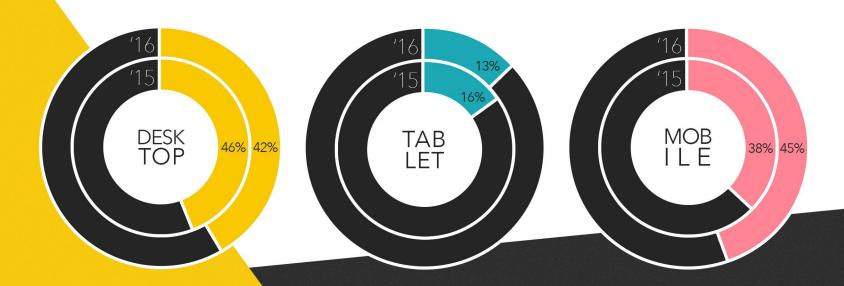
ONLINE ECONOMY REPORT 2016

## REVENUE GROWTH DEVICES

For a second consecutive year, Irish e-commerce sites have seen a 45% growth in online revenue. During the same period, the Irish Gross Domestic Product grew by 5%. This shows an exciting level of consistency in Ireland's online economic growth. For two years, the online economy has been growing 9 times faster than the wider Irish economy.

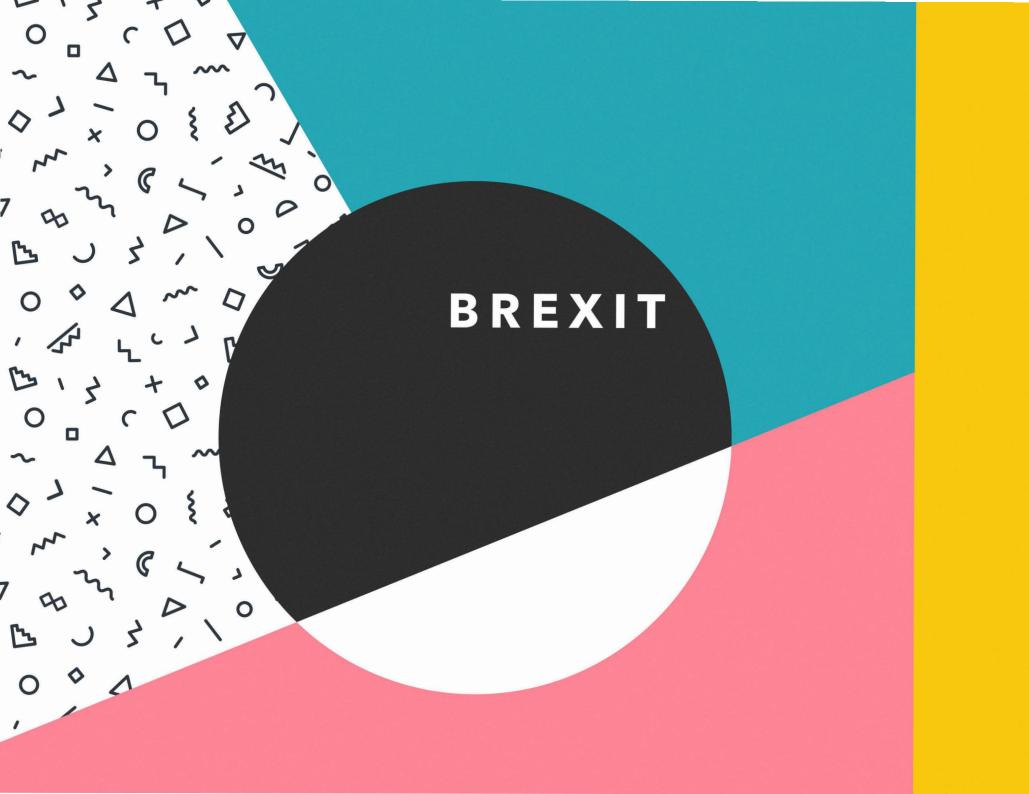


This shouldn't come as that much of a surprise. With smartphones overtaking desktop as the Irish portal of choice to the internet, the online world is always at your fingertips. Traffic to our study's participating sites increased by 17% last year with mobile becoming the dominant device used. Mobile now claims a majority 45% share of traffic over desktop and tablet.

"Irish E-Commerce websites once again showed extraordinary levels of revenue growth in 2016. We can expect this rampant growth to continue. The online spend represents 6% of the Irish economy. In the advanced UK market, online's share of spend is as high as 16%."

Wolfgang Digital CEO Alan Coleman

While change is commonplace online, political change is having a massive impact on e-commerce.



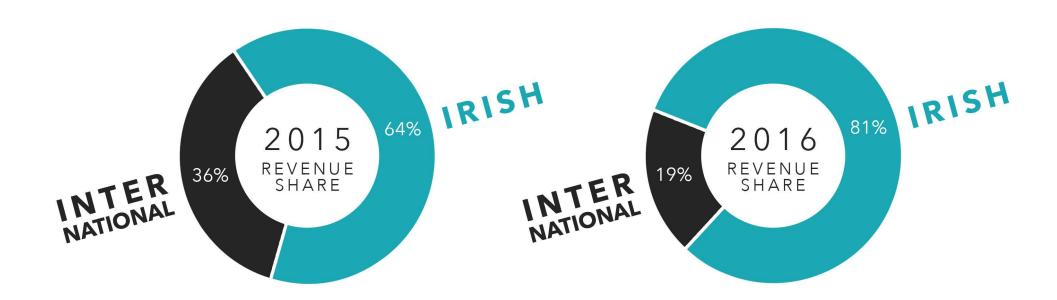
The finer details of a post-Brexit EU have yet to be ironed out. Negotiations should be completed by mid-2019, but the exact impact on the Irish online economy is unknown. There are some early indicators as to how post-Brexit Irish online economy might look.

For Irish people purchasing goods online from UK retailers, shopping is about to get more expensive. Cross-border shoppers will likely be slapped with extra taxes and customs charges. Buying a €200 jacket could set you back and extra €70 in fees, meaning there's added financial incentive for Irish-shoppers to buy from Irish online retailers.

Brexit almost certainly means Britain are set to leave the European Single Market. This will bring added friction to cross-border trade through customs and charges. Britons, the majority source of demand for Ireland's international trade, are now browsing the Irish online markets with weaker Sterling. The

value of Ireland's international retail trade fell from 36% of all revenue in 2015 to just 19% in 2016.

This reduced incentive for British shoppers to buy online in Ireland is clearly having an impact on international sales.



"An optimist sees the opportunity in every difficulty."

Winston Churchill

## EU DIGITAL SINGLEMARKET

Brexit will likely reduce access to Britain for Irish businesses. At the very least, maintaining similar levels of UK trade will cost more. One alternative for Irish businesses is to adapt and take advantage of the EU Digital Single Market (DSM). The DSM is one of the EU's top priorities in the coming years. It's seeking the removal of barriers to cross-border online trade between the remaining 27 post-Brexit EU member states. Irish businesses shifting their focus from the UK as a key market, instead focusing on EU trade will certainly benefit.

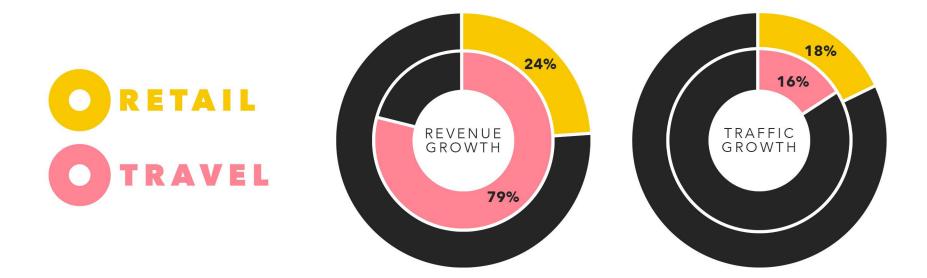
"The European Union has a 460 million population. The UK has a 60 million population. Size matters when it comes to trade."

Phil Hogan Irish EU Commissioner

Today, 50% of Western Europeans shop abroad. The success of the DSM will allow Irish retail trade with nations like Germany, Ireland's second-biggest consumer of online exports after the UK, to prosper.



European consumers were expected to spend just under €500 billion online in 2016. During this period, Britons spent just €153 billion online. The US, considered by many to be one of the world's most lucrative e-commerce markets, generated €363 billion in online sales in 2016. The European markets are clearly bursting with potential for Irish businesses looking to brave new challenges.

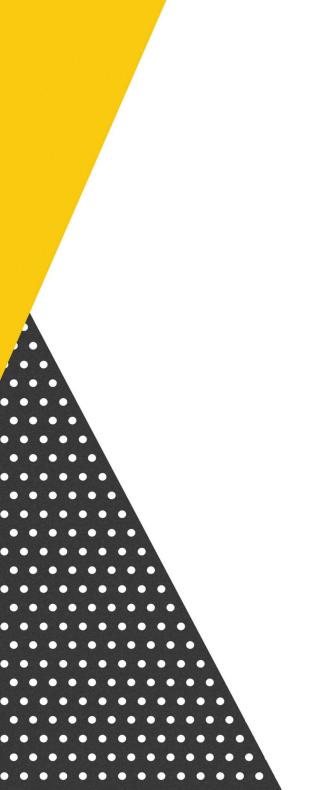




Irish shoppers are demanding more from online retailers - demand online retailers are matching. Our retail participants saw their average order value remain steady in 2016, but the increasing appetite of Irish consumers to spend money online is evident. They also enjoyed an 18% increase in traffic combined with an 8% increase in conversion rate. These figures created a very healthy 24% increase in retail online revenues.

With all that time spent online, people are looking to disconnect and travel more than ever.

## TRAVEL PERFORMANCE



2016 was a second consecutive record year for the Irish tourism industry, with revenue growing by an impressive 29% according to Tourism Ireland. The travel participants in our study showed that embracing digital channels can deliver results far greater than this, seeing online revenues grow by a whopping 79% in 2016. This growth was driven by a 16% increase in traffic combined with a 23% conversion rate increase and a 15% increase in average transaction value. The Irish tourism economy is booming right now with online outperforming the industry as a whole.

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Retail enjoyed 21% revenue growth in Q4 compared to 28% growth in transactions. This 33% discrepancy suggests savvy consumers were prepared for Black Friday 2016 and used the sales frenzy to save money on their Christmas shop. With many shoppers avoiding the early morning on street queues by staying up to midnight Thursday to splurge online.



Q4 was a great quarter for early-adopter e-commerce merchants as digital media duopoly Google and Facebook released new conversion focused ad formats.

### Google Shopping.

Google launched their Shopping product in Ireland in Q4. Google Shopping has quickly become a top performing online revenue driver for advertisers. It's technically complex to implement and maintain but has paid handsome dividends for those nimble retailers who've made the investment. Retailers participating in our study who've adopted Google Shopping generated double the percentage growth in Q4 to those who didn't.

#### Facebook Dynamic Product Ads.

Facebook's own conversion focused ad format was launched in H2 of 2016. For a number of study participants, DPAs generated the best sales volumes they have ever enjoyed from the social media giant.



Wolfgang Digital measured online shopping growth by comparing e-commerce data from 2015 and 2016. Throughout the study, we analysed traffic, revenue, devices used and geo-location. The e-commerce sites taking part in the study are in the retail and travel verticals, with a combined revenue of almost €300 million in 2016. They represent 3% of Ireland's total e-commerce spend. Average figures were used to ensure websites with larger turnover didn't skew the findings. We have broken some figures out for travel & retail participants.



Wolfgang Digital, the Dublin based digital marketing scientists, are one of Europe's leading performance agencies. They recently won Best Use of Search in Finance and Best Integrated Campaign at the European Search Awards in Krakow.

Wolfgang Digital, the digital marketing scientists, offer a range of digital marketing services and are particularly adept at helping businesses boost their online revenue. If you want to talk to us drop an email to

hi@wolfgangdigital.com