



# .IE Tipping Point 2022

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

In partnership with



# Foreword

**Over the past two years, we have examined Ireland's changing attitudes to e-commerce and digital business. Covid has accelerated many of the emerging consumer trends and behaviours that we observed in 2019, and that acceleration has forced businesses to adapt the way they operate, communicate and sell.**

Our research demonstrates that a tipping point has indeed been passed. This report shows that consumers have fully embraced the convenience of online shopping; in response, most SMEs have been forced to adapt, digitally and increasingly attitudinally, transforming their static brochure websites into e-commerce hubs and planning investment in their online stores.

There are very strong generational differences emerging in consumer attitudes to online and in-store shopping, particularly among Millennials and Gen Z, who are least likely to want to shop in-store this year. Cash, too, looks set to further decline in usage in the post-Covid era, although a quarter of SMEs still accept only cash, and fewer still plan any significant investment in new digital payment methods in the next five years.

Even as Ireland phases out its emergency responses to Covid, SMEs are not returning to a market under normal conditions. Indeed, the winding down of restrictions will no doubt reduce the sense of crisis solidarity among consumers for local businesses, which has been beneficial to Irish SMEs.

Covid-19 has broken the mould of professional services delivery by adding a digital component, which eliminates the non-productive parts of service delivery for both consumers and SMEs - queuing, paper handling, re-keying data, travelling to appointments - thereby boosting productivity and efficiency for all.

However, as competition intensifies, this is precisely the moment for SMEs to invest in their digital presence. While a small business is unlikely to be able to match the likes of Amazon on price, it can invest in and consolidate areas valued by Irish consumers, such as customer service, delivery options, sustainable production, and an improved online experience. These USPs will ensure long-term survival and prosperity.

As pandemic business supports are withdrawn and Ireland prepares for the post-Covid era, now is the time for national and local government decision-makers to provide funding to build out new, innovative digital strategies and programmes. These will enable entrepreneurs, SMEs and communities across the country to take full advantage of the digital business tools and applications that can provide productivity improvements, new market opportunities and increased e-commerce sales.

**David Curtin**  
Chief Executive, .IE

The onset of the Covid-19 pandemic initiated a significant shift in the operations of traditional bricks-and-mortar businesses. Prior to 2020, SMEs were slow to embrace the potential of a fully integrated e-commerce website capable of accepting payments and fulfilling orders. Public health restrictions soon dictated the need for businesses to rely on their digital operations and, as a result, many SMEs began to pivot online for the very first time.

This transition was coupled with the enhancement of businesses' payment functionality, affording consumers a cashless experience that instigated a surge in the popularity of digital payments and the 'cashless wallet'. This .IE Tipping Point report demonstrates these pandemic-era trends are unlikely to be reversed, with 62% of consumers reporting that they rely less on cash since the onset of the pandemic.

Evidently, consumers have become accustomed to the convenience and flexibility offered by cashless payments, and businesses across the country have been steadfast in their response because robust payment infrastructure helps to keep Irish SMEs competitive in the global digital marketplace.

Equally, while digital payment technology has proved invaluable for many businesses throughout the pandemic, concerns persist in the area of cybersecurity. Given that just one third of Millennials plan to do the majority of their shopping in-store, the need for businesses to implement adequate cybersecurity measures has never been more evident.

High-profile security breaches have prompted a shift in consumer behaviour, with three out of every four respondents asserting that they are either 'very' or 'somewhat' concerned about the security of their personal information when shopping online.

In addition, discerning consumers are increasingly concerned about their rights when buying goods online. The Irish Government has been proactive in enhancing protections in this area, with the Consumer Rights Bill 2022 providing for the extension of consumer rights over digital goods and services.

As further digital legislation emerges, particularly in the realm of cybersecurity, it is crucial that industry stakeholders work in tandem to empower SMEs to offer effective protection to their customers, which will enhance the trust factor of their websites and lead to further sales.

**Lorraine Higgins**  
Secretary General, Digital Business Ireland

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# Key findings

The .IE Tipping Point report survey, carried out in January and February 2022, assessed the attitudes of 1,000 Irish consumers and 502 **retail and consumer-facing professional services SMEs** to e-commerce and digital business during the Covid pandemic. It is the concluding part of a trilogy of reports, whose previous editions were published in 2020 and 2021.

For some questions, respondents were asked to compare their current situation or opinion to 2019 (pre-Covid), 2021, or to anticipate their future behaviour in 2022 or over the coming years. In this report, to measure shifts in behaviours and attitudes over the past year, some 2022 data is compared with data from the 2021 and 2020 reports.

The 2022 .IE Tipping Point report shows **a clear and sustained adaptation to e-commerce and digital business by both consumers and SMEs**. These eight findings highlight some of the most interesting trends.



## CONSUMER FINDINGS

- 45% of consumers plan to do most of their shopping in-store this year, although this figure drops to 29% among Millennials. 16% of all consumers say they plan to do most of their shopping online, rising to 33% among Gen Z. **SMEs need to be cognisant of different shopping preferences and trends among digital natives.**
- Consumers continue to view international retailers as more competitive on price and range of products, but Irish businesses are viewed as more trustworthy, more reliable and with better delivery services. **SMEs should concentrate on leveraging these USPs.**
- Most consumers are highly cybersecurity conscious. 75% are 'very' or 'somewhat concerned' about the security of their personal information when shopping online. **However, as many as 6 in 10 SMEs either do not take any precautions to protect sensitive customer data or do not know how to.**
- When considering future online shopping innovations, consumers are most interested in **paying for goods and services via a digital wallet** (30%), followed by subscriptions to preferred retailers (24%) and deeper augmented reality (AR) experiences (19%).

## SME FINDINGS

- SMEs increasingly view websites as dynamic sales enablers or points of sale, not just static information pages. **72% said their website was important in generating sales, up from 66% in 2021.**
- Half of SMEs have invested in their online presence since the start of the pandemic, resulting in improved sales. Among investing SMEs, **30% are busier than they were before the pandemic and 36% have been able to maintain the same level of business.**
- A quarter of all SMEs and just over a third of businesses with 1-5 employees still accept cash payments only. However, 62% of consumers say they are using cash less since the pandemic began. **Nearly 2 in 10 consumers do not use cash at all.**
- Just over half (54%) of SMEs are planning a significant digital investment in the next 5 years, **with most focusing on launching a new website, improving their existing one, or building a dedicated app.**

# Insights



## The role of the website is changing

.IE has analysed SME website usage continuously over the last eight years, and for the majority of that time many businesses have been content to use their websites

as simple, static information hubs.

The pandemic, however, has accelerated a mindset shift. SMEs are now repurposing their websites into fully functioning e-commerce hubs, active centres for sales and sales growth. 54% of surveyed SMEs have the ability to offer appointment bookings on their website (v 33% in 2021).

In other words, business owners increasingly view their websites as vital parts of their sales infrastructure - a true second storefront - rather than a mere digital brochure. The majority of SMEs with an online store sell through their website, which gives them higher margins and greater control over terms and conditions, compared to relying on third-party platforms. These businesses are generally aware that selling indirectly to customers eats into their profit margins and exposes them to sudden changes in third-party terms and conditions.



## No 'normal' market conditions

While Ireland may be exiting the worst of the Covid pandemic, the commercial outlook for 2022

among SMEs is mixed. Compared to 2021, a higher proportion of SMEs surveyed are uncertain about their future, and more are explicitly negative.

The end of restrictions does not mean a rapid return to the pre-pandemic normal of 2019. The consequences of Covid are disrupted supply chains, ongoing staff dislocation and cost pressures which means there is no path back. Consumers and SMEs will be forced to reconsider where they spend and on what. The fallout from Brexit continues, as does geopolitical turmoil in Europe.

For businesses considering ways to mitigate the effects of uncertainty, investment in digital is likely to be the key to their prosperity and, indeed, survival. Productivity improvements and more ways to sell and interact with consumers will cushion the impact from ongoing economic shocks.



## Age is a predictor, not a guarantor

It is hardly surprising that Millennials and Gen Z, the digital natives first to grow up in the internet age, are more likely

to embrace online shopping. We should expect that all succeeding generations, maturing in a world where the line between digital 'online' world and analogue 'physical' world is fuzzy, will have even stronger feelings. SMEs, particularly those who have been slow to embrace the internet, should be cognisant of this.

There are frequent exceptions to generational trends and stereotypes. Gen Z, despite being among the most vocal proponents of climate action, are the least likely to say that sustainability is important to them when buying online. Also, while all consumers estimated that 55% of their online purchases since Covid had been with local Irish retailers, among Gen Z that figure was just 41%. While typical age-related economic factors, such as purchasing power, may be the overriding issue here, Irish SMEs should be careful not to casually apply a one-size-fits-all digital strategy to all their target demographics.



## Consumer preferences are not static

For a time-poor SME, finally getting an e-commerce-enabled website online and functioning can seem like a heroic accomplishment. And it is. But the work

doesn't stop there. Consumer expectations change as technology evolves and new features provide more benefits.

Our research shows, for example, that consumers are increasingly interested in paying for goods and services with a digital wallet, open to subscribing to their preferred retailers for exclusive offers, and willing to use AR to 'try on' or sample certain products, such as clothes and furniture.

Rather than constantly engaging in a game of technological catch-up with bigger retailers, SMEs should, as much as possible, take note of what it is that consumers truly value in a digital shopping experience and find affordable, scalable ways to meet that demand, even on a trial or experimental basis.



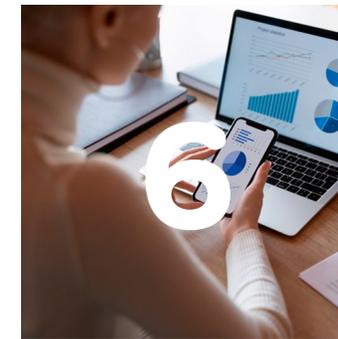
## Digital service provision is a strong growth area

In many cases, the pandemic

made physically visiting a service provider, such as a GP or solicitor, impossible. Adapting to a restricted trading environment, many of these businesses were forced to find ways to provide their service digitally, such as over Zoom or via a website portal.

This appears to have worked. 3 in 10 Irish consumers bought a service from an Irish business during the pandemic, a figure that rises to more than 4 in 10 among Millennials. Half of SMEs that provided digital services reported an increase in sales over the course of the pandemic.

While full digital service provision is still relatively immature, it is likely to emerge as a growth area in the post-Covid era. SMEs who invest in this technology early are likely to gain traction among hybrid shopping-oriented consumers eager for more choice and flexibility.



## Digital mastery through persistence

It may sound like a truism, SMEs that invest time and money in digital, say they

continuously reap rewards, including increased revenue, more customers, and a greater ability to withstand sudden change, such as a pandemic lockdown.

Like a saver who starts putting money away in their twenties rather than later in life, the SME that has continuously looked after their website, online store, and other digital technologies is likely to be the one that has managed to weather the toughest pandemic restrictions.

Many businesses, which after years of steady investment are naturally attuned to changes in digital consumer demands and trends, have actually flourished since Covid, some exceeding 50% online sales growth.

# Section 1

## Preparing for the post-Covid era

While the worst of the Covid restrictions may be over, Irish businesses must now work to capture the attention and sales of a consumer whose behaviours and attitudes have been irrevocably altered by digital technology and changing sociocultural priorities.



### 1. Hybrid shopping will be the default

According to a [2021 survey by Morgan McKinley](#), given the option, most employees prefer a hybrid working model, whereby they can work from home some days of the week, without the need to commute, and work in the office on others, enjoying the productivity and social benefits that come with it.

Employees value this hybrid model primarily because it gives them flexibility and the freedom to choose. The same is true of the way we shop - we enjoy the experience and the convenience of in-store shopping while simultaneously valuing the ease and speed of e-commerce. We gravitate towards retailers that give us the best of both worlds.

SMEs that provide the best hybrid shopping experiences seamlessly link their physical shop with their digital presence, such as their website and e-commerce store. They cater to consumers who prefer to browse online then buy in-store, as well as those who like to get a sense of what they're buying in person and then complete the purchase in the comfort of their own home. They may use novel technologies, such as AR, to further enhance this experience.

However, despite pandemic trends showing a preference for a convenience-first hybrid shopping model, just 10% of the SMEs we surveyed regard the fuller integration of their physical shop with their online premises, and vice versa, as a priority digital investment area over the next five years.

### 2. Cybersecurity is non-negotiable

In an era of high-profile cyberattacks, consumers place value on the integrity of their personal data. 75% said they were 'very' or 'somewhat concerned' about the security of their personal information when shopping online, a trait shared broadly by all demographics.

However, the majority (62%) of Irish SMEs either take no special steps to secure personal data or don't know how to. Just 15% confirmed the use of basic but effective measures such as a firewall or antivirus, and only 11% the use of two-factor authentication. Only 4% have trained staffed in cybersecurity best practice.

This is dangerous. We know from the HSE ransomware attack in 2021 that a small error, linked to a lack of employee awareness of common cyberthreats, led to a prolonged paralysis of critical State infrastructure. Similar incidents within businesses are increasingly common.

While it might be tempting for an SME to postpone expenditure on anything that doesn't have a measurable impact on the here and now, a cyberattack can be devastating and lead to permanent destruction of customer trust.

It is the duty of SMEs to protect their customer or user data. Through national and EU legislation, such as the [Data Protection Act](#) and GDPR, businesses that shirk this are likely to find themselves subject to penalties.

### Levels of consumer concern about the security of their personal data when shopping online



Base: 1,000 consumers

### 3. Prepare for cash irrelevance

Cash as a means of transaction has been in steady decline for a number of years, but pandemic lockdowns and concerns around hygiene, as well as the Government's decision in 2020 to increase the maximum contactless payment limit to €50, has accelerated this trend.

62% of consumers say they are using cash 'significantly' or 'slightly less often' since the beginning of the pandemic. When asked about their typical use of cash, 16% said they do not use cash for any purchases, while 41% said they used it for purchases under €10. Just 22% used it for purchases above €50.

Surprisingly, this decline is universal among all age groups - **and the least cash-friendly are the eldest**. 66% of Baby Boomers are using cash less often, compared to 58% among Gen X and 62% among older Millennials.

SMEs have been generally responsive to increased demand for non-cash payment options, although there is no overwhelming majority in any one area: exactly half of SMEs accept contactless payments and exactly a third chip-and-pin. Just 29% accept payments from a digital wallet, such as Apple Pay or Google Pay.

However, as many as 25% of all SMEs still only accept cash, a number that rises to 35% among businesses with 1-5 employees and 38% among SMEs with a premises in Dublin. While cash may be an attractive short-term solution for smaller businesses, it is clearly in decline as a viable platform for long-term business growth.



### How SMEs protect customer data

**38%**

Don't know

**24%**

Don't take any particular action

**20%**

Use encrypted software

**15%**

Use a firewall/antivirus

**11%**

Use two-factor authentication

**11%**

Use a website security certificate

**9%**

Back up customer data

**7%**

Use a dedicated server

**6%**

Use a password manager

**4%**

Train staff in cybersecurity best practice

**3%**

Use a VPN

**1%**

Other

Base: 502 SMEs

#### 4. Sustainability investors will win hearts

Sustainability, clean energy and large-scale international moves towards net zero emissions will dominate corporate and government agendas throughout the 2020s.

Much of this will be driven by grassroots activism. Many consumers are aware of the wastefulness and environmental damage inherent in global retail supply chains, and the majority are willing to either reduce their consumption or spend extra to ensure change.

Almost 80% of Irish consumers say that it is 'very' or 'somewhat important' that the product or service they order online is produced and delivered in a sustainable and environmentally friendly way. Among younger Millennials, this figure is an even higher 90%.

However, just 4% of SMEs said that providing some kind of digital proof to consumers of a sustainable or environmentally friendly supply chain was a priority digital investment in the next five years. In the face of such overwhelming consumer support for sustainability, this is a clear missed opportunity for many SMEs.

Because Irish SMEs are more likely to operate on a smaller, less globalised scale, they have an inherent advantage in this space versus international retailers. Business owners can prove their sustainability credentials by partnering with local producers, collaborating with environmentally friendly suppliers, and creating content that brings these stories to life. Furthermore, new technologies like blockchain will allow businesses to transparently prove the provenance and supply chain journey of their products and services.

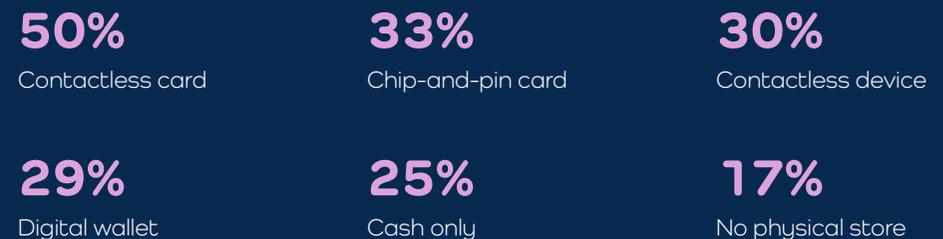
#### Consumer cash usage since Covid



Base: 1,000 consumers



#### SME payment type acceptance



Base: 502 SMEs

# Section 2

## The Covid consumer

Consumers in the post-Covid era will be driven by convenience, ease of use and experience. Increasingly, digital natives will set the e-commerce agenda. SMEs responsive to these new needs will be rewarded.



### With strong signals that the worst of the Covid pandemic is now behind us, consumer sentiment is generally positive.

Looking back, 3 in 10 consumers considered themselves better off in 2021 than they were in 2020, with the most positive group being the Young Millennials (born 1991-1996). Of the total sample, 44% said they were no more or less better off.

However, 28% said they were slightly or significantly worse off, a figure that rose to 34% among Gen X (1965-1980).

Among all consumers, 87% said they made a purchase online in 2021, down from 94% in 2020. The figure was lower (78%) among Baby Boomers (1946-1964), suggesting that one of the most accurate predictors of a preference for online shopping is age.

50% reported spending significantly or slightly more online in 2021 compared to 2020. Gen Z (born 1997-2012) were most likely to report an increased online spend in 2021, with 6 in 10 saying they spent more than the previous year.

### Digital natives, the tastemakers

In 2022, 16% of consumers say they will do most of their shopping online, while 39% will do a mixture, buying necessities, such as groceries, in physical stores but most other products online. 45% of consumers plan to do most of their shopping in physical, bricks-and-mortar stores, up from 42% in 2021.

However, broken down generationally, these findings reveal interesting differences among the digital natives, the Millennials and Gen Z.

### Why consumers prefer to shop mostly in physical stores

58%	56%	24%	22%	9%
More convenient	Want social interaction/ to go outside	Saves time	Cheaper	Preferred retailers don't have online store
2021 61%	2021 39%	2021 19%	2021 20%	2021 15%
2020 62%	2020 55%	2020 24%	2020 14%	2020 21%

Base: 453, consumers who will do most of their shopping in-store in 2022

### Why consumers prefer to shop mostly online

64%	49%	41%	39%	36%
More convenient	Saves time	Safer/ less social interaction	Requires less travel	Cheaper
2021 52%	2021 46%	2021 66%	2021 42%	2021 30%
2020 51%	2020 56%	2020 59%	2020 50%	2020 29%

Base: 162, consumers who will do most of their shopping online in 2022

## The Covid consumer [continued]

Compared to the 45% total sample, just 29% of Millennials say they will do most of their shopping in physical stores. 33% of Gen Z consumers say they will do most of their shopping online compared to 16% among the total sample.

As younger Millennial and Gen Z consumers advance through their careers, buy their first home, and have children, SMEs must be prepared for a shift in purchasing power to age groups that have digital-first preferences. Businesses that do not offer a compelling online experience will simply lose out to their competitors.

Of the overall consumer sample that intends to shop mostly in-store this year, 58% say they will do so because it's more convenient and 56% because they simply want the social interaction and opportunity to go outside. A smaller proportion say that shopping in-store saves them time.

Of those that say they will shop mostly online, convenience is the driving factor, followed by time saving. Many say online shopping is safer and requires less social interaction. While Covid is clearly an influencing factor for this group, it is now the third most frequently cited reason, down from the most cited reason in 2020 and 2021.

### Retail patriotism: resurgent or transitory?

Despite a patriotic surge in buying Irish during the first year of the pandemic, in 2021 consumers turned back to international retailers, estimating that a smaller 49% of their online purchases had been with indigenous businesses since the start of the pandemic.

This year, consumers have swung back to Irish SMEs; consumers estimated that 55% of their online purchases have been domestic rather than international. They were significantly more likely to have shopped for clothing, electronics, and furniture with Irish businesses than international retailers, and many expect to continue buying Irish after the pandemic across virtually all product categories.

## How consumers intend to do their shopping in 2022

**45%**

I will do most of my shopping in physical stores

**39%**

I will shop for necessities in-store but will shop for most other things online

**16%**

I will do most of my shopping online

Base: 1,000 consumers

## Generational breakdown of online shopping habits

### I will do most of my shopping in physical stores

**24%**

Gen Z

**29%**

Young Millennial

**29%**

Older Millennial

**50%**

Gen X

**65%**

Baby Boomer

### I will shop for necessities in-store but will shop for most other things online

**43%**

Gen Z

**52%**

Young Millennial

**49%**

Older Millennial

**39%**

Gen X

**24%**

Baby Boomer

### I will do most of my shopping online

**33%**

Gen Z

**18%**

Young Millennial

**22%**

Older Millennial

**12%**

Gen X

**11%**

Baby Boomer

## The Covid consumer [continued]

While 67% of consumers said a desire to support local businesses during Covid was their main reason for shopping online with Irish SMEs, this was a moderate decline on last year's figure (74%).

Irish SMEs continue to rank highly on more substantial factors when compared to international businesses. Irish shoppers rated native SMEs as more trustworthy, faster and more reliable, and as having better order tracking services.

Among those who did the majority of their shopping with international retailers, the two clearest benefits were related to product affordability and product range.

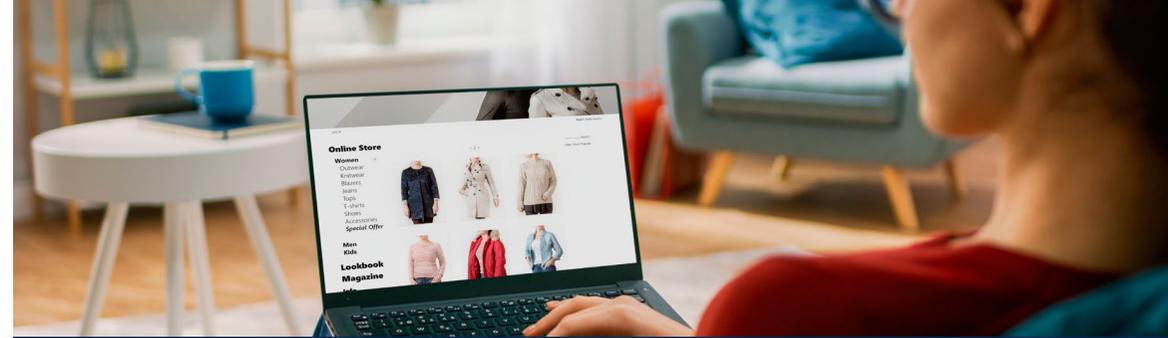
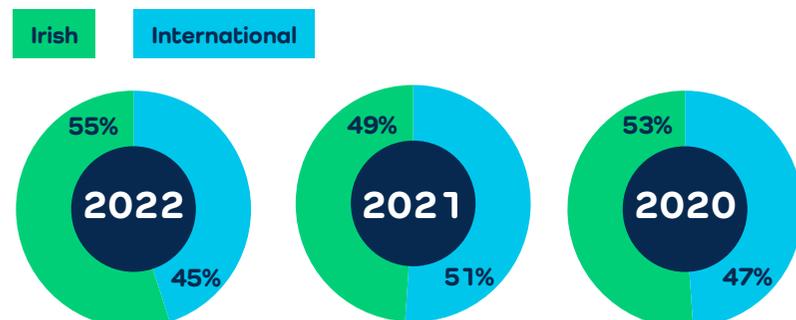
International retailers also ranked highly for their websites and online storefronts, with 29% citing these as a major factor in their preference for shopping outside Ireland.

While the vast majority of Irish SMEs are not in a position to compete with major international retailers in a race to the bottom, they can consolidate some of their home advantages.

Furthermore, the tools to build a modern, e-commerce-integrated website that is as functional and seamless as an international retailer's are increasingly affordable, supported with comprehensive how-to guides and help content and designed with non-technical users in mind. SMEs with a dated or static website should prioritise an update in 2022.

## Consumer spending with Irish and international businesses

% of online purchases



## Why consumers have shopped mostly with Irish businesses since the pandemic

<b>67%</b>	<b>43%</b>	<b>38%</b>	<b>30%</b>
Want to support them during crisis	More trustworthy	Faster/more reliable	Better order/tracking delivery service
2021 74%	2021 48%	2021 48%	2021 31%
2020 67%	2020 41%	2020 48%	2020 30%
<b>14%</b>	<b>10%</b>	<b>9%</b>	
Cheaper	Better product range	Better websites/online storefronts	
2021 17%	2021 16%	2021 10%	
2020 11%	2020 13%	2020 11%	

Base: 433, consumers who shopped mostly with Irish businesses

## Why consumers have shopped mostly with international businesses since the pandemic

<b>67%</b>	<b>61%</b>	<b>29%</b>
Cheaper	Better product range	Better websites/online storefronts
2021 72%	2021 67%	2021 35%
2020 71%	2020 69%	2020 34%
<b>28%</b>	<b>26%</b>	<b>8%</b>
Faster/more reliable	Better order/tracking delivery service	More trustworthy
2021 26%	2021 23%	2021 9%
2020 24%	2020 25%	2020 12%

Base: 288, consumers who shopped mostly with international businesses

## Section 3

# The Covid SME

The pandemic forced many SMEs to rethink the way they do online business. Digital change is rapid and constant, and the need for investment is greater now than ever before. SMEs must remain agile and open to innovation.



**Despite a clear path out of Covid restrictions, SMEs are somewhat less positive about their commercial outlook in 2022. 57% were either 'very' or 'quite positive' about their prospects this year compared to 69% in 2021.**

A slightly higher number are uncertain (32% vs 26% in 2021), while the number explicitly negative in outlook has increased by 6 percentage points (11% vs 5% in 2021).

Exactly three-quarters of SMEs have a website. Encouragingly, the number of SMEs who now claim to use their website to generate sales is increasing. Those who said their website was important in driving future sales growth of their business increased from 72% to 77%, and as a driver of individual sales from 66% to 72%.

Just over a third (34%) of businesses have an online store; of that figure, more than 8 in 10 sell directly through a store on their website. Since the beginning of the pandemic, 55% have reported an increase in the number of sales from their online store, with 36% of that figure recording an increase of 51%+.

### The clear benefits of investment

SMEs that invest in developing their website beyond a simple static brochure with basic business and contact information clearly reap financial rewards.

Among SMEs that have invested in their website since the pandemic, 71% said they have spent on online advertising and marketing, 61% on an email newsletter, and 61% on their website. Almost half (48%) said they have invested in software that improved their understanding of customer behaviour, such as data analytics software.

Investment in data analytics software is particularly encouraging. Deeper insight into customer interactions will allow SMEs to proactively measure their digital ROI, allowing them to invest more money in features that work and quickly drop those that do not.

Because of this investment, 30% of SMEs said they were busier than before the pandemic, and over two-thirds (36%) said it had allowed them to maintain a level of business that was similar to before the pandemic.

**50%**

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

**31%**

**have spent between**

**€500 and €2,499**

**The average investment is**

**€2,218**

**Base: 203, SMEs that have invested since Covid**

### Responsiveness and resilience

To function properly and meet changing consumer needs, websites require regular updating. This is not always straightforward. More than half (55%) of SMEs with an online presence said they had experienced some difficulties maintaining it over the past year, up from just 24% in 2021.

22% said they had struggled to manage customer enquiries and feedback, 20% had difficulty processing customer orders, and 18% had found it challenging managing the availability of stock online.

Considering the factors that caused these difficulties, 64% said that a lack of staff was the main cause, followed by a lack of money (42%).

As the Irish economy enters its post-Covid recovery phase, external factors, including a squeeze on labour supply and inflationary pressure on stock, facilities, and energy, will continue to create barriers to better digital business. However, competition with international retailers will continue irrespective of these conditions. Where possible, struggling Irish SMEs should consider availing of government or industry supports, such as the Trading Online Voucher scheme or e-learning courses via Digital Business Ireland.

**40%**

said Covid-related factors have made maintaining their online presence difficult over the past year.

Base: 222, SMEs that experienced difficulties maintaining online presence

**14%**

said Brexit-related factors had an impact.



**43%** of SMEs believe that Irish consumers prefer to shop with Irish businesses.

However, consumers estimate that **55% of their online spend has gone towards Irish businesses since Covid.**

Base: 502 SMEs



### Is your website important in...?

**82%**

Generating business awareness

2021 85%

**77%**

Driving future sales growth

2021 72%

**72%**

Generating sales

2021 66%

**55%**

Capturing and processing sales

2021 51%

Base: 378, SMEs with a website

### Positive results from online investment?

**30%**

Yes, busier than before pandemic

2021 28%  
2020 21%

**36%**

Yes, same level of business as before pandemic

2021 50%  
2020 25%

**12%**

Yes, although still struggling

2021 13%  
2020 19%

**3%**

No difference

2021 9%  
2020 16%

**19%**

Unsure

2021 0%  
2020 19%

Base: 203, SMEs that have invested since Covid

## The Covid SME [continued]

### SME adaptation: short or long game?

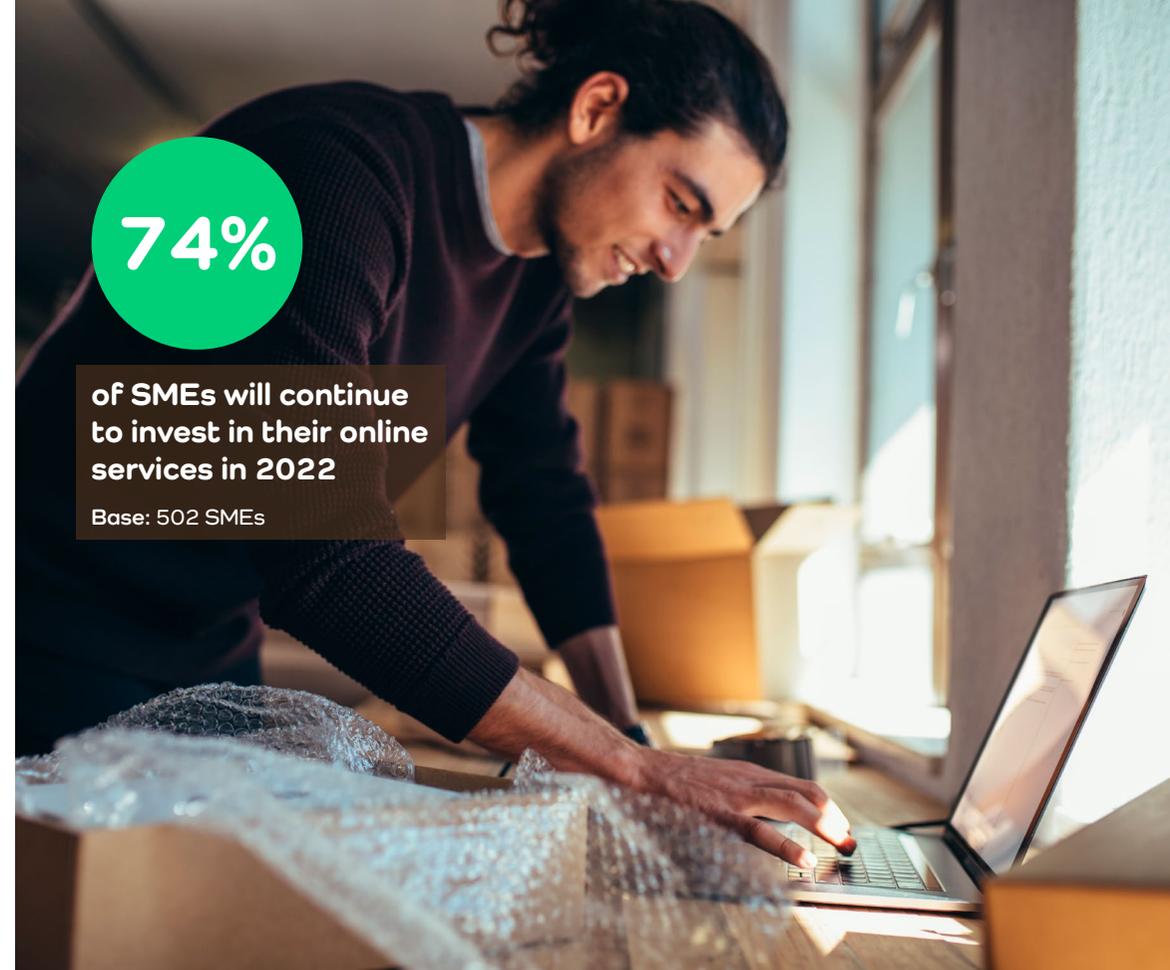
The majority of SMEs have felt the benefits of sustained digital investment. Almost three-quarters will continue to invest in their online presence in 2022.

Just over half of SMEs (54%) are planning a significant digital project over the next five years. Most are considering building a new website, improving their existing website, or building a dedicated app.

Despite the consumer demand for hybrid shopping and SME recognition of this, just 10% are planning on better integrating their physical shop with their online channels, and vice versa.

Fewer plan to invest in other technologies, such as AR experiences (8%), digital automation and productivity tools (7%), and customer chat software, such as a chatbot (4%).

While an increasing number of SMEs are now selling online with modern e-commerce software, digital investment should be a proactive and sustained part of business spending. Digital change is constant and rapid, and Irish businesses must be careful not to stagnate - international retailers will be more than eager to snap up Irish customers frustrated with a lack of innovation at home.



**74%**  
of SMEs will continue to invest in their online services in 2022

Base: 502 SMEs

### SMEs' top 5 digital investment areas since the pandemic

**71%**

Online marketing/advertising

**61%**

Launched/improved email newsletter

**61%**

Launched/improved website

**57%**

Launched/improved social media page(s)

**48%**

Customer behaviour analysis software (e.g., data analytics)

Base: 203, all SMEs that have invested in their online presence

### SMEs' top 6 digital priorities over the next 5 years

**23%**

Launching a new website

**15%**

Improving design/navigation of existing website

**13%**

Building a dedicated app

**12%**

Accepting more customer payment methods

**10%**

Investing in better cybersecurity

**10%**

Better integrating physical shop with online channels and vice versa

Base: 502 SMEs

# Methodology

The Tipping Point report was commissioned by IE. Fieldwork was performed by Core Research.

A total of 1,000 consumers aged 18+ were surveyed via online questionnaire. A total of 502 SMEs in the retail and customer-facing professional services sectors were interviewed via telephone.

Research was carried out between 6th January and 4th February 2022.

## SME sample size breakdown

### COMPANY SIZE

1-5 = 51%	6-10 = 22%
11-15 = 8%	16-20 = 6%
21-30 = 3%	31+ = 10%

### BUSINESS TYPE

78	Medical
72	Retail
48	Coffee Shop / Pub / Restaurant / Baker
41	Beauty Salon / Hairdresser / Barber
26	IT (Computer / IT / Electrical)
24	Convenience Store / Newsagent
22	Engineering / Manufacturing
22	Tourism (Hotel / BSB / Travel Agent)
15	Construction
15	Fitness (Gym / Sports Centre)
14	Finance
11	Architect / Interior Design
9	Legal Services
9	Auctioneer / Property Mgmt
7	Horticulture
6	Automotive
83	Other

### REGION

36%	Dublin
24%	Rest of Leinster
25%	Munster
15%	Connacht-Ulster

## About .IE

.IE is the national registry for .ie domain names and 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 towns and communities. Through stakeholder engagement initiatives such as **.IE Digital Town**, we work with and support SME organisations to improve their members' online presence and e-commerce capabilities so they can unlock the power of the internet to boost sales.
- ▶ We also produce fact-based research for the business community and policymakers, such as the **.IE Domain Profile Report** and this **.IE Tipping Point Report**, which charts the attitudes to digital of Irish SMEs and consumers during the Covid-19 pandemic.

There are over 330,000 .ie domain names registered. Since March 2018, it is easier and faster to register a .ie domain. As part of the .ie domain registration process, every applicant must provide tangible evidence of a connection to Ireland.

## About Digital Business Ireland

'Digital Business Ireland (DBI) is the voice of the Irish digital commerce sector. Set up in 2019, DBI counts over 8,000 businesses in its community with Guaranteed Irish, 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.'

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