



We are
Ireland online

Tipping Point 2021

Irish e-commerce and
digital business in the
Covid vaccine era

In partnership with



Foreword

While vaccines offer Ireland a way out of lockdown, until a critical mass is reached and the population is immunised, our economy and society are set to remain in a state of flux.

This flux is accelerating major trends in e-commerce and digitalisation. Behaviours and ways of working that boost sales, cut costs or increase convenience are likely to become permanently ingrained.

Few consumers are fully comfortable at the thought of shopping on their local high street and the majority expect either the same or more pandemic restrictions in 2021. Most anticipate shopping for most or all products online this year.

In the previous edition of this report, consumers said they had done the majority of their online shopping with Irish SMEs since the beginning of the Covid crisis, not with international retailers. However, it appeared that much of this 'buy local' sentiment was rooted in crisis solidarity with Irish businesses. At the time, the report indicated that as the economy emerged from lockdown, Irish SMEs could once again lose out to international retailers if they failed to recognise and hone their competitive advantages, such as trust and reliability, or level the playing field with a better online storefront or website.

The 2021 .IE Tipping Point report shows that this reversal has already occurred, despite the economy being more locked down than before. While Irish consumers are still eager to support local businesses through the pandemic, other factors, particularly price and range, have returned to prominence. Irish SMEs need to focus on their USPs and invest their resources in improvements to online customer experience and service, which consumers explicitly value.

Despite being overtaken again, Irish SMEs in certain sectors still have plenty to cheer about. Sustained online spending and Government supports mean the majority are positive about their financial outlook for 2021. Those that have invested in their website or online store have reaped the rewards: most say they are busier than or as busy as they were before the pandemic.

There is also growing evidence of an understanding of Irish consumer needs. There has been a remarkable shift in the number of SMEs that have invested in their online presence, and a growing cohort of business owners see the future of retail in e-commerce.

This report shows that the pandemic is acting as a digital accelerant. Local and national decision-makers planning Ireland's post-Covid recovery must take this into account.

David Curtin
Chief Executive, .IE

Prior to the coronavirus pandemic, digital advocates struggled to get large scale buy-in to an online proposition that was developing, albeit much more slowly than current trends demonstrate.

However, the fluidity of the business landscape and the sharp escalation in the migration to online, amid three lockdowns, has led to business owners fundamentally re-thinking their operations. Last March, many believed the situation was temporary but with reports of continuing public health measures, longer term planning and investment in online have become more urgent.

While there is a more enhanced understanding of the nature and impact of the virus from a medical point of view, it remains challenging for businesses who are struggling to keep up with changing consumer trends. This is precisely why research of this quality is essential for business leaders, who need to better understand the behaviours and thinking of their target audiences.

The outputs from this robust research will help e-commerce professionals to keep ahead of the curve and better understand the factors that convince their customers to purchase from them. A degree of slippage in support for home grown indigenous businesses has all the hallmarks of features of pre-pandemic shopping, when online customers were motivated by price, range and customer experience. Stemming this tide will be key to enabling a robust digital eco-system for online businesses to grow and thrive.

The fundamentals remain strong though, with twice as many SMEs investing in their online offering. However, a focus on enhancing trust, ensuring reliability and a positive customer experience must be core elements of the 2021 digital journey.

On a positive note, a vast majority of online businesses have reported that they are as busy as, if not busier than before the pandemic. While encouraging, it is important that this does not become a trade off with the high street, which faces challenges such as negative consumer confidence trends, town centre decay and lack of retail diversity.

Unquestionably, the future of business is omni-channel, with a physical and digital footprint. It is important to stress that concepts are not mutually exclusive; what's bad for one permeates the other. Therefore, adequate policy responses are needed to ensure a robust shopping landscape where online and bricks-and-mortar coalesce and co-exist together.

Lorraine Higgins
Secretary General, Digital Business Ireland

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Key findings

The 2021 .IE Tipping Point report survey, carried out in January, assessed the attitudes and responses to the Covid-19 pandemic of 1,000 Irish consumers and 500 retail and consumer-facing professional services SMEs.

For some questions, respondents were asked to compare their current situation or opinion to 2019, pre-Covid, and to anticipate their future behaviour post-Covid. To record shifts in behaviours and attitudes in the last six months, 2021 data is compared, where relevant, with data from the 2020 report survey, which was carried out in June and July 2020.

These eight key findings provide an overview of some of the most important Covid 'vaccine era' trends in Irish SME e-commerce, digitalisation and consumer behaviour.

CONSUMER FINDINGS

- 55% of consumers believe that life in 2021 will be more or less the same as life in 2020, or even more restricted. **Few think that life will return to normal this year.**
- Despite a surge of patriotism in the initial six months of the pandemic, the majority of online shoppers have swung back from Irish SMEs to international retailers. **In 2021, 49% said they have mostly purchased from Irish SMEs since the Covid crisis compared to 53% in 2020.**
- Consumers view international retailers as more competitive on price, range and online experience, but they view Irish SMEs as more reliable and trustworthy. **Irish SMEs should focus their digital investment in these areas of competitive advantage.**
- Only 23% of consumers currently feel fully comfortable shopping in physical stores on their high street. **Most would prefer to wait until restrictions are lifted or vaccines are more generally available.**

SME FINDINGS

- The number of SMEs that have invested in their online presence has increased massively, from 21% in 2020 to 55% in 2021. **The majority recognise that the future of their business depends on adding some kind of digital offering.**
- 30% of SMEs sell a physical product via an online store, up from 25% in 2020. **Of these, the vast majority—almost 9 in 10—have noticed an increase in their sales numbers since the Covid crisis began.**
- 78% of SMEs that have invested in their online services say they are busier than or as busy as before the Covid crisis, up from 46% in 2020. **SMEs opinions on consumer purchasing habits are changing; more believe that consumers will do the majority of their shopping online.**
- 61% of SMEs said online services will be more important to their business in 2021 than they were in 2020. **A greater number of SMEs now accept that their business model is likely to be permanently changed by the pandemic.**



Insights

HERE AND NOW

Local and global factors that are currently influencing consumer behaviour and Irish e-commerce.

1. 'Buying Irish' isn't enough



In this edition of the .IE Tipping Point report, more consumers who reported doing the majority of their online shopping with Irish SMEs said they did so out of a desire to

help local businesses through the pandemic. However, overall online spend has actually swung away from Ireland and back to international retailers.

Crisis solidarity is not enough for a stable e-commerce strategy. Irish SMEs seeking to sustain their business through their online store can only retain their customers in the long term by consistently improving the online customer experience.

2. Play to your strengths



Multinationals with globalised supply chains have many clear advantages over Irish SMEs. They can be far more competitive on price and range. In these respects they can

be unassailable, and SMEs trying to undercut them in a race to the bottom are wasting their scarce time and money and potentially endangering their business.

However, SMEs still have competitive USPs, such as trust and reliability. They need to focus on perfecting these advantages—for example, with personalised customer communications or faster delivery services—so that shopping local continuously generates benefits and value-adds for their customers.

3. Brexit: advantage Ireland?



While Irish SMEs no doubt prefer that Brexit had not happened, the UK's withdrawal from the EU may actually confer local businesses with some advantages. SMEs

should seek to exploit them and inform their customers wherever possible.

For example, because many Irish SMEs ship goods entirely within Ireland, they can pass on cost benefits to consumers, who will not have to pay unforeseen customs charges. Delivery from within Ireland is also faster, as customers do not experience the recent delays associated with border inspections and customs checks on goods.

FUTURE TRENDS

Short- and medium-term trends with the potential to shape the future of digital Ireland.

4. Omni-channel is preferred



Consumers are spending more online and intend to keep doing so after the pandemic. Their in-store shopping routines have

changed over the last year, and many now favour visiting shops at a certain time of the week, when they view them as safer or less crowded.

This may help to accelerate a long-observed trend that suggests consumers now prefer to buy necessities online during the week—the 'midweek convenience'—and save discretionary purchases for the weekend 'experience'. If this behaviour becomes more apparent, bricks-and-mortar SMEs that have invested in an online store since lockdown will have a major advantage over their offline competitors after the pandemic.

5. Virtual service delivery



While Irish SMEs and international retailers remain locked in a constant struggle to win market share of online spend on physical

products, this report shows that Irish online **service** providers have a clear advantage over their overseas counterparts.

However, services are still purchased only infrequently online by consumers. This may be because many Irish SMEs and professional services firms have not yet invested in the tools or methods required to make the consumer experience useful and seamless. Service providers should therefore begin by undertaking an internal assessment of their use and deployment of technology, and whether it is fit for purpose.

6. No way back



The pandemic is a continuum, not a standalone event. Shifts in consumer and SME behaviour are still occurring, some now at a faster rate, others slower.

From a digital perspective, it is clear that the pandemic is having an accelerant effect.

What we view as Ireland's digitalisation tipping point may, therefore, be an accelerating downward spiral for those who fail to adapt as e-commerce and online interaction become the default. Local authorities and national decision-makers must consider these factors if their digital development plans are to be effective and relevant.

Section 1

The vaccine era, but no return to normal

While Irish consumers are fairly evenly divided on the country's prospects of a return to normal in 2021, most still don't feel comfortable shopping in-store on their local high street.



The pandemic remains an ongoing crisis. While vaccines have laid down a path back to normality, all government and medical advice suggests that economic restrictions and social distancing requirements are likely to remain in place until at least the end of 2021.

Consumers seem to be mostly on the same page. 37% believe that life in 2021 will be more or less the same as it was in 2020, while 18% believe that life will be even more restricted despite the vaccine rollout.

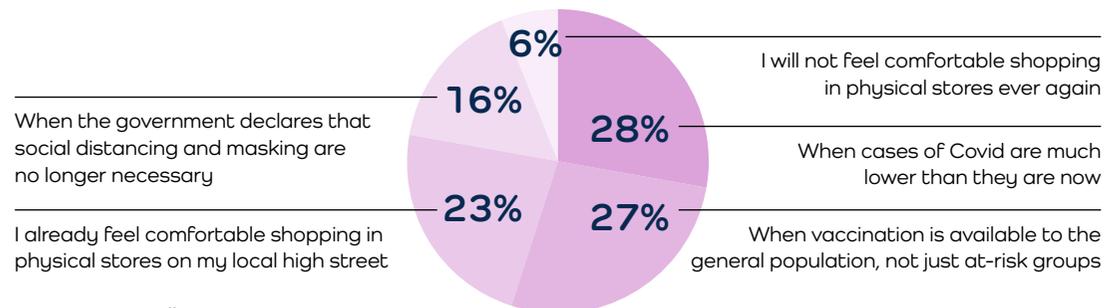
Only 10% believe that all pandemic restrictions will be lifted by the end of the year. Just over a third (35%) believe that we will approach pre-Covid normality in 2021, but some restrictions will still be in place at the end of the year.

Our research data provides a rough timeline of when consumers expect to feel comfortable shopping in-store. At present, fewer than a quarter of consumers (23%) are entirely at ease shopping in-store on their local high street.

With the majority of consumers having reservations about shopping in-store, an online channel is crucial for SMEs in order to survive the restrictions imposed by the pandemic.

For businesses and government decision-makers, it is clear that many of the new or accelerated trends in consumer behaviours seen in 2020 will continue this year. Many, in fact, may now be permanent.

When do you think you will feel comfortable shopping in physical stores on your local high street?



Base: 1,000, all consumers

45%

believe that life will return either mostly or completely to pre-Covid normality by the end of 2021

55%

believe that life in 2021 will be mostly the same as life in 2020 or even more restricted

Base: 1,000, all consumers

Section 2

The Covid consumer

The way Irish consumers spend online and in-store are changing. The speed of this change may be difficult for Irish SMEs to adapt to unless they focus on their competitive advantages over international retailers.



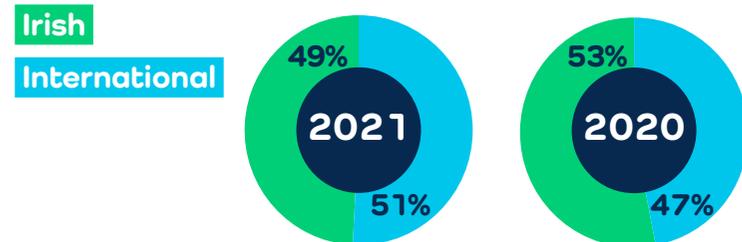
Despite the pandemic and its restrictions, overall consumer spending has held up, decreasing in some areas but increasing elsewhere, such as online retail.

The 2021 .IE Tipping Point report shows that 27% said they were better off and under a third (31%) were worse off. 43% of consumers reported little or no difference to 2019.

The overwhelming majority (94%) said they had made an online purchase in 2020, while 68% said they spent more online in 2020 than they did in 2019. In the previous survey, only 49% said they had spent more since the beginning of the Covid crisis.

46% of younger Millennials said they spent “significantly more” online in 2020 than 2019 compared to the 36% population average.

Consumer spending with Irish and international businesses since the pandemic began



Change of routine

47%

Have shopped mostly on weekdays in the AM

12%

have shopped mostly on weekends in the AM

28%

have shopped mostly on weekdays in the PM

7%

have shopped mostly on weekends in the PM

Base: 710, consumers who say the time at which they shop in-store has changed since the pandemic

Behavioural changes

A sizeable 42% say they will do most of their shopping in physical, bricks-and-mortar stores in 2021, despite the current restrictions, down from 48% in 2020. Greater numbers say they will shop only for necessities in-store but buy most other products online (43% vs 41%) or do most of their shopping online (15% vs 11%). These changes reflect the current state of the pandemic. The longer compulsory online shopping continues, the more entrenched it will become in consumer behaviour.

Among those who will do most of their shopping in physical stores this year, 61% say it is more convenient and 39% say they simply want to go outside or have some kind of social interaction. Interestingly, the latter figure has declined from 55% in 2020, again likely in response to rising Covid cases and the severity of the continuing lockdown.

However, even among those who shop in physical stores, behaviours have changed. 71% say that the time of day when they have shopped has changed, with almost half saying that they have shopped mostly on weekdays mornings.

The prospect of socialising has the exact opposite effect on the 15% of consumers who will do most of their shopping online: 66% say online shopping is safer and requires less interaction. 52% say it is more convenient, while 46% say it saves them time.

Ireland vs the world

In 2020, 53% of consumers said they had done most of their online shopping with Irish SMEs since the start of the pandemic. That number has now dropped to 49%, with the majority now once again buying from international retailers.

While consumers are keen to support local businesses during the pandemic—this number has risen from 67% to 74% among majority SME shoppers—international businesses continue to prove attractive. Cheaper prices, better product ranges and superior online storefronts were key factors driving behaviours among those that have done most of their shopping with international businesses.



Why consumers prefer to shop mostly in physical stores



Base: 418, consumers who will do most of their shopping in-store in 2021

Why consumers prefer to shop mostly online



Base: 153, consumers who will do most of their shopping online in 2021

The Covid consumer [continued]

However, consumer behaviour still implies competitive advantages for Irish SMEs. Solidarity and patriotism aside, many consumers think Irish businesses are faster and more reliable, more trustworthy (which jumped to 48%, up from 41%) and have better order tracking and delivery.

While consumers are most heavily influenced by price, our survey finds that reliability and speed are still valued, and it is here that Irish SMEs can focus their resources and gain advantage. International retailers by no means have a monopoly on better storefronts or websites. With investment in a modern, e-commerce website, Irish SMEs can win over consumers who are simply seeking a straightforward and convenient online experience.

Industries and services

In some product categories, Irish SMEs have a clear advantage over international businesses. Since the Covid crisis, consumers have been buying more furniture and hardware, as well as toiletries, medicines and beauty products, from Irish businesses rather than from international retailers.

Where Irish SMEs are not outright leaders, they are at least competitive. Electronics and appliances have been bought from Irish businesses and international retailers in equal proportions (43%) during the pandemic. 55% say they have purchased clothes and shoes from international businesses since the pandemic, while 51% have purchased from Irish SMEs.

Irish SMEs that provide services have a clear advantage over international businesses, but consumer uptake remains relatively low. 36% say they have purchased a service from an Irish SME since the pandemic began, compared to 24% from an international business.

19% have purchased a physical health consultation from an Irish SME (vs 9% from an international business) and 15% an online skills training class (vs 14% from international).

While some services, particularly health examinations, will likely be better provided in person, consumers will respond well to SMEs that fully utilise new technologies to provide a seamless virtual experience. This could include video conferencing, e-billing, e-prescriptions, or an instant messaging service, particularly if it saves them queuing/inconvenience.

Why consumers have shopped mostly with Irish businesses since the pandemic



Base: 362, consumers who shopped mostly with Irish businesses

Why consumers have shopped mostly with international businesses since the pandemic



Base: 423, consumers who shopped mostly with international businesses

Section 3

The Covid SME

The data is clear: SMEs that invest in a website and e-commerce reap the rewards. Those that have put money and time into digital have generally fared better than those that have not.

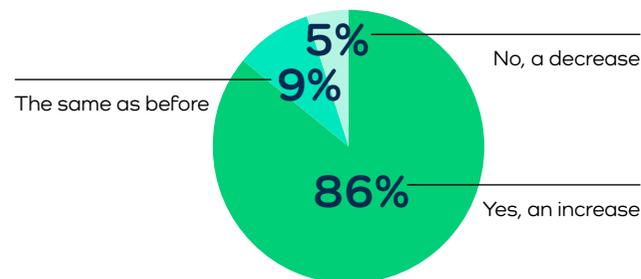


While the pandemic has thrown up all manner of challenges for Ireland's SMEs, the majority are optimistic about their commercial outlook for 2021. 70% are either quite or very positive; only 5% are explicitly negative.

Those with a website are more likely to have a very positive outlook. Encouragingly, the number of SMEs with a website has increased to 75%, up from 66% in 2020. Those businesses say that their website has been important in generating awareness (85%) and generating sales growth (72%).

This increase in website usage corresponds with the latest .ie domain registration figures. There were 65,113 new .ie registrations in 2020, the highest figure ever recorded.

Have you noticed an increase in your online sales since the pandemic?

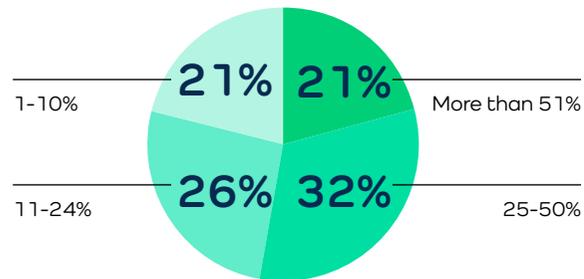


Base: 152, SMEs that sell online

In further good news, 30% of SMEs now claim to sell their products via an online store, up from 25% in 2020. However, just 17% sell a service online.

An increasing proportion of businesses recognise that a digital channel is key to their survival while the pandemic continues. Consumers are spending more online, and SMEs with an online store have benefited. 86% say they have experienced an increase in sales or sales enquiries from their online store since the pandemic began.

% increase in sales of those who said 'Yes, an increase'



Base: 131, SMEs that sell online that noticed an increase in sales

55%

have invested in their online presence since the start of the pandemic

21% have spent

up to €500

19% have spent between

€500 and €2,499

Base: 157, SMEs that sell online

Growing investment

The number of Irish SMEs that have invested any sum of money in their online presence has grown remarkably: 55% have invested since the beginning of the pandemic, up from just 21% in 2020.

Almost half (48%) made the majority of their investment during the initial March–June 2020 lockdown, while 20% invested from October to December, during the second national lockdown and the Christmas ‘easing’ period.

Most SMEs have focused on launching or improving their website (52%), investing in online advertising or marketing (33%), and launching or improving their online voucher service (28%).

Because of this investment, 78% of SMEs say they have been able to sustain pre-Covid levels of business or are busier than before, up from 46% in the summer of 2020.

76%

have found maintaining an online presence or selling online straightforward

Base: 381, SMEs with an online presence

The bottleneck

For a majority of online SMEs, maintaining a digital presence has been a straightforward experience. However, a small number have found it difficult. Some have struggled to update their websites and social media profiles, while others have found it difficult advertising and marketing their online services. Other issues have stemmed from the macro pandemic environment, such as difficulties with remote working and Covid restrictions.

Expectations were mixed among this struggling cohort: 44% anticipated that maintaining an online presence or selling online would be difficult, while 43% did not.

Lack of time was by far the most prominent obstacle (31%), followed by a lack of personal or internal expertise (21%) and a lack of equipment or other resources (19%).

53%

of SMEs believe that Irish consumers prefer to spend with Irish businesses

However, 52% of Irish consumers currently do the majority of their online shopping with international retailers

Base: 500, all SMEs

SME opinions on consumer habits have changed

54%

Consumers will prefer to buy more products online

(24%, 2020)

9%

Consumers will prefer to buy more products in physical stores

(23%, 2020)

37%

Consumers will buy some products online and some in physical stores

(53%, 2020)

Base: 500, all SMEs (Q: Which of these statements best describes what you think will happen to consumer shopping habits in 2021?)

The Covid SME [continued]

Others have been clearly affected by the shift in the economic status quo and have found it difficult to find their customers online or convince them to use their online store.

The pandemic has undoubtedly been a baptism of fire for many SMEs. Local authorities, business groups and national policymakers should continue to help SMEs with digital skills training where possible by addressing knowledge and resource gaps.

Future intentions

With a significant majority of SMEs benefiting from online investment, and considering the current trajectory of the pandemic, it is perhaps unsurprising that most fully intend to continue investing in their online presence in 2021.

61% believe that their online presence will be more important to their business this year than last. Less than a quarter intend to scale back their online services.

However, SMEs appear to be overestimating their overall strength relative to international businesses. 53% believe that Irish consumers prefer to shop online with Irish businesses rather than international retailers (20%), despite almost the opposite being true.

However, SMEs are generally now more cognisant of the effects of the pandemic on consumer behaviour: 54% believe that consumers will prefer to buy products online over the next year, up from 24% in 2020.

Irish SMEs also recognise their unique advantages relative to international businesses. As consumers do, they see themselves as more reliable, trustworthy and with better delivery services.

To generate sustainable, near-term wins for Irish e-commerce, it is important that local business accelerators and government agencies focus on helping SMEs consolidate these USPs.



79%

of SMEs will continue to invest in their online services in 2021

Base: 500, all SMEs

Positive results from online investment?

28%

Yes, busier than before pandemic

(21%, 2020)

50%

Yes, same level of business as before pandemic

(25%, 2020)

13%

Yes, although still struggling

(19%, 2020)

9%

No difference

(16%, 2020)

0%

Unsure

(19%, 2020)

Base: 86, SMEs that have invested since Covid

Methodology

The .IE Tipping Point report was commissioned by .IE, in partnership with Digital Business Ireland, and carried out by Core Research.

A total of 1,000 consumers aged 18+ were surveyed via online questionnaire. A total of 500 SMEs in the retail and customer-facing professional services sectors were interviewed via telephone.

Research was carried out between 11th and 27th January 2021.

SME sample size breakdown

COMPANY SIZE

1-5 = 69%	6-10 = 15
11-15 = 6%	16-20 = 3%
21-30 = 5%	31+ = 4%

BUSINESS TYPE

75	Medical
59	Retail
51	Finance (Accountant/Insurance)
40	Legal (Solicitor/Lawyer)
39	Architect/Interior Design
37	Engineering/Manufacturing
29	Garage/Car Repairs
17	Construction (Plumber/Electrician/Carpenter)
17	Auctioneer/Estate Agent
15	Convenience Store/Newsagent
10	Coffee Shop/Pub/Restaurant
9	Beauty Salon/Hairdresser/Barber
6	Horticulture
96	Other

REGION

35%	Dublin
22%	Rest of Leinster
23%	Munster
20%	Connacht-Ulster

About .IE

.IE is the national registry for .ie domain names and is the trusted and progressive guardian of Ireland's unique online .ie address. Our purpose is to enable and empower people, communities and businesses across Ireland to thrive online.

- ▶ We operate the domain name system (**DNS**) for the .ie namespace, facilitate an **independent dispute resolution service**, and operate a public **WHOIS** lookup service for .ie domains.
- ▶ In cooperation with our Registrars, technical partners and stakeholders, we help advance Ireland's internet ecosystem. Good governance is evidenced in our **policy development process** for the .ie namespace, which follows a bottom-up, consensus-driven approach through a multi-stakeholder Policy Advisory Committee.
- ▶ At .IE we are committed to digital advocacy for SMEs and for local communities. Through stakeholder engagement initiatives such as **.IE Digital Town**, we work with and support SMEs organisations to improve their members' online presence and e-commerce capabilities so they can unlock the power of the internet to boost sales to local consumers.
- ▶ We also produce fact-based research for the business community and policymakers, such as the **.IE Domain Profile Report** and the **.IE Digital Health Index**, charting the attitudes to digital of Irish SMEs and consumers.

There are over 315,000 .ie domain names registered. Since March 2018, it is easier and faster to register a .ie domain. As part of the domain registration process, every applicant must provide tangible evidence of a connection to Ireland.

www.weare.ie

About Digital Business Ireland

'Digital Business Ireland (DBI) is the voice of the Irish digital commerce sector. Set up in 2019, DBI counts over 3,400 businesses in its community, with Health Stores Ireland, the Association of Fine Jewellers, County Kildare Chamber of Commerce, Women's Inspire Network, and IPAV among its affiliate members.

It continues to grow its membership footprint across a wide range of online and digital businesses including technology, retail, hospitality, professional services, travel, transport, education, leisure, agri-business and property.

DBI provides a range of services to its membership including training and events, networking opportunities, general advisory, insights, advocacy and public policy influence, all of which facilitate digital businesses to grow, thrive and achieve their ambitions.'

About Core Research

'Core Research is part of Core, Ireland's largest marketing communications company.

Core Research analyses the data from every source to truly understand people and brands. Its insights lead to smarter, more accurate and successful decisions.'

.IE

2 Harbour Square
Dun Laoghaire
Co Dublin
A96 D6R0

Tel +353 (0)1 236 5400

Email marketing@weare.ie

Twitter [dot_IE](#)

www.weare.ie

