of its products direct from its store the same day,[5] although express delivery is generally still in its infancy in Germany.

When UK electricals etailer Ao.com launched in Germany in 2014, boss John Roberts said its next-day delivery offer put it ahead of the German market as most local retailers delivered in five to 10 days.[6] In fact, just 4% of German shoppers rank delivery speed as the major hurdle to international ecommerce, lower than any other country.

According to Eike Fietz, Pinsent Masons partner in Germany: "Businesses need to be aware that this may change quickly. In fact, Adidas is currently driving the 4.0 industrial revolution on the basis of customer demand by building 'speedfactories' in Germany and the US, which are able to produce individually designed, made-to-order sneakers within one day, to be delivered immediately."

Delivery times are quicker in the UK than in Germany, where express delivery is still in its infancy

31% of global shoppers would be deterred from buying an item if they knew it was coming from overseas

MOST DETERRED

① Middle East ② China ③ UK ④ Germany ⑤ France

saying it is a top three concern. This is notably more than Shanghai where 16% say it is the biggest deterrent to cross-border ecommerce and 38% rank it within their top three concerns. This may be owing to people in Hong Kong already having greater access to these brands, minus high delivery costs, in more local retail outlets.

Many overseas retailers look to Hong Kong for launch as a test pad for the Chinese market, recognising greater Western influences in the jurisdiction and trust of international brands from citizens.

Additionally, fierce competition within the Chinese ecommerce market means that many local retailers offer free delivery[1]. The results may have been different in more rural regions outside Shanghai and Hong Kong, where ecommerce is seeing rapid growth in areas where there is a lack of big international brand stores in close proximity.

Across Europe there is some disparity. British shoppers are most likely to be put off by high delivery costs – 24% rate it as their top concern, compared with 21% in France and 15% in Germany. However, this can be an opportunity for retailers as a competitive delivery proposition can attract consumers to a brand. For example, UK retailer Asos offers a delivery subscription of £9.95 a year for unlimited next-day delivery.

Further analysis of the survey reveals that Germans, generally cost-conscious, are often concerned about customs duties payable on deliveries from non-EU countries.

In France there has been strong growth in online collection points, which offers a low cost or, in some cases, free delivery. Pinsent Masons partner Annabelle Richard says this is a good fulfilment option to fit the needs of the French market. "French customers seem particularly

sensitive when it comes to delivery costs. They are not, however, ready to compromise on delay for delivery. Therefore pick-up points are a good solution for this market," she says.

Speed of delivery from abroad is also a consideration for people buying online and is the top concern for 9% of shoppers globally. Qataris are the most preoccupied with the possibility of delivery taking too long, with 16% ranking it as their main barrier to spending with an overseas etailer followed by 11% of UK shoppers.

Pinsent Masons associate Dyala Ali says: "Qatar doesn't have a sophisticated postal system, which creates long delays when ordering online from international retailers. Consumers looking for efficient delivery will often be deterred at the thought of lengthy delays. Unexplained delays at customs will often keep goods at the border for long periods of time."

Meanwhile, the maturity of the ecommerce markets in Europe, such as those in the UK, goes some way to explaining why there are high expectations of low cost and quick delivery, facilitated by more advanced supply chain infrastructures and developed transport routes than in some other markets.

Free delivery is common in the UK. Most mainstream retailers offer free standard delivery on orders over a relatively low value threshold. Argos offers a free delivery option on all orders, and shoppers do not have to pay for delivery if they spend more than £20 with Asos or £40 with Debenhams.

GREAT EXPECTATIONS

Definitions of good delivery vary from country to country. Asked specifically to choose their main delivery priority, speed ranks highest globally

[1] http://fortune.com, October 28, 2016
[2] www.retail-week.com, November 20, 2016
[3] www.businessoffashion.com, June 22, 2016
[4] www.retail360asia.com, April 8, 2016
[5] www.drapersonline.com, June 9, 2016
[6] www.retail-week.com, November 25, 2016

Chart 2c
What is your main priority when it comes to the delivery of an item you have ordered online?

	Global	UK	France	Germany	Middle East	Abu Dhabi	Dubai	Qatar	Saudi Arabia	China	Shanghai	Hong Kong	
Precision (picking a delivery window)	16	10	13	9	23	30	16	12	35	24	21	28	%
Convenience (numerous, local collection points)	13	11	13	11	12	20	10	9	8	19	17	22	%
Speed (eg same-day/next-day/express delivery)	23	22	26	27	22	18	33	18	19	16	21	11	%
Free returns	16	18	17	22	10	13	12	13	13	13	12	14	%
Being rewarded for loyalty	4	4	3	3	6	5	4	11	5	4	2	5	%
Packaging care and quality	6	8	5	6	7	3	8	10	6	5	7	4	%
A clear and easy returns policy	4	4	2	5	5	3	4	10	3	3	3	2	%
Value and affordability	12	16	15	10	7	6	6	8	6	11	11	10	%
Order tracking	2	5	4	5	3	2	2	6	2	3	2	3	%
Transparency around delays	2	1	1	2	2	0	2	3	2	1	0	1	%
Clear branding	1	1	1	0	1	2	1	2	0	2	4	0	%
Other	0	1	1	0	0	0	0	0	0	0	0	0	%

(23%) but there are dramatic regional differences. In Hong Kong, for example, 11% rank it as their top concern, notably less than the 21% in nearby Shanghai. Meanwhile, Dubai's shoppers are the most in need of speed, with a third of shoppers ranking it as their main priority.

WHO PAYS FOR RETURNS?
Shoppers are concerned also about the potential of costly returns and free returns is the second top delivery priority globally. Free returns ranks highest with shoppers in Europe, with 22% of Germans and 18% of Brits rating it as their top priority, probably as a result of their familiarity and expectations of relatively low-cost easy returns processes.

Planer says that returns is a big factor in whether Germans will spend with a retailer.

"It's not just pricing but policy," he says. "No one wants to be queuing up in the post office for hours to return a jumper that doesn't fit."

Free returns is less of a concern in the Far East and Middle East, with 13% of Chinese and 12% of Middle Eastern shoppers picking it as their main priority. Possibly this is impacted by the fact that in China consumers pay for returns and the timeframe for sending goods back is much shorter – seven days compared with 14 in Europe.

THE CHINESE SEARCH FOR CONVENIENCE

Convenience, such as the availability of local collection points, is another key factor prioritised by shoppers when it comes to delivery. Globally, 13% of shoppers rank it top in terms of delivery preferences, with Hong Kong, Shanghai and Abu Dhabi heading the group.

In Hong Kong, 22% rated it as the most important delivery factor, compared to just 8% in Saudi Arabia, the nation least concerned about ease of collection.

In China, click-and-collect is fairly well developed. Alibaba launched the service in 2012 and Amazon China partnered with Shanghai-based convenience store operator Family Mart to offer click-and-collect in 2013[7]. US grocery giant Walmart launched a click-and-collect app in China in 2015 owing to strong demand for collection services.[8]

Click-and-collect is being driven by ecommerce companies in China to offset logistics charges. Most online retailers in China give customers free delivery to win favour in the fiercely competitive ecommerce sector. Meanwhile, it is in its infancy in the Middle East with Abu Dhabi-based LuLu, the region's largest supermarket, only launching the service last year.[9] The fact that one in five Abu Dhabi shoppers place convenience as their top delivery priority suggests international retailers could gain an advantage if they can get their logistics and delivery collection services in order.

CHAPTER 2 KEY FINDINGS

CHINA
International retailers should work with local couriers to give Chinese shoppers speedy delivery options to compete with local ecommerce players.

UK
The cost of delivery is a bigger concern in the UK than elsewhere. Retailers entering the market need to match the established competitive delivery proposition offered by retailers, which often includes a free standard delivery option.

MIDDLE EAST
Shoppers across the Middle East are particularly concerned about the speed of online deliveries from overseas. International retailers need to work with established local fulfilment partners in order to guarantee delivery timeframes to customers.

FRANCE
French shoppers are deterred by expensive delivery charges. Retailers should offer a choice of reasonably priced delivery options in the French market, including click-and-collect locations, a very popular collection method in the country.

GERMANY
Shoppers in Germany are most concerned about security when buying from abroad. International retailers should give Germans peace of mind by using established payment portals such as Paypal or local operators and offering payment on account.

PINSENT MASONS ACTION POINTS

• Research and focus on the local market expectations. Next-day delivery has become commonplace in the UK. In Germany it is not yet a requirement, but businesses should be prepared for that to change (and it is unlikely that cost-conscious Germans will tolerate additional express-delivery costs).

• International businesses need to have a smart returns policy that balances consumer expectations and commercial feasibility. In Europe, the new EU Consumer Rights Directive requires either free returns or a minimum standard of transparency about the cost of returns.

• Plan for the impact Brexit is likely to have on customs charges and clearances – this will affect the speed and cost of cross-border deliveries. Consider collaborations as innovative ways to address this.

• Review appointments of logistics and delivery providers. Consider a procurement process to select fulfilment partners. This ensures competitive tension and that you will get the best from the market.

■ CHAPTER THREE
PERSPECTIVES ON THE PERSONAL TOUCH AND HOW TO PAY

■ There is an appetite for personalised services and shoppers are prepared to exchange their personal details for a tailored experience

■ British shoppers are the least interested in personalisation

■ Data security is a major concern for shoppers globally, particularly in China

■ Payment preferences differ around the world and retailers must tailor their methods to each market

P ersonalisation is a major focus for retailers in the West vying to give shoppers an experience that is increasingly tailored.

But how do shoppers around the world feel about personalised services and do they trust retailers sufficiently to engage with them?

Globally, 45% of shoppers say that a tailored experience – for instance, recommendations or offers made to them based on their shopping experience or habits – is equally as important online and in store.

Chosen by 60% of respondents, Chinese consumers are most eager for this multichannel approach to personalisation.

This highlights how valuable the data collected by retailers can be, subject to compliance with data protection legislation which will become more stringent in the EU once the General Data Protection Regulation (GDPR)[1] is in force.

In contrast, just one third of British consumers say tailored experiences both in store and online are important to them and, slightly worryingly for UK retailers that are investing big in personalisation initiatives, 26% of shoppers say they don't want a personalised experience at all.

This is more than any other country and compares to 13% globally.

However, Pinsent Masons head of retail and consumer and partner Tom Leman says UK retailers need not pull their investment just yet.
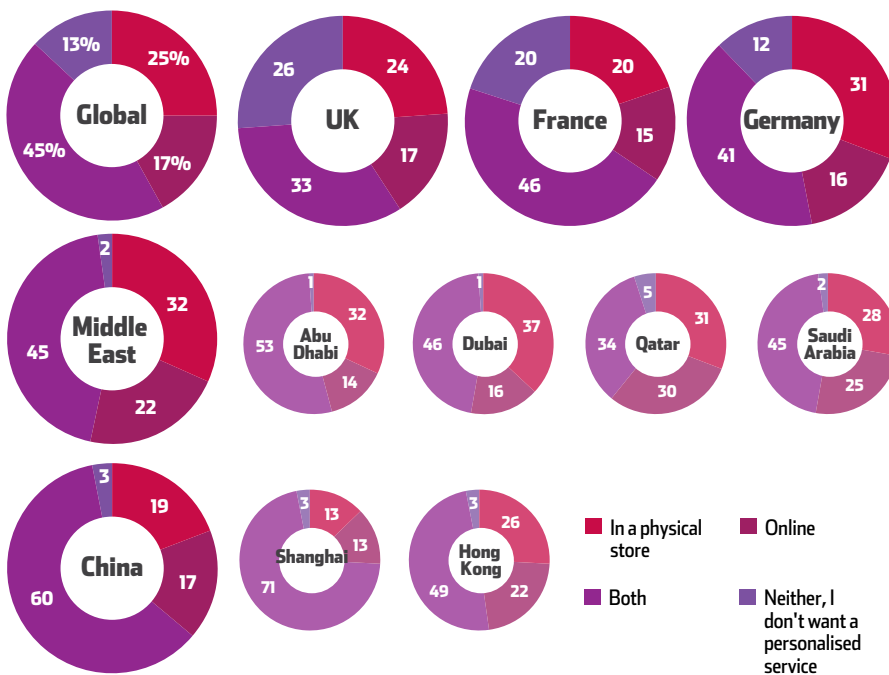
> "
> "DATA AND ANALYTICS ARE SO SOPHSTICATED THAT SHOPPERS DON'T KNOW THEY ARE RECEIVING A PERSONALISED EXPERIENCE"
> **TOM LEMAN, PARTNER AND HEAD OF RETAIL AND CONSUMER, PINSENT MASONS**

Chart 3a

Where is a personalised service, such as recommendations made to you based on your shopping experience or tailored offers and discounts, more important to you?

Global
13% · 25% · 17% · 45%

UK
26 · 24 · 17 · 33

France
20 · 20 · 15 · 46

Germany
12 · 31 · 16 · 41

Middle East
2 · 32 · 22 · 45

Abu Dhabi
1 · 32 · 14 · 53

Dubai
1 · 37 · 16 · 46

Qatar
5 · 31 · 30 · 34

Saudi Arabia
2 · 28 · 25 · 45

China
3 · 19 · 17 · 60

Shanghai
3 · 13 · 13 · 71

Hong Kong
3 · 26 · 22 · 49

- ■ In a physical store
- ■ Online
- ■ Both
- ■ Neither, I don't want a personalised service

40%

3456120953432

of global shoppers rank a data breach as their top concern when entering payment details online

MOST CONCERNED

① France
② China
③ UK
④ Germany
⑤ Middle East

"Retailers know more about our buying habits than we do," he says. "Data and analytics are so sophisticated that shoppers don't know they are receiving a personalised experience. We're just so used to seeing offers that are relevant to us."

Meanwhile, just 2% of Middle Eastern shoppers say they are uninterested in a personalised experience either online or in store with more people in the region than any other, valuing personalisation in store.

Rajiv Suri, chief executive of Middle East franchise group Majid Al Futtaim, says that, unlike in Western Europe, personalised experience is driven by people and not technology. "Middle East shoppers get a very personal service but it's driven by store managers picking up the phone and calling our customers," he says.

DATA LEAKS TOP CONSUMER WOES

Across the globe, the biggest concern when sharing personal details is a possible data breach or leak with 29% ranking it as their top fear.

There have been many high profile data breaches and attempts around the world over recent years, including those at Yahoo[2], LinkedIn[3], eBay[4] and Alibaba-owned Taobao[5].

Concern rises when the data shared comprises payment details, in which case 40% fear a data breach. French shoppers are most fearful about a data breach, with 52% ranking it as their biggest worry while entering card details.

According to the findings of IBM's Cost of Data Breach Study, carried out by the Ponemon Institute through interviews with 350 companies in 11 countries, organisations in Brazil and France are the most likely to have a data breach. The frequency of issues in France could lead to this consumer concern. China closely follows France with 51% of consumers fearful of a data breach.

This could be a result of the Taobao breach, which was reported last year.

By comparison, just 14% of German shoppers cite data breaches as a major concern. However, rather than a laissez-faire attitude to data protection this could represent the

[1]CNN, http://money.cnn.com, September 23, 2016
[2]http://fortune.com, May 18, 2016
[3]www.bbc.co.uk, May 23, 2014
[4]www.reuters.com, February 4, 2016

> PAYMENT IS A BIG AREA OF CONCERN FOR SHOPPERS, WITH ONLY 5% GLOBALLY CLAIMING THEY HAVE NO FEAR WHEN ENTERING CARD DETAILS

extra security measures that are prevalent in the country, such as payment on account.

After data breaches, the next biggest concern for shoppers sharing their payment details is the retailer themselves fraudulently using personal or payment details (chosen by 27% of people) suggesting there is still some way to go for retailers to build trust with consumers.

Payment is a big area of concern for shoppers with only 5% globally claiming they have no fears while entering card details.

Shoppers are particularly wary of entering payment details into overseas websites. The security of payment platforms is the biggest concern of more than a quarter (26%) of those surveyed when buying from another country.

Leman urges retailers to try to use their websites to convince shoppers they are trustworthy.

"You might want to publicise all the awards you've won but it does say something to have an ISO [International Organisation for Standardisation] logo on there. It makes shoppers trust in spending with you," he says.

FIGHT FRAUD TO MAINTAIN TRUST

Jitters over fraud can also shake shoppers' trust in emerging payment methods such as mobile and contactless.

More than a quarter (26%) of global shoppers say they worry these methods could make fraud more likely. These fears are highest in China (31%), which is surprising as the country has embraced mobile payment.

Credit card circulation is limited in China, which has led to businesses trying to push mobile wallets. Online retailer Alibaba has Alipay, which has 450 million users and this year launched in Europe, and social network WeChat's pay function has more than 200 million users.[5] Meanwhile, international players Apple and Samsung continue to make a play for the mobile payments market.

In 2015, mobile transactions more than doubled to $235bn, according to data provider Euromonitor International.[6]

Debit and credit card use is also low in the Middle East and Omar Soudodi, managing director of payments gateway Payfort, predicts that 75% of online transactions are paid cash-on-delivery in the region.

Chart 3b
If you were to buy from a country other than your own, what would be your main concern?

	Global	UK	France	Germany	Middle East	Abu Dhabi	Dubai	Qatar	Saudi Arabia	China	Shanghai	Hong Kong	
Security of personal information	22	18	17	28	22	36	24	8	21	23	23	23	%
Security of payment platform	26	24	27	34	24	22	30	16	27	22	26	19	%
Delivery cost	20	24	21	15	19	12	18	17	28	23	16	31	%
Delivery speed	9	11	11	4	11	10	10	16	10	9	9	9	%
Delivery security (will item arrive?)	7	7	7	7	7	4	15	14	5	9	11	8	%
Product quality	8	6	8	6	10	10	12	14	5	8	10	6	%
Packaging quality	1	1	1	1	2	2	1	6	1	1	0	1	%
Returns and exchange implications	2	4	3	2	2	1	0	6	0	2	4	1	%
Difficult communications with retailer	2	2	2	1	2	0	3	2	1	1	1		%
Hidden additional costs	2	3	4	3	1	2	1	1	1	1	1	1	%
Other	0	1	0	0	0	0	0	0	0	0	0	0	%

IS CONTACTLESS CONVENIENT?

Contactless card payment has been in operation since 2007 in the UK and is a common method of in-store payment. Over the past year, contactless accounted for 12% of transactions, according to the UK Cards Association.

However, fewer UK shoppers say they like the speed and convenience of contactless than in any other nation – 26% compared to a 32% global average. However, the patchy availability of contactless payment across the UK is likely to be a contributing factor. Almost a third (32%) of Londoners like the speed and convenience of the payment method. Contactless on the city's transport network has quickened commuter journeys. In Germany, contactless is still in its infancy and retail outlets have been slow to adopt it. "I have the ability to use contactless on my card, yet I don't know anywhere that accepts it apart from Starbucks," says Planet Retail chief economist Boris Planer.

Pessimism regarding contactless and mobile payments is not shared by Chinese consumers, who have embraced Alipay and WeChat. Indeed 51% of shoppers in Shanghai say they liked the speed and convenience of these payment methods.
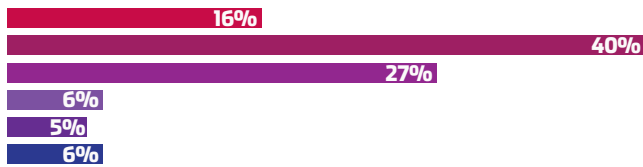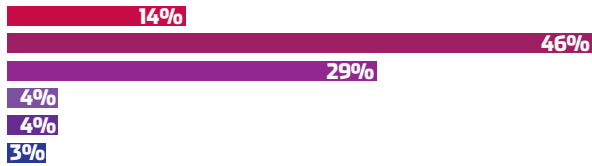
Chart 3c
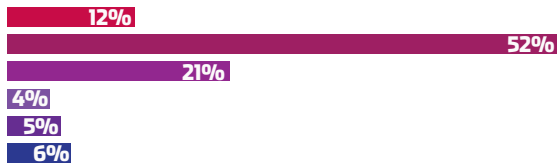## What is your main concern if inputting payment/card details online?

Global
- 16%
- 40%
- 27%
- 6%
- 5%
- 6%

UK
- 14%
- 46%
- 29%
- 4%
- 4%
- 3%

France
- 12%
- 52%
- 21%
- 4%
- 5%
- 6%

Germany
- 20%
- 23%
- 38%
- 4%
- 5%
- 10%

Middle East
- 17%
- 30%
- 30%
- 12%
- 7%
- 5%

Abu Dhabi
- 22%
- 25%
- 31%
- 6%
- 12%
- 4%

Dubai
- 20%
- 36%
- 29%
- 8%
- 2%
- 6%

Qatar
- 12%
- 27%
- 26%
- 22%
- 8%
- 5%

Saudi Arabia
- 14%
- 31%
- 33%
- 11%
- 5%
- 6%

China
- 18%
- 51%
- 17%
- 9%
- 1%
- 4%

Shanghai
- 22%
- 49%
- 18%
- 7%
- 2%
- 3%

Hong Kong
- 15%
- 52%
- 16%
- 11%
- 1%
- 4%
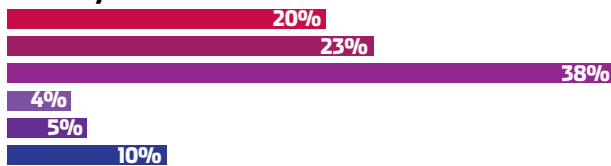
Legend:
- The retailer sharing details with third parties
- A possible data breach/leak
- The retailer fraudulently using those details
- Details being accessed if digital device lost
- I have no concerns
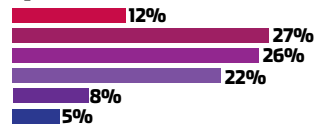- I would never input payment/card details online
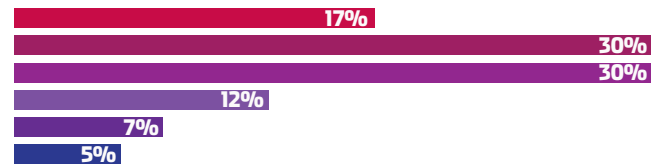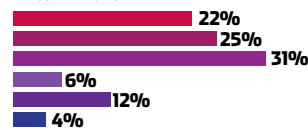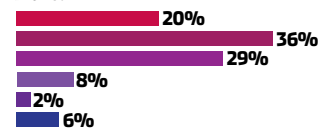
PERSONALISATION IN THE MIDDLE EAST
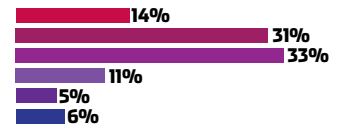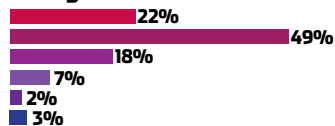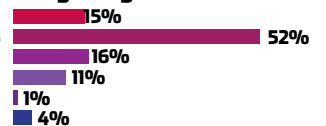
While Middle Eastern shoppers enjoy the VIP experience in stores, shoppers in Qatar are also most likely to seek out a website with a personalised service and 16% of consumers surveyed rank it in their top three reasons to shop with a brand online. This compares to just 4% in nearby Saudi Arabia.

Retailers should look to implement sophisticated CRM platforms which track individual consumer shopping profiles and unique shopping history. Shoppers in Qatar value the personal element it brings to the shopping experience and feel more connected to retailers who cater to their specific shopper profile.

Consumers in Qatar are also the most likely to share information for a personalised experience with 46% doing so for tailored content. The popularity of personalised content may also lend itself to an open attitude towards retailer newsletters, if the content has been chosen in line with the individual's preference.

The upcoming data protection legislation will further reinforce consumer trust in sharing of personal information with retailers.

In terms of Amazon-style 'other customers viewed' buttons, 16% of shoppers globally say they trust such features. However, this is highest at 42% in Abu Dhabi and 36% in Qatar.

23% of global shoppers say the ability to browse a retailer's full range is the most important function of in-store technology

MOST IMPORTANT

1. UK
2. China
3. Middle East
4. Germany
5. France

Cash appears to be most popular in Qatar where 30% of consumers say they prefer to pay using the more traditional payment method.

Recent developments in the regulatory framework in respect of cyber crime and data protection will hopefully help the market move towards sophisticated and secure payment gateways and mobile payment platforms.

CASH STILL COUNTS

"More than 30% of Qataris do not own credit cards and do not trust online payment methods currently available in Qatar," says Pinsent Masons associate Dyala Ali.

"A major enabler for ecommerce is the existence of online banking and payment platforms and these are not well developed in Qatar yet. Therefore, cash on delivery is the most popular payment method when it comes to ecommerce."

Moreover, lack of knowledge of how to operate online banking and payment services has an impact on payment methods."

Like Qataris, Germans are still wedded to cash – 29% of shoppers said it was their preferred payment method, compared to just 9% in France. In fact, 79% of all transactions in Germany are made in cash compared with 48% in the UK, according to a Bundesbank study last year.

However, when it comes to online transactions, Planer says that payment via MasterCard, Visa and accounts such as PayPal are commonplace.

According to Pinsent Masons Partner in Germany Eike Fietz: "A lot of Germans view EC cards [debit cards] as cash equivalent. The vast majority of people would rather pay via EC card than credit card. They also trust specific online-payment providers such as Paypal and Mastercard SecureCode."

> "OVER 30% OF QATARIS DO NOT OWN CREDIT CARDS AND DO NOT TRUST ONLINE PAYMENT METHODS CURRENTLY AVAILABLE IN QATAR"
>
> **DYALA ALI, ASSOCIATE AT PINSENT MASONS**

CHAPTER 3 KEY FINDINGS

CHINA
Chinese shoppers are most fearful about a data breach, with 51% ranking it as their biggest worry. Foreign retailers should adopt trusted payment methods such as UnionPay, Alipay, and Tenpay.

UK
British shoppers are the least concerned with getting personalised offers on their mobiles. International retailers must be wary of being too invasive with personalisation in the UK and ensure they communicate to shoppers via the channel they are most comfortable.

MIDDLE EAST
Debit and credit card use is also low so retailers trading in the country must offer payment on delivery options.

FRANCE
Just 9% of French shoppers prefer using cash – lower than any other country – highlighting the importance of offering a plethora of alternative payment options while trading in the country.

GERMANY
12% of German shoppers do not want a personalised shopping experience, lower than elsewhere in Europe. Retailers should place personalisation among their investment priorities in the country.

PINSENT MASONS ACTION POINTS

• Data protection is an important issue for the future success of any retailer. A data protection breach or any leak of data will damage a retailer's reputation and impact on the willingness of customers to shop online and share personal information.

• Retailers should be diligent in ensuring they are up to speed with all relevant data protection laws and practices in the regions in which they operate, they should let customers know that they are doing all they can to observe international best practice to protect personal data

• Which payment methods customers are willing to use differs from country to country. Research what works in local markets. But shoppers in all countries have concerns about the safety of sharing their personal data, so establishing a robust data protection policy that customers can trust is essential.

■ CHAPTER FOUR
SOCIAL COMMERCE PERCEPTIONS AND IN-STORE TECH

■ 29% of shoppers globally have bought an item directly through social media. This is at its highest in the Middle East

■ Middle East shoppers trust social media far more than western Europeans and celebrity endorsers hold more weight

■ The lines are blurred between social and commerce in China as its social networks sell goods and its retail sites have a social media side

■ When it comes to in-store technology, digital tablets that give shoppers access to a brand's full inventory are most popular globally, particularly in the UK

Social media helps connect people from San Francisco to Shanghai on a personal level, and increasingly shoppers and brands across the globe too.

Platforms from Facebook and Twitter to WeChat and QZone are where people interact with friends, connections, celebrities and brands, and where they go for advice and inspiration. In fact, 29% of consumers worldwide say they have bought products via a social networking site.

However, this trend is more prevalent in the Far East and Middle East. Only 14% of Brits, 15% of French people and 18% of Germans say they have made a purchase via a social media site compared to more than half of the consumers (51%) surveyed in the Middle East.

This trend is strongest in Abu Dhabi where 73% of consumers say social media has led them to buy an item.

Indeed, this is set to grow as younger generations increasingly turn to social media for

their preferred means of connecting. According to a survey from the Abu Dhabi Education Council, 70% of students said they were on social media between one and five hours daily, while just 3% said their daily use was less than an hour.[1]

The fact that social media is such a powerful selling tool in the Middle East could relate to the trust people profess to having in recommendations from friends and family.

Globally, the opinions of friends and family

Chart 4b
Which source of product reviews/recommendations are you likely to trust?

	Global	UK	France	Germany	Middle East	Abu Dhabi	Dubai	Qatar	Saudi Arabia	China	Shanghai	Hong Kong	
Friends and family	73	73	71	72	72	89	82	45	73	75	76	74	%
Social media eg Twitter or Facebook	25	14	12	14	45	52	41	42	46	39	38	39	%
Reviews on retailers' website	38	37	38	27	47	55	44	52	39	38	42	34	%
Reviews on independent website	43	52	35	49	41	45	40	48	30	38	39	36	%
Consumer rights publications	32	29	37	27	39	43	37	49	28	28	26	29	%
"Other customers also viewed" type functions on webites	16	14	11	13	28	42	18	36	17	16	17	16	%
Celebrity endorsements	6	2	1	2	17	33	10	13	13	6	7	4	%
Other	1	2	2	2	1	0	1	0	1	0	0	0	%

are the most trusted source for recommendations and reviews, and this is felt most strongly in the Middle East. A high proportion of consumers in Abu Dhabi (89%) and Dubai (82%) say they have confidence in friend and family recommendations compared to a global average of 73%.

Drew Benvie, founder and managing director of social media agency Battenhall, says Middle East shoppers typically go to their friends and family for tips, representing a big culture of sharing via social media, with WhatsApp and Facebook the most popular platforms for sharing purchase recommendations.

REVIEWS AND RECOMMENDATIONS
Social media is also a trusted source of product and brand reviews, particularly for consumers in the Middle East. Some 45% of shoppers in the Middle East say they trust reviews on social media platforms compared with 12% of French and 14% of Germans and Brits.

Shedding further light on the Germans' mistrust of social media, Eike Fietz, partner at Pinsent Masons, says: "While Germans don't trust recommendations via social media platforms, bad press there does do a lot of harm, because Germans may find their scepticism of a social media-endorsed product confirmed."

Benvie says western Europeans are more sceptical about social media because it is more evolved.

"We [Western Europeans] know social media is an extension of press and advertising," he says. "There's even a backlash against brands' infiltration of social networks like Instagram with people demanding brand posts get off their feed."

There's more trust in reviews when they are housed on independent review sites such as TrustPilot and Reevoo, rather than on a retailer's own website. Globally, 43% of consumers say they trust independent website reviews compared to 38% on retailers' websites.

Germans are the most sceptical of reviews on retail websites, with just 27% of people saying they trust what they read. However, third-party sites win over some Germans with almost half (49%) saying they trust the information served up on such sites.

Writing as a German living in the UK for eCommerce Worldwide, Blanca Mercer, senior consultant from multichannel and ecommerce consultancy Practicology, explains that German shoppers "crave stability" and trust is hugely important for retailers looking to win German spend, particularly when the brand is unknown to them.[2]

CUSTOMER SERVICES
Social media is not just a place to see new products and editorial, it is also becoming a popular platform for customer services. Benvie says this is a global trend. "People automatically go to social media to have their problems solved," he says.

However, he adds that retailers should endeavour to take these problems offline to protect brand reputation. The growth in messaging apps such as WhatsApp and Facebook Messenger as a customer service tool is helping make such conversations private.

Benvie says WhatsApp is becoming a popular destination for customer service interaction in the Middle East. Meanwhile, in the UK, Twitter and Facebook are the most popular social media platforms for customer service queries.

Asos, which has more than 19 million followers on social media, has staff that can speak to customers in more than five languages, across email, Facebook, Twitter, Google+, Instagram and YouTube and responds to all social media enquiries within 15 minutes.

Having a multi-lingual social media team is imperative for retailers trading overseas.

INNOVATIVE IN-STORE TECHNOLOGY
The modern store is becoming a beacon for new technology. From tablets to virtual mirrors, the industry is awash with new innovations that have the potential to improve the shopping experience and provide some digitally-powered theatre to the store.

However, digital features such as wi-fi and virtual mirrors are not a compelling enough

73%
of global consumers trust friends and family for product reviews and recommendations

MOST COMFORTABLE
① China
② UK
③ Germany and Middle East
④ France

CHINA'S HOME-GROWN SOCIAL PLATFORMS

With Facebook, Twitter, YouTube, Instagram and Google+ all blocked in China, alternative home-grown social platforms have turned into a sensation in the country.

WeChat, the Chinese social platform that provides messaging, video calling and a feed similar to Facebook's, has more than 700 million active users and approximately 93% of those living in China's tier-one cities are using the app.[3]

WeChat is more than a social network. Users can also order taxis, listen to music and make payments on the app.

Uniqlo and McDonalds are just two of the international retailers that use WeChat – in fact, 30% of the fast food chain's customers use WeChat to pay, making it the most popular payment method.[4]

Chinese shoppers are unsurprisingly keen purchasers through social media, with 49% of those surveyed buying directly from such sites.

China's social networks are an important tool allowing retailers to engage with shoppers. Fashion powerhouse Burberry uses WeChat to keep shoppers up to date about new products and events to help them buy into the brand and launched a digital marketing campaign on the platform tied into Chinese New Year last year.

The luxury retailer sent its WeChat followers a photo of a wrapped gift and encouraged them to "shake, tap and swipe to try and open the gift."[5]

Upon doing so, users received a letter from Burberry and were offered an option of sending a personalised gift to loved ones, such as a cashmere scarf from its Lunar New Year collection, which they could buy without leaving WeChat.

Meanwhile, Alibaba's UK senior manager Meifang Chen says it has integrated social into its platform to serve China's social shoppers. "In order to connect with shoppers we need to be a social platform and not just an ecommerce platform. We're Google, Facebook and Amazon all in one," she says.

Regardless of whether brands are looking to target Chinese shoppers or not, Battenhall's Benvie recommends they look at WeChat, as he predicts other social networks will try to emulate its approach. "It's a one-stop shop for mobile phone users. That's where globally other social networks are looking to. We'll see more Facebook-style functionality within WhatsApp," he says.

There are other social networks in China, including Qzone, a blogging site on which users can also listen to music and send photos. Qzone is owned by WeChat parent company Tencent.

International brands such as Nestle have used Qzone to reach new customers. The FMCG giant promoted its BenNaNa ice cream by creating a Qzone game site that allows users to unlock virtual badges and upload pictures of themselves with the dessert.[6]

Meanwhile, China's version of Twitter, Weibo, has almost 300 million monthly active users and has been used to build interest in retail brands. Tommy Hilfiger created a buzz on the platform to celebrate its 30th anniversary fashion show in Beijing in 2015.

Content around the event led to a 2,000% increase in visits to the brand's Weibo page, which helped drive a 21% jump in sales at its Beijing stores and the doubling of online in China.[7]

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> ## "WE NEED TO BE A SOCIAL PLATFORM AND NOT JUST AN ECOMMERCE PLATFORM. WE'RE GOOGLE, FACEBOOK AND AMAZON ALL IN ONE"
>
> **MEIFANG CHEN, UK SENIOR MANAGER, ALIBABA**

offers as the most important function of in-store technology.

This may be associated with a burgeoning penchant for shopping events in the regions, which Rajiv Suri, chief executive of Middle East franchise group Majid Al Futtaim, says is contributing to a growing discount culture.
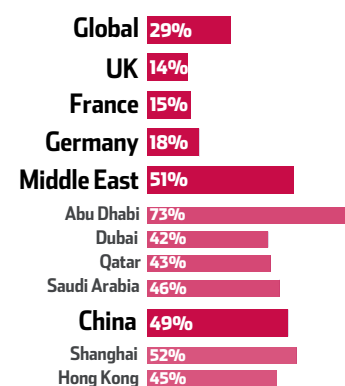
"There's a number of events such as Dubai Shopping Festival [which runs from Boxing Day to January 28 2017] and Dubai Summer Surprises, which are based on markdown," he says. "It's getting more and more promotional in the premium and luxury segments."

Technology that enables shoppers to compare prices on their mobile devices is the next most popular globally. Interestingly, this technology was most popular in Shanghai, where 18% of those surveyed ranked it as their top priority compared to a 12% global average and 12% in nearby Hong Kong.

James Rogers, managing director of Shanghai-based retail consultancy CR Retail, says this is illustrative of the fact that the Chinese shopper is becoming more price sensitive and international brands should take heed if they are to have success there: "Chinese shoppers do not want to be exploited. They will not overpay. They'll look online and if it's cheaper they'll save up and travel to buy it," he says.

reason to entice shoppers into a store – just 2% of those surveyed place it among their top three drivers to shop with a retailer.

Having said that, these features can help to enhance the overall shopping experience.

So what technology does the shopper really trust the value of and does this change around the world?

Globally, the most popular store technology is that which gives shoppers access to a retailer's full inventory – 23% of global consumers rated that as their top priority.

This technology, which generally takes the form of digital tablets or in-store kiosks, is most popular in the UK, where 30% of shoppers say it is the most important function of technology. This compares to just 18% of French shoppers.

In-store tablets are now a commonplace feature in UK stores including Boots, Marks & Spencer and New Look.

On a similar note, 16% of global shoppers rank technology that helps shoppers find out-of-stock products as most important.

Meanwhile, 31% of shoppers in Abu Dhabi and 30% in Saudi Arabia rank personalised

Chart 4a
Percentage of shoppers who have bought something from a retailer by clicking on a product through a social networking site

Region	%
Global	29%
UK	14%
France	15%
Germany	18%
Middle East	51%
Abu Dhabi	73%
Dubai	42%
Qatar	43%
Saudi Arabia	46%
China	49%
Shanghai	52%
Hong Kong	45%

[3] www.businessinsider.com, April 20, 2016
[4] www.chinainternetwatch.com, April 22, 2016
[5] www.retail-week.com, January 15, 2016
[6] www.labbrand.com, June 25, 2012
[7] http://fashionista.com, August 10, 2015

THE POWER OF CELEBRITY

Many brands pay big money for celebrities, global or local, to represent and promote their products, but do consumers really trust these endorsements?

In Western Europe, the answer is a resounding no. Just 1% of French consumers and 2% of UK consumers and Germans trust a celebrity endorsement. Many retailers have opted to use real shoppers to promote products instead.

However, in Abu Dhabi, a third of shoppers say they have faith in celebrity recommendations, compared to 17% across the Middle East as a whole.

Benvie says that a love of social media use in the Middle East has created a new breed of celebrity, with bloggers and influencers having significant sway in the region. For example, Dubai-based Huda Kattan, has more than 16 million Instagram followers, and Saudi Arabia's Darin Al Bayed has 3.6 million.

"In the Middle East influencers are treated like superstars," says Benvie. "There's a more viral feel to content creation over there. It feels fresh and new like it was here [in the UK] five to 10 years ago."

Benvie urges brands to tie-up with this new breed of social superstar to harness their reach and influence in the Middle East.

Celebrity product endorsements have proven popular in the Middle East

> "
> CHINESE SHOPPERS DO NOT WANT TO BE EXPLOITED. THEY WILL NOT OVERPAY. THEY'LL LOOK ONLINE AND IF IT'S CHEAPER THEY'LL SAVE UP AND TRAVEL TO BUY IT
>
> **JAMES ROGERS, MANAGING DIRECTOR, CR RETAIL**

PINSENT MASONS ACTION POINTS

• Social media is less formal than other marketing channels but carries the same legal risks. Getting your company's "voice" right on social media is vital to allow customers to understand your company's brand values and helps manage legal risk.

• Keep separate what others say about you and what you say about yourself to help manage legal risk.

• Social media platforms have to do their homework (for example, data security) to change their position from a retailer's marketing tool to an accepted shopping channel.

• Train staff on use of social media, online endorsements and dealing with complaints. One stray word could damage your brand and reputation for a long period.

• While aligning a brand with an influencer or celebrity can be an excellent means of promoting products, retailers should stipulate careful parameters regarding how their products can be represented so as to ensure that brand messaging remains consistent and reputational damage is avoided.

• To deliver the right product when the customer wants it, the retailer needs the technology supported by fully integrated stock management and supply chain systems, where data is freely available and accessible at all levels.

CHAPTER 4 KEY FINDINGS

CHINA
Chinese shoppers are social media savvy and having a presence on the country's home-grown social networks such as WeChat and Weibo is vital.

UK
British consumers place a greater importance on in-store technology's ability to show a retailers' full range of product. Retailers should introduce this capability to store via tablets or kiosks, which should also allow them to use space more effectively.

MIDDLE EAST
Shoppers in the region are most preoccupied with social media both as a channel to engage and buy. Retailers should have a comprehensive social strategy, and work with influencers in the region, to exploit the social opportunity in the Middle East.

FRANCE
French shoppers are the most taken with in-store technology, such as tablets, which allow shoppers to find out-of-stock products. International retailers should embrace this technology to drive additional sales.

GERMANY
Germans are the most sceptical of reviews on retail websites. However, third-party sites win over almost half of German consumers. Retailers should consider integrating reviews from these independent sites onto their own website.

■ CONCLUSION
A GLOBAL VIEW OF CONSUMER TRUST

In retailing terms the world is becoming smaller, but there is still a wide gulf between shopping behaviours across the globe.

One thing that is universal across many different countries and cultures is the importance of trust. Globally, consumers agree it is the fundamental reason they choose to shop with a brand.

But trust is subjective and how it is built and maintained can differ wildly, certainly from country to country and perhaps from person to person.

Pinsent Masons partner and head of retail and consumer Tom Leman says retailers can cultivate trust by meeting consumer expectations and delivering on their promise.

The big challenge for retailers is to determine what those expectations are. This report has done some of that groundwork and has found:

1. SHOPPERS HAVE DIFFERENT EXPECTATIONS IN TERMS OF PRICE, PRODUCTS AND SERVICE

Perhaps still cautious following the Eurozone crisis, British and German shoppers are very price sensitive. Get your pricing strategy wrong and you risk losing their trust.

Meanwhile, if your brand mix is off-kilter in China or you fail to give Dubai's shoppers the VIP service they have come to expect, the consequences could be equally dire.

2. THE WAY PEOPLE SHOP IS CHANGING RAPIDLY ACROSS THE WORLD

UK consumers want a seamless, omnichannel experience that allows them to shop through any channel and receive their goods, when and where they want.

China's growing middle class want to live their life via mobile so retailers should enable them to chat, discover and buy on their platform of choice.

Middle Eastern shoppers are seeking affirmation from friends and family. Retailers must keep up with the changing behaviours of global shoppers to make sure they are fulfilling these ever-changing needs.

3. DELIVERY AND DATA SECURITY IS AN ISSUE FOR ALL CONSUMERS

UK and French shoppers may be preoccupied with the price of delivery, but Chinese shoppers are anxious over whether it will turn up at all. Delivery is a big barrier to cross-border shopping. Similarly, data security is understandably a concern across the globe.

High-profile breaches have occurred around the world and shoppers worry that the valuable information they share with you could end up in the wrong hands.

Retailers must set out their stall and what they stand for, guarantee that their promises will be kept and assure customers that security is of the utmost importance.

4. UNDERSTAND WHAT CONSUMERS LIKE AND WHERE THEY ARE PLACED ON THE TECHNOLOGY ADOPTION CURVE

Technology can be scary and shoppers around the world have different comfort zones for emerging innovation. From payment to personalisation, there is a vast difference in sentiment over the benefits that retail's new technology brings.

While China's tech-hungry shoppers are paying with social media apps, Germans and Middle East shoppers are hesitant to move away from cash in store.

Germans are very safety-conscious and only trust specific payment solutions online.

Meanwhile, when it comes to technology retailers must avoid the urge to introduce the latest innovations for the sake of it, and first ensure it is the right fit for each market.

5. SOCIAL MEDIA IS A VITAL TOOL IN EVERY TERRITORY

Social media may not have taken off as a sales platform in Europe the way it has in China and the Middle East but that does not mean it should not be a focus. Shoppers across the globe are turning to social media for advice, reviews and customer service.

The diverse functionality and commerce capabilities of China's social networks are being emulated in other platforms. Both Facebook and Instagram have introduced shopping capabilities in the past year. The line between social media and commerce is blurring and much can be learned from how China's social media savvy consumers shop.

It is clear that retailers looking to capitalise on the enormous opportunity that globalisation brings cannot apply a cookie cutter approach to expansion.

The 5,000 shoppers spoken to for this report were honest in their mistrust of overseas brands – 31% of shoppers globally would be deterred from buying online if they knew a product was coming from a country outside their own.

Retailers seeking to build a global business should not act or feel like 'foreign' brands. Instead they must understand the nuances, respect the culture and tailor their offer to give shoppers the best international brands with appropriate local service.

29% of consumers worldwide say they have bought products via a social networking site

MOST COMFORTABLE

① Middle East
② China
③ Germany
④ France
⑤ UK

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