

# How to create an e-commerce strategy that is prepared for legal and technological change

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## Overview

What is covered in this article?

In this article, we explore key e-commerce trends that are shaping the future, focusing on:

- **Key issues**, such as adopting flexible supply models, creating more personalised loyalty programmes and enhancing the shopping experience with augmented reality (AR) and virtual reality (VR).
- **The legal framework**, including critical updates to consumer law, EU e-commerce regulations and the new digital markets regime under the Digital Markets, Competition and Consumers Act (DMCCA). Furthermore, we delve into emerging technologies such as AI agents, machine learning and digital identity, which are poised to transform e-commerce operations and customer experiences.
- **Market trends**, offering insights into how businesses can effectively prepare for the future of e-commerce.

Retail is now inseparable from the digital world. Whether selling through dedicated e-commerce platforms, social media or online marketplaces, to stay competitive and drive growth your business needs to embrace digital solutions. The rapid pace of technological change has unlocked immense opportunities, but with it comes an increasingly complex web of regulations. Any business involved directly or indirectly in retail cannot afford to ignore them.

From data protection and consumer rights to online payment security and cross-border taxation, those of us who operate in the world of retail face a legal landscape that is evolving as fast as the technology itself. Navigating these challenges is critical to avoiding costly missteps and ensuring long-term success.

We break down the key legal considerations in e-commerce, with a particular focus on how retail businesses can stay compliant, minimise risk and make informed decisions in a digital-first market.

# The issues

## What are the key e-commerce trends that are likely to have an impact on my business?

The retail environment has undergone a seismic shift in recent years, propelled by rapid technological advancements and changing customer expectations. The pandemic certainly acted as a catalyst, accelerating digital adoption among retailers who previously relied primarily on bricks-and-mortar operations. For most of us, e-commerce is no longer an alternative. It is a core sales and marketing channel – in many cases, increasingly *the* core or sole channel. Demand for efficient online experiences continues to rise, even as in-person shopping started to return to pre-pandemic levels.

Why is it so crucial to embrace digital transformation in order to stay competitive? The concept goes way beyond mere platform upgrades and new payment options. It requires careful consideration. What are the strategic decisions you need to make to enhance customer engagement and optimise operations in your business? A one-size-fits-all approach simply no longer works. We show why that is the case, by exploring some of the most impactful e-commerce trends shaping the retail sector today. We also set out ways to maximise the opportunities for your business.

## Adopt flexible supply models

A key measure that we have seen our retail clients adopt in order to remain highly competitive is the use of agile supply models. The main benefits are to enhance convenience and increase reach across multiple sales channels. There are various components to this:

- **Multi-channel selling**

This approach is far from new. Retailers have long been diversifying sales strategies by selling through both their own websites, and concurrently via third-party marketplaces such as Amazon and eBay, in addition to physical stores. The key benefits are easy to see, coming in the form of increased brand visibility and customer accessibility.

- **Direct-to-consumer sales**

Another market trend we have witnessed is that established brands and manufacturers are bypassing traditional intermediaries and selling directly to consumers. This allows greater control over pricing, branding and customer relationships.

- **Drop shipping**

This model is widely used in fashion and consumer goods. It allows retailers to sell products without holding inventory, which offers a multitude of benefits. Orders are fulfilled directly by third-party suppliers, reducing storage costs and operational complexity.

How do you work out which model is right for you, or whether your current approach could be improved? A first step is to consider your current supply model and assess whether your contracts with both suppliers and logistics providers fully cover all of the key areas, such as liability, quality control and fulfilment timelines to protect brand integrity.

## Develop smarter and more personalised loyalty programmes

This is an area in which, somewhat uniquely, we have seen a *decrease* in regulation over the years. Not that long ago, the UK's Trading Stamps Act (repealed in 2005) regulated the traditional form of loyalty schemes, trading stamps – the most famous of which more mature readers will recall: Green Shield Stamps. The advent of points-based loyalty cards quickly led to the demise of trading stamp schemes. Proposals were tabled for regulating newer forms of loyalty scheme, but there was little appetite or support for specific legislation.

The points-based loyalty schemes are themselves now being phased out. Not surprisingly, the future for loyalty schemes is in the form of sophisticated, AI-driven programmes tailored to individual shopping preferences of customers. Digital wallets simplify loyalty programmes by allowing easy point accumulation and real-time notifications about reward expiry and personalised promotions.

What do loyalty programmes look like in 2025 and what are the trends your business may wish to monitor? Below are some examples – all of them have one thing in common which makes today's loyalty or incentive scheme much more challenging than the stamp- or point-based systems of old:

- **AI and machine learning**

Retailers leverage AI and machine learning to analyse customer purchase history and real-time behaviours, offering personalised discounts and rewards, enticing customers who may otherwise not have intended to make a purchase.



- **Mobile and geolocation engagement**

Mobile apps enable real-time notifications, allowing retailers to send targeted promotions when a customer is near a physical store. For example, a coffee chain might prompt customers with a limited-time discount or complimentary beverage as they pass by.

- **Gamification and sustainability incentives**

Loyalty programmes are increasingly incorporating tiered membership, interactive challenges and rewards for sustainable purchases, such as incentivising re-usable packaging or offering points for the return of empty product containers.

The common thread in all of the above is, of course, data.

With such extensive consumer data being processed, retailers must ensure compliance with complex privacy regulations – not just domestically, but also internationally. This means ensuring practices, systems and any associated services comply with global data protection laws, especially where the service providers are in various jurisdictions. Businesses that do not do so face the risk of not only regulatory scrutiny, but immeasurable reputational damage.

## Combine the best of in-store and online shopping with selective AR and VR

What role do AR and VR play in the transformation of e-commerce? Put simply, they are bridging the gap between digital and physical shopping. There are plenty of good examples of this:

- **AR Magic Mirrors** – brands like Sephora, Charlotte Tilbury (Beauty Wonderland in collaboration with Disney), Clinique and Hugo Boss enable shoppers to “try on” products virtually, enhancing confidence in purchase decisions.
- **Interactive displays and VR stores** – bricks-and-mortar retailers are increasingly using immersive technology to enhance in-store experiences or to create talking points among customers, ultimately as an effective marketing device.

Developments such as these are reshaping retail and e-commerce at a pace. As with any innovation, as the scope of the progress expands and accelerates, so too do the legal obligations governing this area of digital transformation.

## The e-commerce legal framework

### What should be on my must-know list?

In reaction to the rapid growth and expanding influence of online marketplaces, the UK and EU have introduced a substantial framework of legislation to regulate e-commerce. This reflects a number of issues that the regulators are under increasing pressure to address – ensuring fair competition, implementing robust consumer protection measures and preserving marketplace integrity are among the most common themes.

The evolving legal framework presents both opportunities and challenges for retail. Compliance is mandatory, and failure to adapt could mean significant regulatory and financial consequences.

Below is a list of key regulatory developments that are shaping e-commerce today, providing a good starting point for your regulatory compliance need-to-know checklist:

## UK consumer law developments and guidance (the DMCCA)

Few of us will be unaware of the significant enhancements that the DMCCA brings to domestic consumer law enforcement. The CMA gains powers which actually have teeth in its role in regulating digital markets and consumer protection. The impact of this not only reshapes the competitive landscape, but is also expected to have a profound impact across a range of sectors.

### Action required

If you operate through online platforms, now is the time to review your compliance strategies. This should involve as a *minimum* all of the following:

- Familiarise yourself with the detail of the DMCCA, in particular any government guidance which is usually invaluable in understanding your consumer law duties. This will involve assessing the application of the legislation to all parts of your business, identifying any potential areas of non-compliance.
- If you run an e-commerce platform, make sure that prices in adverts and product listings are transparent. Your business must make clear the actual costs of the product to the consumer.
- Put in place suitable measures to prevent fake reviews.
- Keep abreast of any proposals to supplement the DMCCA's blacklist of activities which are always banned. These will likely be influenced by hot topics on the CMA's radar, such as further "dark patterns" in addition to the one it covers currently: drip pricing.

### What lies ahead?

Recent media coverage and public statements provide strong indications that, having been bestowed with such significant powers, the CMA intends to use them.

In light of the CMA's list of key priorities (which can be found in its annual plan), we expect to see a greater emphasis on enforcement action and imposition of fines in the consumer protection sphere. This is particularly likely to be the case in respect of hidden fees and fake reviews.

It is no bad thing to be extra cautious of the prospect of increased litigation, as any CMA enforcement action may, in turn, encourage consumers to bring their own claims.

Expect to see further regulations introduced under the DMCCA to deal with other dark practices and possibly even more measures in respect of pricing transparency.

## EU e-commerce regulation and guidance

In addition to legislation, on 5 February 2025, the European Commission published new guidance: "E-commerce communication: A comprehensive EU toolbox for safe and sustainable e-commerce".

Its key objective includes ensuring consumer safety by strengthening regulations to prevent non-compliant and potentially harmful products from reaching EU consumers. Other stated aims are, as one might expect, primarily promoting fair competition, by protecting EU businesses from unfair competition caused by non-compliant imports from third-country sellers. It also addresses the environmental impact of a rapidly growing volume of e-commerce shipments.

### Action required

If you actively market in the EU, you should gear up for heightened scrutiny on product compliance and transparency. You will need to make sure your operations are compliant with these new standards.

### What lies ahead?

EU consumer legislation has been expanding rapidly over the past decade and is currently undergoing a wholesale review as part of an ongoing agenda launched in 2020. Keep a watchful eye on developments in respect of the "big three" directives – the Unfair Commercial Practices Directive, the Consumer Rights Directive and the Unfair Contract Terms Directive – and expect to see changes to deal with similar activities to those which are addressed by the DMCCA. This also means understanding the nuances of, and differences between, English and EU consumer laws – where you actively market into the EU, your business will need to comply fully with both regimes.



## **New digital markets regime and guidance (under the DMCCA)**

In December 2024, the CMA published [detailed guidance](#) on how it will enforce the DMCCA's digital markets regime. The guidance is an essential resource for businesses, outlining procedural and substantive requirements under the new framework.

### **Action required**

Prepare not only for the second C in DMCCA but also the DM. This means ensuring that your e-commerce strategies are in line with the emerging framework such that your business remains competitive and compliant. Failing to do so could expose you to costly fines or other market disadvantages.

### **What lies ahead?**

Ensuring compliance is not just about avoiding fines – it is about building trust, maintaining platform access and securing long-term success. This means taking steps to assess risk and implement compliance measures, and starting this process now.

## **Market trends**

### **What are the emerging technologies that will have a significant impact on your e-commerce activities?**

Additional regulation is perhaps only the by-product of the real challenges that your business faces in a rapidly evolving e-commerce environment. Technological innovation forms the core of e-commerce transformation – which clearly offers a myriad of opportunity. At the same time, it is also frequently a time-consuming and often daunting, if not overwhelming, prospect to ensure your business stays ahead of emerging trends and sets itself up for success. Just think back to November 2022 when ChatGPT launched. The digital strategy of practically every business – let alone retail – was set to change almost instantly.

The following is a hard question to answer: what are the key digital developments that are likely to impact business in the shorter term? The good news is the CMA has answered it for us. It recently identified its top 10 technological advancements expected to reshape digital markets in the next five years (see [here](#) for more details). Among them, several stand out as particularly impactful for retailers:

## **AI agents and assistance – personalisation at scale**

No surprise that this one tops the list.

AI-powered assistants are revolutionising online retail by delivering personalised shopping experiences. From smart chatbots handling customer queries to virtual shopping assistants offering curated product recommendations (examples include virtually matching make-up), AI is transforming how retailers engage with customers.

These tools should both enhance customer satisfaction and improve operational efficiency. The CMA notes key advantages such as “allowing businesses to provide 24/7 support without disproportionately increasing overhead costs”.

That all sounds wonderful, but the reality is that there will be a steep learning curve with several potential bumps along it for most of us. There is, of course, the looming and inevitable regulatory backdrop that will likely place significant additional burdens and controls on many businesses and, in particular, those that are consumer-facing.

## **Machine learning – smarter decision-making**

Machine learning is effectively a subset of AI. AI comes in many guises, commonly involving techniques to produce outcomes that mimic human intelligence. Machine learning primarily involves number (or, rather, data) crunching to achieve a particular outcome – analysing such data to identify patterns and produce models, all of which inform and educate an underlying system.

Machine learning models have numerous applications in the retail world. These include predicting customer behaviour, optimising dynamic pricing, preventing inventory shortages and ensuring businesses can meet demand without overstocking. The benefits are obvious and significant – the potential to increase profitability while reducing waste and, in doing so, making operations more efficient. As it is all about data and falls within the catch-all term “AI”, retailers adopting machine learning can expect to face significant regulatory compliance challenges.

## Digital identity – strengthening security and fraud prevention

Cyber threats are the shoplifters of e-commerce and have the potential to cause devastating damage to any retailer with an online presence, which means the vast majority.

As online fraud and cyber threats become more sophisticated, digital identity verification is a critical tool for ensuring security in e-commerce transactions. Secure logins, biometric authentication and real-time fraud detection protect both retailers and customers, fostering trust and compliance with evolving legislation. Enhancing security while maintaining optimal user experiences can be a balancing act for retailers in the years ahead.

## Summary

### How do I prepare for the future of e-commerce?

We have explored how a fundamental transformation of retail is being driven not just by rapid technological evolution, but also as a result of the increasingly complex regulatory matrix that accompanies it.

We round things off by summarising some of the key challenges for your retail business and suggesting approaches to help to keep on top of change.

### The challenges

- Any digital strategy which sets out to adopt AI and, in doing so, uses predictive analysis or applies biometric authentication must integrate legal requirements. These range from data protection and cybersecurity to intellectual property and consumer rights.

- Your business faces not just the burden of increased UK legislation, but also potentially conflicting laws from the EU and beyond. These all offer the prospect of fines, reputational damage or loss of access to customers. Monitoring developments helps you plan ahead. Simple measures, such as diarising key dates when new regulations commence, all help. Training staff is vital for any consumer-facing business – they need to understand not just consumer law rights, but also an increasingly complex regulatory regime for data. As new legislation arrives, look out for government and ICO guidance which often helps to fill some of the holes in the legislation itself.
- As AI-powered assistants, machine learning and digital identity solutions become more deeply embedded in e-commerce, consider how you can use these innovations effectively. The retail businesses that will thrive in this new landscape are those that embrace these technologies. To do so, it is key to have a clear and measurable strategy. Have you worked out how technology will enhance efficiency? How will it strengthen your security? Will it help deliver seamless customer experiences and, if so, how? These are examples of the sort of specifics to consider.
- Anticipating regulatory changes, and ensuring digital strategies align with developing legal frameworks and business goals, are easy to write as mission statements but take time and effort to implement effectively. Set aside the time and resource to address the issues fully.

With e-commerce evolving rapidly, now is the time to ensure your digital strategy is legally sound, secure and future-proof. If you would like to discuss how these emerging technologies and regulatory developments may impact your business, please get in touch. Our Tier 1 ranked team (*Legal 500*, 2025) team specialises in helping retailers navigate the evolving legal landscape.