

Contents

2	Key findings
3	Insights
4	Section 1: E-commerce in Ireland before Covid-19
6	Section 2: The consumer response to Covid-19
8	Section 3: The SME response to Covid-19
10	Section 4: E-commerce in post-Covid-19 Ireland
12	Methodology and About

Foreword

The Covid-19 crisis has been a tipping point for Ireland for many reasons. As a nation, we have endured months of isolation and a suspension of the natural order of things. Many of us have lost loved ones. Thousands of businesses have closed, unemployment has soared, and uncertainty prevails.

Another Covid-19-induced tipping point has more positive long-term ramifications for Ireland's economy. In this report, we have recorded a swing in online retail sales to Irish SMEs, away from their historically dominant international competitors. This is a significant milestone.

The Covid-19 crisis has encouraged consumers to look closer to home for goods and services. While perceptions of quality and trust have played important roles in this, a major proportion of the consumers we spoke to said that they simply wanted to support Irish businesses through a challenging period.

However, a swing of this nature is not necessarily a permanent one. It is entirely possible that once the economy returns 'to normal', and businesses are no longer experiencing restricted trading, Irish consumers will not feel the need to be as supportive as they have been. They may also return to buying from international retailers, which they still regard as cheaper and better stocked, with superior online storefronts and services. On the latter point, Irish SMEs are still far behind; as many as 80% have invested no money whatsoever in their online services since the Covid-19 crisis began.

Irish consumers are spending more online with Irish SMEs that have pivoted to help save their businesses during the lockdown. We need to press the advantage and ensure this is not short-lived. So far the signs are good for this omni-channel approach.

Acknowledging the significant allocation of government funding secured by business groups for the recovery of Ireland's SME sectors, it is important to ensure that finance is dedicated to investment in digital tools and digital skills for SMEs. Properly equipped to meet consumer demand, small businesses can play a major role in reigniting Ireland's post-Covid-19 economy.

David Curtin
CHIEF EXECUTIVE, IE DOMAIN REGISTRY

Recent events inform us that never before has the need for a digital business model been more acute. As Covid-19 engulfs our world, it has brought to the fore the pressing need for an omni-channel, bricks-and-clicks approach to business, a fact that is corroborated by stratospheric online retail sales figures over the past number of months. Interestingly, the pandemic signified a major shift in Irish consumer shopping habits as they opted to support home-grown businesses, which demonstrates an economically conscious shopper. Whether this behavioural pattern will be sustained depends on the investment of Irish businesses in their online offering.

While an integrated, omni-channel business model must become an elevated priority in order to offset the threat of a return to a leak in spend to international businesses, further efforts will have to be made to bridge the digital divide.

The complexities of such challenges require a multi-dimensional response. Personalisation, AI, flexible payment options, faster delivery times, and seamless customer journeys will be a key focus for discerning e-tailers, who must seek out opportunities to differentiate themselves in a busy online marketplace. On a macro-level, the timely delivery of the National Broadband Plan and further take-up of the Digital Trading Online Voucher will help us become a leading digital economy.

However, getting the fundamentals right will be crucial. The human resource requirements of many businesses will change, and having a suitably trained talent-pool to reflect the changing employment needs will be key as we enter a new era.

Lorraine Higgins
CHIEF EXECUTIVE, DIGITAL BUSINESS IRELAND



Key findings

The Tipping Point survey assessed the attitudes and responses to the Covid-19 crisis of 1,000 Irish consumers and 500 retail and customer-facing professional services SMEs. We looked at three distinct phases: **before** the crisis, **during** it, and intended behaviour **after** the crisis is controlled. Here are some key data points that we believe will help business groups and government decision-makers understand how digitalisation can reignite Ireland's economy:

1

72% of consumers

have either spent **more** online during the Covid-19 crisis or the same amount as before.

95% of all consumers shop online at least some of the time. Generally speaking, Covid-19 has done little to dampen this demand.

2

53% of consumers' online spend

since the Covid-19 crisis has been with Irish SMEs.

International retailers have historically dominated Irish e-commerce.

3

67% of consumers

who have done most of their online shopping with Irish businesses say they have done so out of a sense of solidarity.

This may indicate that Irish SMEs are currently riding a temporary wave of national goodwill.

4

48% of consumers

would still do most of their shopping in physical stores if Covid-19 were under control and social distancing were not required.

The other half would either shop in-store only for necessities; or shop mostly online. This underscores the need for SMEs to provide an omni-channel experience.

5

Just 25% of SMEs

sell online.

This is despite the huge amount of money being spent online by Irish consumers before and during the Covid-19 crisis.

6

79% of SMEs

with websites have invested nothing in their online services during the Covid-19 crisis.

63% of those who did invest said it was easy but they required some form of outside help.

7

46% of SMEs

that have invested in online services during the Covid-19 crisis are busier than or as busy as before.

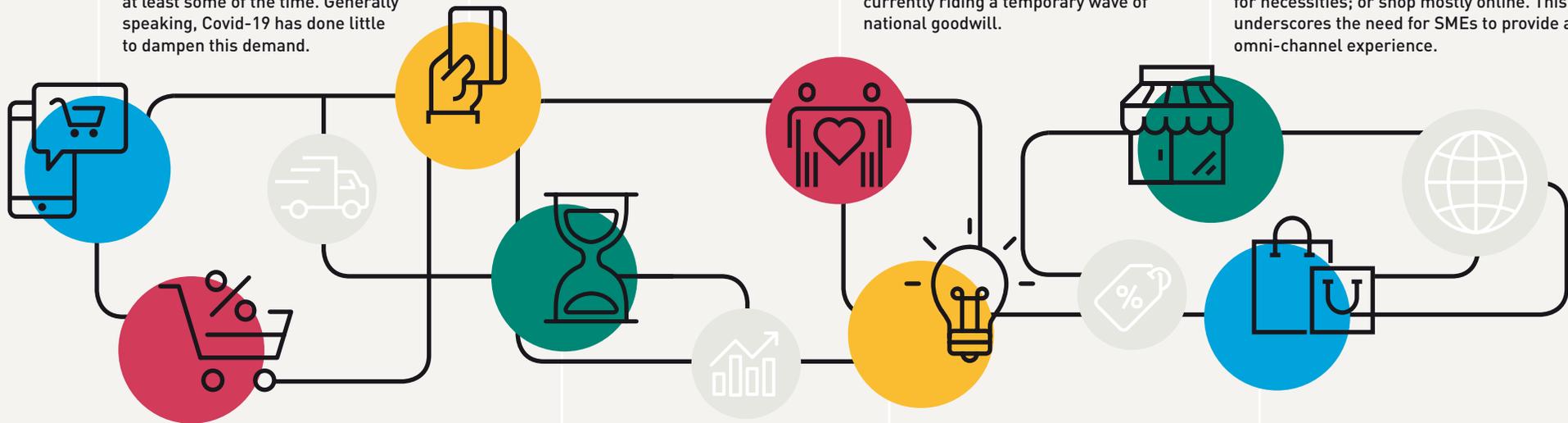
Investing in online creates more ways to generate revenue and connect with customers.

8

53% of SMEs

believe that consumers will buy in-store **and** online after the Covid-19 crisis.

SMEs' opinions are aligned with consumer sentiment. There is an understanding of omni-channel among SMEs, but just a quarter of them sell online.



Insights

By consolidating the new learnings of the Tipping Point report with the findings of other Covid-19-related surveys, we have developed insights that show how the digital and e-commerce landscape in Ireland is changing and what that means for SMEs and the organisations and Government departments that represent them:

1



Solidarity and support for local business

Solidarity and support for Irish businesses may never be stronger. To turn the positive sentiment into sales, Irish businesses must dial up their online competitive advantages of trust, reliability, and solidarity when their websites are competing with online international sellers. Irish consumers perceive that local SMEs lag on price and product range.

2



Tectonic plates are shifting – faster

We are moving from a face-to-face, person-to-person economy to a delivery economy. Covid-19 has been the catalyst, accelerating changes already in motion.

The Covid-19 experience has changed consumers' shopping habits for good. Those businesses thinking that this is a temporary blip are mistaken. For SMEs, getting online used to be a very slow process – now it's only taking weeks.

3



Digital investment pays off

In a difficult period for many SMEs, those that have invested in their digital and online presence have reaped the rewards at a time when other businesses are struggling.

Although it's easy for some SMEs, most SMEs who invest need some assistance with selection and installation of digital tools.

4



Government finance can act as an accelerant

Government financing is now available on a massive scale to help SME recovery. Representative organisations, having secured the funding, now need to advocate to ensure that SME projects include digitalisation and initiatives to modernise and digitise SMEs' sales processes.

Digital tools can improve SMEs' productivity and competitiveness. Digital marketing can boost sales and cashflow.

5



Spending more online, but keen to get back in-store

While there is a consumer desire for in-store experience, the 'new normal' is still evolving. We are not yet post-Covid-19. Social distancing means ongoing queues and customer limits, which may be off-putting for consumers.

An online sales channel will be important to capitalise on consumers who turn away from physical stores if they see a queue.

6



The ongoing legacy of the pandemic

Work from home, shop from home, entertain at home: city centres are hollowed out as fewer workers commute on public transport. This will represent an opportunity for towns to reinvigorate themselves.

Services can be delivered online too. Covid-19 has broken the mould and proven that medical consultations, gym classes, and legal appointments can all be done successfully over online platforms, such as Zoom and Teams.

Section 1

E-commerce in Ireland before Covid-19

Before the Covid-19 crisis, 48% of Irish consumers' online purchases were with Irish SMEs. That spend is expected to grow. Now is the time for Irish SMEs to make sure their websites are easy to use, mobile friendly, and can facilitate payments.

E-commerce is worth a great deal to the Irish economy. The Central Bank estimates that Irish consumers and businesses spent €16 billion online in 2019¹, a figure that has risen consistently over the last decade.

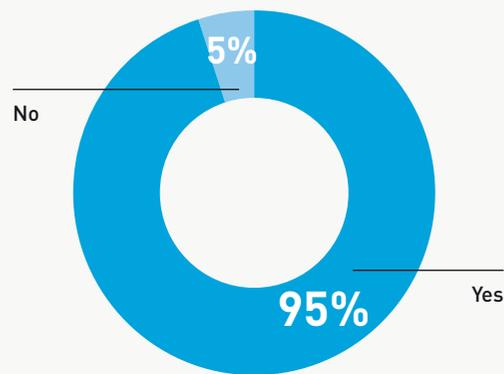
Irish consumers are eager to spend on the internet: 95% of our survey respondents say that they shop online, 82% either frequently or at least some of the time. The cohort that does all its shopping offline is now part of a shrinking minority.

Despite Irish consumers' willingness to spend, the majority of their money has historically gone abroad to international retailers, which are viewed favourably because of their lower price points, larger ranges of products, and more intuitive, better designed websites and online storefronts. Indeed, in many business sectors, international retailers are the only ones with online stores.

Irish consumer online spending habits

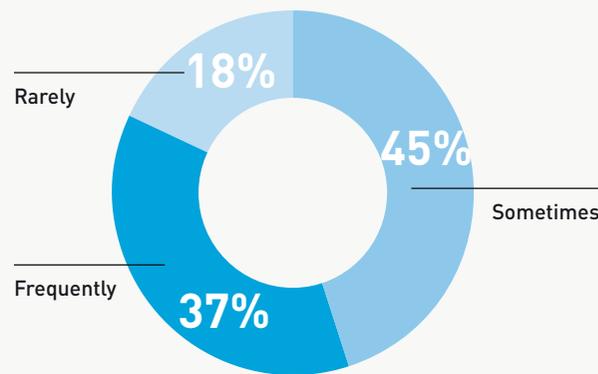
Do you shop online?

(Base: 1,000 consumers)



If yes, how frequently?

(Base: 950 consumers who shop online)



¹ Central Bank Annual Report 2019

Before the Covid-19 crisis, consumers estimated that...



48%

of their online purchases were with Irish SMEs

versus



52%

with international retailers

(Base: 1,000 consumers)

Examining the status quo

E-commerce starts with an online presence. SMEs need to be visible, and that requires having a website or social media page, preferably both.

Two-thirds of Irish retail and customer-facing professional services SMEs have a website, a figure that rises to more than three-quarters (76%) among businesses with more than six employees.

Websites are highly valued by the businesses that have them. The vast majority (90%) see their website as important in driving awareness of their business; 77% see it as important in generating sales in some way; and 64% see the website as an important point of transaction, where sales can be captured and processed.

However, most Irish SMEs stop their digital journey here. Even though online spending is the norm among Irish consumers, very few Irish SMEs actually sell to them.

Our research shows that just 25% of SMEs sell online, which implies that the other three-quarters rely entirely on physical, in-person sales.

Consumer preference

Just because 95% of consumers shop online, it doesn't mean that they never shop in-store. In fact, most consumers want the "omni-channel experience", where their shopping needs are met by a seamless combination of traditional main street retail, online, and e-commerce.

SMEs that are flexible enough to facilitate both will attract more customers and be able to better compete with international retailers.

While Covid-19 has for now made many consumers wary of in-store shopping, findings in Section 2 suggest that most anticipate a blended routine when it is safe to do so.

Just 25%
of Irish retail and customer-facing professional services SMEs sell online
(Base: 500 SMEs)



The importance of a website

(Base: 329 SMEs with a website)

90%

of SMEs say their website drives awareness of their business

77%

of SMEs say their website helps to generate sales

64%

of SMEs say their website is important as a point of transaction to capture and process sales

Section 2

The consumer response to Covid-19

Despite economic collapse since the lockdown, with most of Ireland’s main street shops and office spaces closed for business, consumer demand online has continued unabated. Since the Covid-19 crisis began, almost half (49%) of consumers say they have spent more money online than before the pandemic, while just over a quarter (26%) have spent the same as before. Increases in online spending occurred mostly in the younger age group of 24-34 year olds (58%), many of whom may have frequently shopped online for goods and services pre-Covid-19.

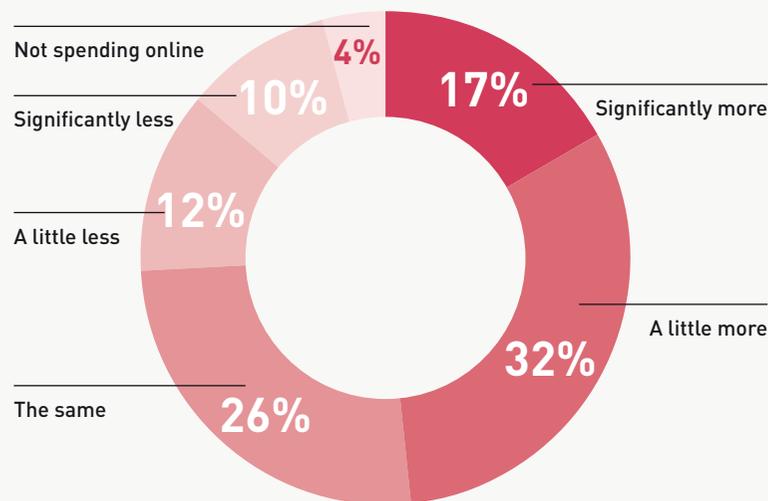
Typically, international businesses are the first ones to benefit from any increases in Irish consumers’ online spending, but the Covid-19 crisis has been different. Consumers estimate that since the Covid-19 crisis began in March, 53% of their online purchases have been made with Irish businesses compared to 48% before.

While the percentage change is not huge, it is still a significant milestone—previous research has shown that the bulk of Ireland’s e-commerce spend has gone abroad to international retailers.

Covid-19 and the lockdown have been major contributing factors. Irish consumers know that without their support, many Irish businesses will never reopen. Buying Irish has always mattered to Irish consumers, but Covid-19 has created a sense of urgency. Over two-thirds (67%) of consumers who had done most of their online shopping with Irish businesses explicitly stated that they wanted to help Irish SMEs through the crisis.

Have consumers been spending more or less online since the Covid-19 crisis began?

(Base: 950 consumers who shop online)



Since the Covid-19 crisis, consumers estimate that...



53%

of their online purchases have been with Irish SMEs

versus



47%

with international retailers.

(Base: 1,000 consumers)

Section 2 | The consumer response to Covid-19 [continued]

Other factors have played an important role. Online Irish businesses are seen as faster and more reliable than international businesses (48% vs 24%), and more trustworthy (41% vs 12%).

On the internet, credit card scams, identity theft, and cybersecurity breaches are frequent. Without face-to-face, physical interaction at the checkout, online stores need to prove to consumers that they can be trusted to carry out a transaction in good faith.

Many Irish businesses use secure .ie domains for that reason. All .ie domain registrations are manually reviewed to ensure that the website owners have a valid, certifiable connection to Ireland.

Where international businesses do convincingly win out are on affordability (71% vs 11%) and range of products (69% vs 13%). More consumers said they preferred international businesses' websites and online storefronts (34% vs 11%).

This finding is a red flag. While Covid-19 may have encouraged Irish shoppers to turn their present attention to Irish businesses, once the virus is controlled and the economy returns to normal, they may no longer feel obliged to

support businesses at home when a better online experience is available elsewhere.

Covid experiences

Nearly every consumer we surveyed (95%) said it has been important to them to support their local small businesses during the Covid-19 crisis. 68% had purchased from their local business's physical shop, where possible; 43% had referred the business to a friend; and 41% had purchased from their local business's online store.

There are signs that some of the Covid-19-inspired e-commerce changes are permanent. In many industries, the percentage of consumers who say they will shop online with Irish retailers over international retailers after the Covid-19 crisis is higher.

For example, 29% say they will buy electronics and appliances from Irish businesses vs 26% from international. In a particularly interesting shift, 34% of consumers say they will purchase clothing and shoes from Irish SMEs in the future. While the figure is the same for international retailers, it is a noteworthy gain by Irish SMEs in a sector dominated by large brands.

Why consumers have chosen to shop online primarily with Irish or international businesses during the Covid-19 crisis

(Base: Consumers who had chosen to shop primarily with Irish (437) and international (340) businesses)

	Irish	International
Want to support them during the crisis	67%	N/A
Cheaper	11%	71%
Better range of products	13%	69%
Better online services/storefronts	11%	34%
More trustworthy	41%	12%
More reliable	48%	24%
Better delivery service	30%	25%

How consumers have helped their local small business during the Covid-19 crisis

(Base: 950 consumers who said supporting their local business was important)



Section 3

The SME response to Covid-19

In Section 1, we learnt that only a quarter of Irish SMEs have any ability to sell online. Despite being hamstrung in this way, especially during a period in which most bricks-and-mortar shops have been closed for a prolonged period of time, Irish SMEs have enjoyed public support, including in the form of spending.

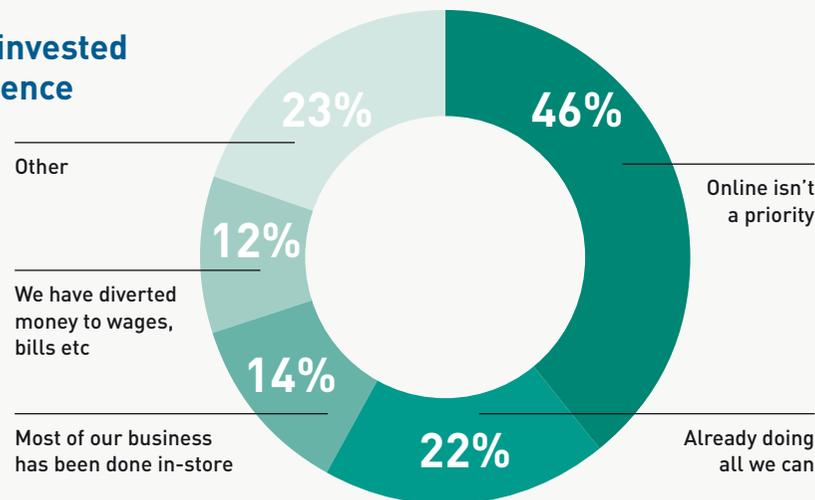
This rise in national solidarity may have temporarily allowed SMEs to benefit despite their lack of investment in digital and e-commerce. Our research shows that almost 80% of all SMEs have invested no money at all in online services since the Covid-19 crisis began, despite the fact that there were consumers actively seeking them out as the results in Section 2 show.

Among the 80% that have not invested since the Covid-19 crisis, 46% said that online simply isn't a priority for them, a figure that rises to over half among SMEs with five or fewer employees. Perhaps this is understandable given that we are in the throes of a global pandemic. 14% said that they have managed to do the majority of their business in-store despite the lockdown, while 12% have diverted money that might otherwise have gone to digital to cover wages and bills.

Public sentiment is highly changeable. What currently benefits SMEs may not benefit them in three months, six months, or a year. A robust e-commerce strategy must be built on solid, competitive online services that meet consumer demand.

Why SMEs haven't invested in their online presence

(Base: 400 SMEs that have not invested in their online presence since the Covid-19 crisis)



21%

of SMEs have invested in their online presence since the Covid-19 crisis began



An investment of **up to €500**

was most common

(Base: 500 SMEs)

The benefits of online investment

Among the SMEs that have invested more than usual in their online services, 67% said the money has gone towards a redesigned or significantly updated website, while 59% launched or improved their online store with either click-and-collect or direct-to-door delivery.

Over half have experienced a change in visitor numbers to their website since the Covid-19 crisis began; of that proportion, 77% have noticed an increase. A third of SMEs with a website say they don't know or don't know how to check.

Among the quarter of SMEs that have online sales capability, 88% have noticed a change in their volume of sales since the Covid-19 crisis began; 77% say this has been a positive change. Of that number, over a third (37%) have noted an increase of more than 25%.

Net returns

When SMEs were asked if they had noticed any positive changes in terms of sales or customer enquiries as a result of their online services investment, almost half (46%) said they had, and this had either made them busier than before the Covid-19 crisis began or similarly busy.

Almost half of all SMEs made use of online/mobile software to maintain relationships with existing/prospective customers. 31% of these SMEs report their customer relationships are better than usual.

However, many SMEs are still struggling to deploy their online services. Over a third said the process had been difficult, while 63% said it was easy, but they required some kind of outside help.

Billions of euros of Government finance is now available to help SMEs recover from the pandemic. Clearly, resources should be applied to help build digital capabilities for SMEs that are motivated to invest in online services.

Has online investment translated into increased sales and customer enquiries?

(Base: 100 SMEs that invested in online services since Covid-19 crisis began)



SME perception of difficulty pivoting towards online services

(Base: 100 SMEs that invested in online services since Covid-19 crisis began)



37% of SMEs that noticed a change to their sales recorded an increase of 25% or more

(Base: 111 SMEs that noticed an increase/decrease in sales from their online store)

Section 4

E-commerce in post-Covid-19 Ireland

All currently available data suggests that Covid-19 will be with us for the foreseeable future. Until an effective treatment or vaccine is found, consumers and employees are likely to be engaged in some form of social distancing, and businesses will continue to experience restricted trading while managing employees who are working from home.

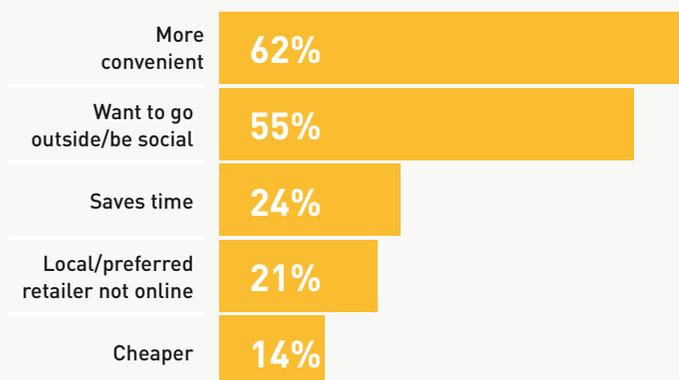
The question that many businesses and government bodies are asking now is whether the behavioural changes consumers have undergone during the lockdown, such as their increased propensity to spend online with Irish businesses, will continue when the Covid-19 pandemic ends.

Consumers will only return to physical stores in confidence if and when Covid-19 has been deemed controlled and social distancing is no longer required. In this future scenario, almost half (48%) of all Irish consumers say they would do most of their shopping in physical stores. The remaining 52% would either continue to shop in-store for necessities, like groceries, but online for other goods; or do all their shopping online.

Until Covid-19 is controlled, however, social distancing, queues, and capacity limits are here to stay. Consumers are aware of this, and online shopping offers them a way to avoid inconvenience and crowds. Just under three-quarters (74%) say that current restrictions will impact their decision to shop in physical stores to some degree.

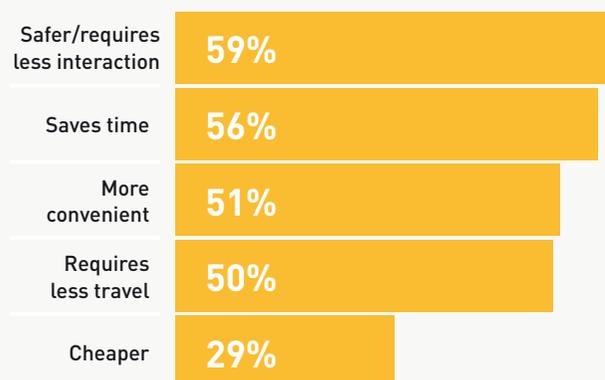
Why consumers would prefer to shop mostly in-store

[Base: 480 consumers who would choose to shop mostly in physical stores in ideal scenario]



Why consumers would prefer to shop mostly online

[Base: 110 consumers who would choose to shop mostly online in ideal scenario]



Reflecting the psychological toll of lockdown and the desire to go outside and be social, once Covid-19 is controlled...

48%

of consumers would still do most of their shopping in physical stores



41%

would shop for necessities in physical stores but shop for the rest online and



11%

would shop mostly online



[Base: 1,000 consumers]

The omni-channel future

Businesses that reopen their physical stores are required to meet new public safety requirements, such as the provision of protective screens and health information signage. This can require significant upfront expenditure, and will mean reduced capacity in-store, with smaller margins for physical stores. Digital offers the opportunity to grow and scale and complement in-store sales.

Combined with Irish consumers' willingness to spend more online, these factors may be affecting SMEs' long-term plans. 54% say they will prioritise their online store or give equal importance to both. Fewer than half (45%) of SMEs that invested in online services during the crisis say they will be prioritising their physical store over online in the future.

97% will continue to invest in online services after the crisis; 59% say this will become a major priority.

53% of SMEs predict that consumers will buy from both physical bricks-and-mortar stores and online stores, which suggests that the importance of omni-channel retail is increasingly understood by small businesses. Click and collect, order online before you arrive, order online to cook at home, browse at home to purchase in-store – these trends are accelerating.

However, when only a quarter of SMEs sell online, few of these businesses will actually be in a position to fully satisfy their customers' needs, unless they invest in e-commerce now when Government funding is readily available. The same can be said for delivering services online.

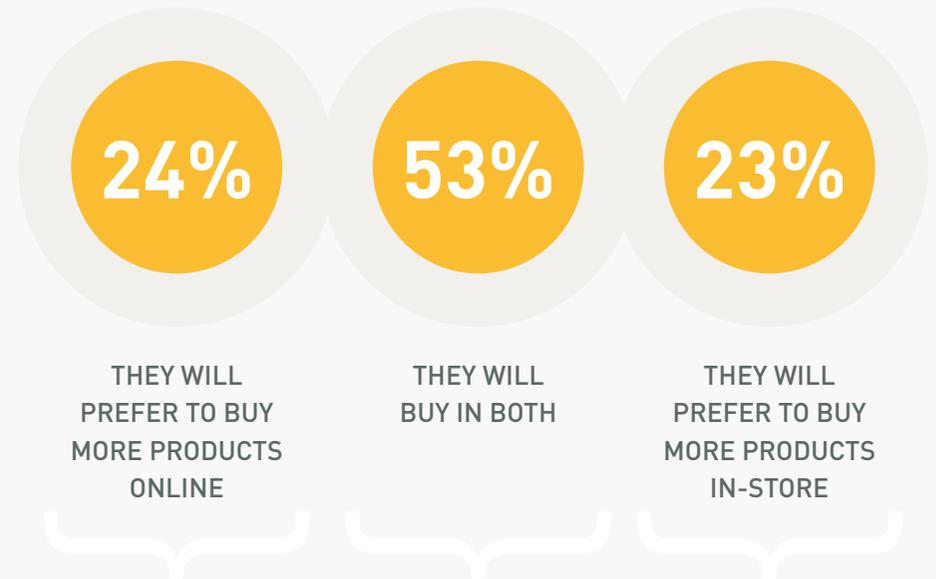


97%

of SMEs that have spent on online services since the crisis will continue to invest in them in the future
(Base: 100 SMEs that have invested in online since Covid-19 crisis)

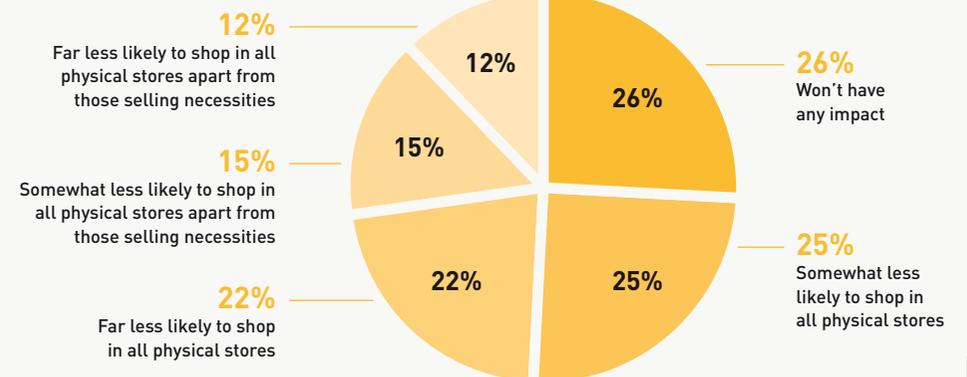
How SMEs believe consumers' long-term shopping habits will change as a result of Covid-19

(Base: 500 SMEs)



How social distancing and capacity limits impact consumers' decision to shop in-store

(Base: 1,000 consumers)



Methodology

The Tipping Point report was commissioned by IE Domain Registry, 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 4 June and 2 July 2020.

SME sample size breakdown

► Company size

1-5 = 69%	16-20 = 2%
6-10 = 18%	21-30 = 4%
11-15 = 5%	31+ = 2%

► Business type

- Retail (pharmacy, clothes, computer/IT, hardware, off-licence, books) = 135
- Coffee shop/restaurant/pub = 76
- Convenience store/newsagent/grocer = 37
- Beauty salon/hairdresser/barber = 47
- Medical (doctor, dentist, physio, optician, vet) = 101
- Horticulture (farm shop, florist, garden centre) = 22
- Other = 82

► Region

- Dublin = 24%
- Rest of Leinster = 28%
- Munster = 27%
- Connacht-Ulster = 21%

About IE Domain Registry



IE Domain Registry is the national registry for .ie domain names and is responsible for the management and administration of Ireland's official internet domain, .ie, in the interest of the Irish and global internet communities. It operates the domain name system (DNS) for the .ie namespace, facilitates an independent *dispute resolution service*, and operates a public WHOIS lookup service for .ie domains.



The company's mission is to grow and strengthen .ie as the digital identity of choice for people and businesses with a connection to Ireland. In cooperation with our Registrars, technical partners, and stakeholders we help shape the development of the internet landscape and ecosystem. Policy development for the .ie namespace follows a bottom-up, consensus-driven approach through a multi-stakeholder *Policy Advisory Committee*.



IE Domain Registry is committed to digital advocacy for the SME community. Through stakeholder engagement initiatives such as the *OPTIMISE programme* and *Digital Town*, the company works with and supports SMEs organisations to improve their members' online presence and e-commerce capabilities.



IE Domain Registry produces fact-based research for the business community and policymakers, such as the *SME Digital Health Index*, which provides key insights into the digital health of Irish SMEs.



The company is focused on providing excellence in customer service through its ongoing customer experience (CX) innovation and improvement programmes. Since March 2018, it is easier and faster to register a .ie domain. There are over 295,000 .ie domains in the database.

www.iedr.ie

About DBI

'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. 'We analyse the data from every source to truly understand people and brands. Our insights lead to smarter, more accurate and successful decisions.'