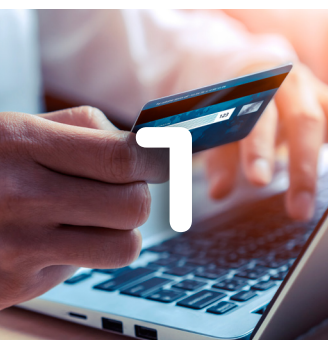


Insights



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.



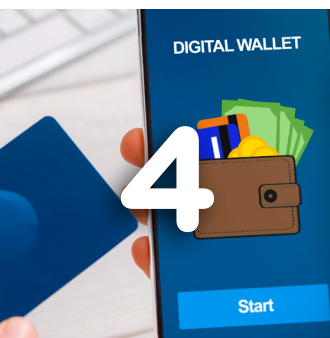
Age is a predictor, not a guarantor

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.

Insights (continued)



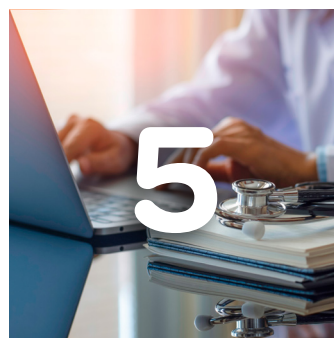
Consumer preferences are not static

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.