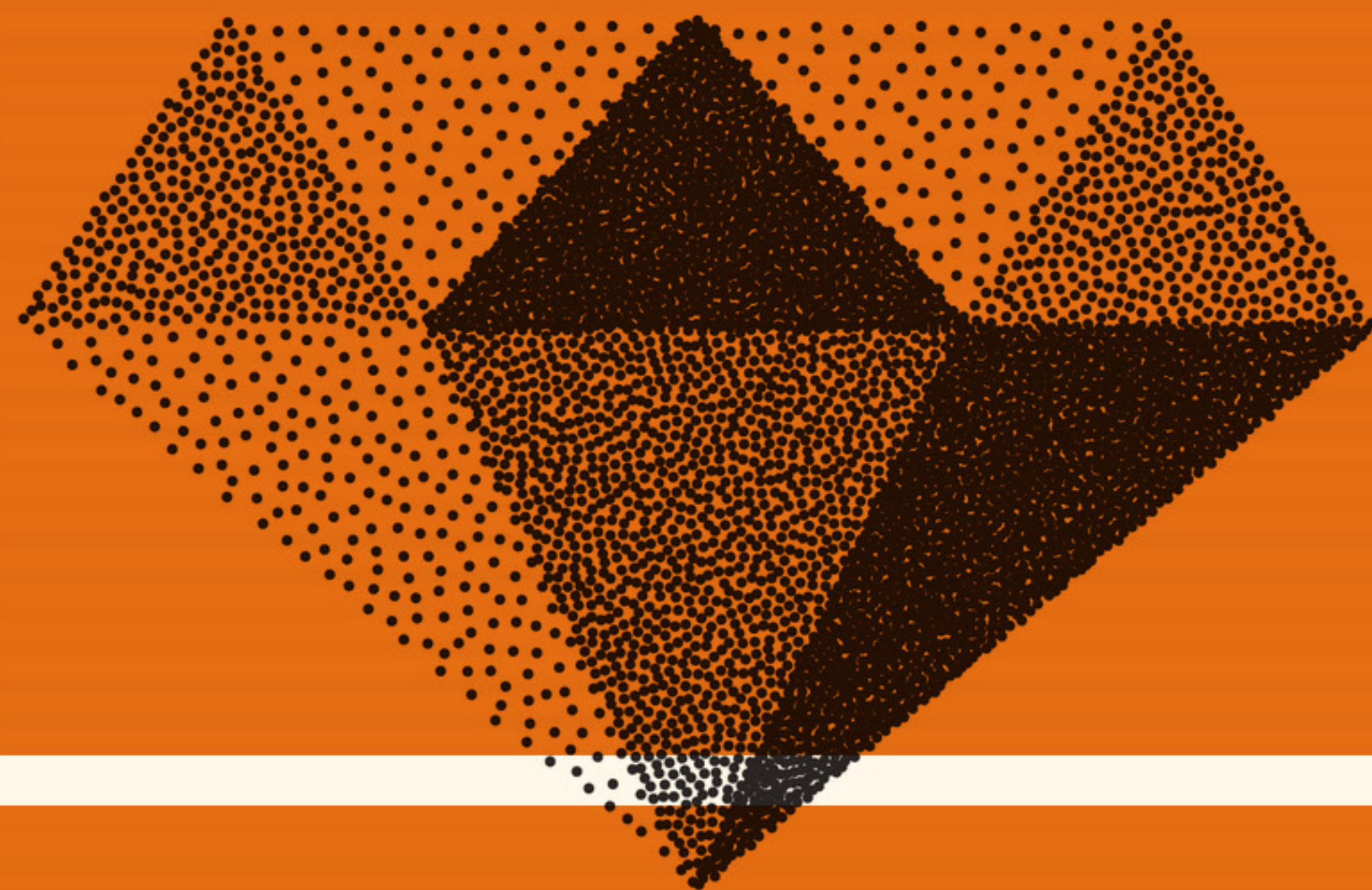


2018 IRISH
ONLINE
economy
report



REVENUE & TRAFFIC



2017 brought a third consecutive year of revenue growth for Irish e-commerce websites across a range of verticals. Once again, online revenue didn't just grow; it was rampant, up 45% year-on-year.

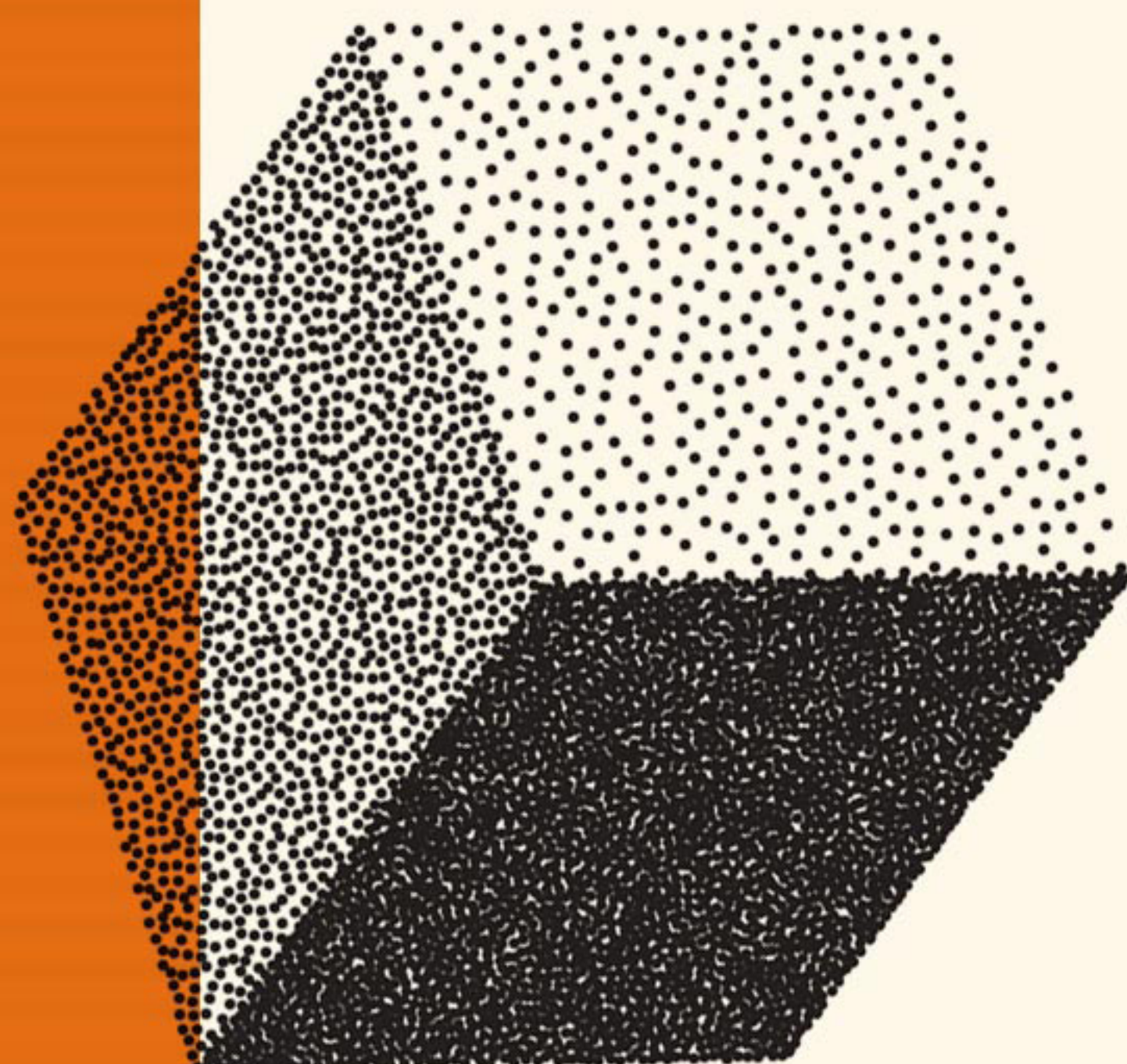
In 2016, Ireland's Gross Domestic Product (GDP) grew by 5.2%. As we await confirmation of 2017's GDP figures, we estimate Ireland's prosperous online economy is swelling almost nine times faster than the wider economy and is worth in excess of €12.3 billion. The digital economy alone contributes to 6% of Ireland's total GDP, but placing this figure in context makes for some interesting reading and a tale of two halves.

The first half of the story places Ireland in a competitive position, boasting a digital economy which contributes 15% more towards national GDP than the 5.3% average seen across our European neighbours. The second half of the story surrounds untapped potential.

The United Kingdom is widely considered to be one of the world's most successful digital economies and the UK's success should be a benchmark for the Irish economy. The British digital economy contributes an estimated 12.4% towards GDP, over double that of Ireland's online economy. This gap makes evident the potential for growth within the Irish e-commerce space, growth which the Irish digital economy's previous form suggests is achievable.

From reading the headlines, you might expect to hear that these favourable conditions are being driven by machine-learning or cryptocurrencies, but it's much simpler than that. Domestic consumer spending has generally been on the up in recent years thanks largely to rising employment levels. This, combined with increased consumer trust online and improved digital experiences is encouraging consumers to migrate from bricks to clicks.

While traffic to e-commerce sites increased 14% year-on-year, this number is made all the more pertinent by a 32% lift in transactions. This is significant as it demonstrates Irish consumers are not only browsing more online, but they are converting more frequently too.





RETAIL & TRAVEL

Retail Revenue Leaps 19%

2017 was a good year for Irish e-commerce sites in the retail vertical. Traffic to retail sites was boosted by 14%, an increase that wasn't wasted as retailers saw their online revenues climb 19% year-on-year. The retail Average Transaction Value increased by 1% in 2017 and today, the average retail shopper will spend €147 when checking out online.

The story of Q4, known as 'The Golden Quarter' for retailers, is not so straightforward. Revenue only grew by 11% despite traffic growing 16% in 2017; something we'll dive into later on.



Ireland's Booming Online Travel Economy

Ireland is experiencing a travel boom right now. Renowned landmarks such as the Cliffs of Moher continue to draw massive crowds. A spotlight has also been shone on the previously lesser known, but just as beautiful, landmarks such as Skellig Michael, made world-famous following the filming of Star Wars.

With increased interest, it's hardly surprising that Tourism Ireland has reported positive figures across the board in the travel sector for 2017, results echoed by our research. This study discovered businesses and services in the travel vertical have enjoyed 114% year-on-year revenue growth. This accompanies a 31% increase in traffic, a 28% increase in Average Transaction Value and a 65% increase in transactions on travel related websites.



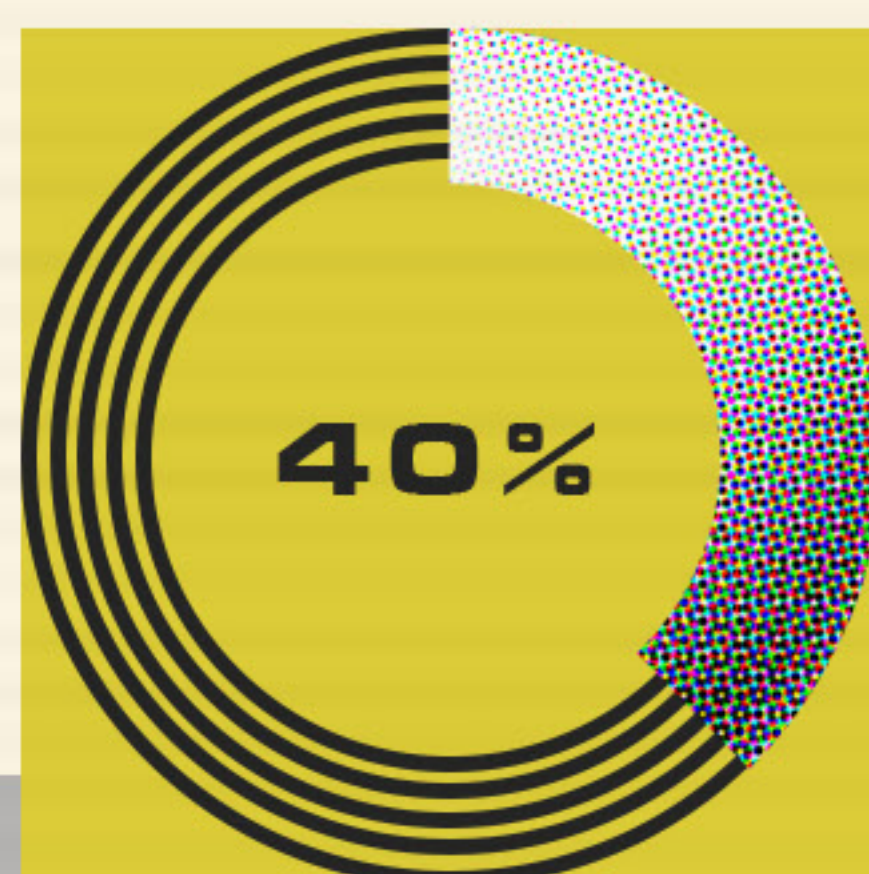
MOBILE

It's no secret that eyeballs continue to migrate from Desktop to Mobile, in fact we found Mobile now holds a 51% share of Irish web traffic, stealing ground from both Desktop and Tablet. But eyeballs are one thing. Euros are quite another.

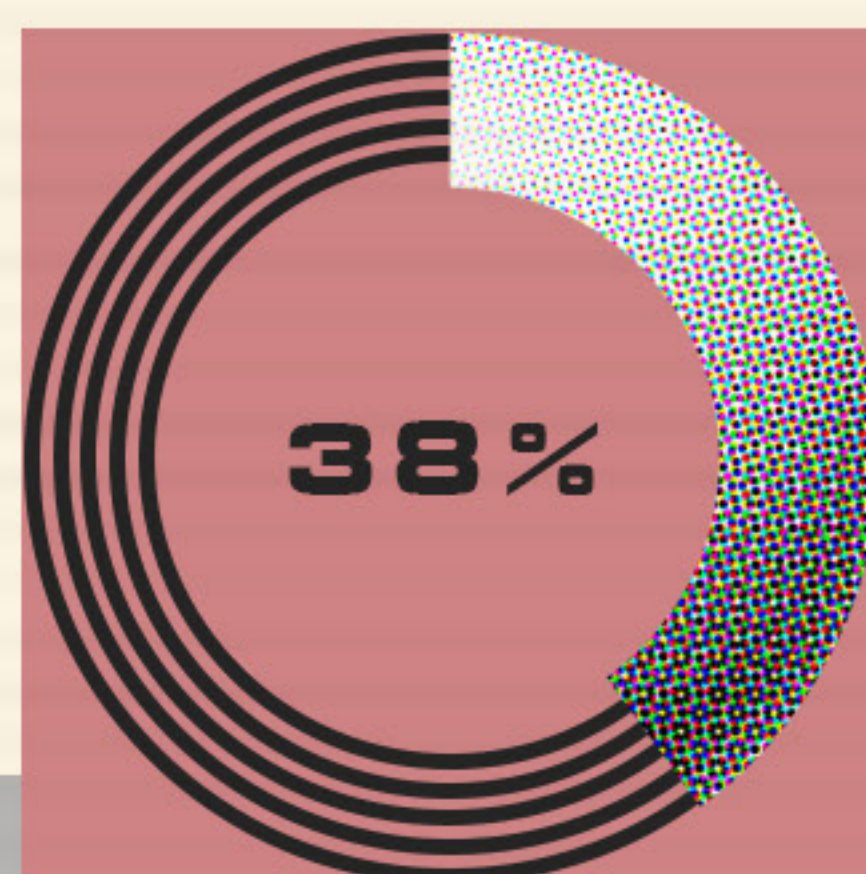
TRAFFIC

DESKTOP

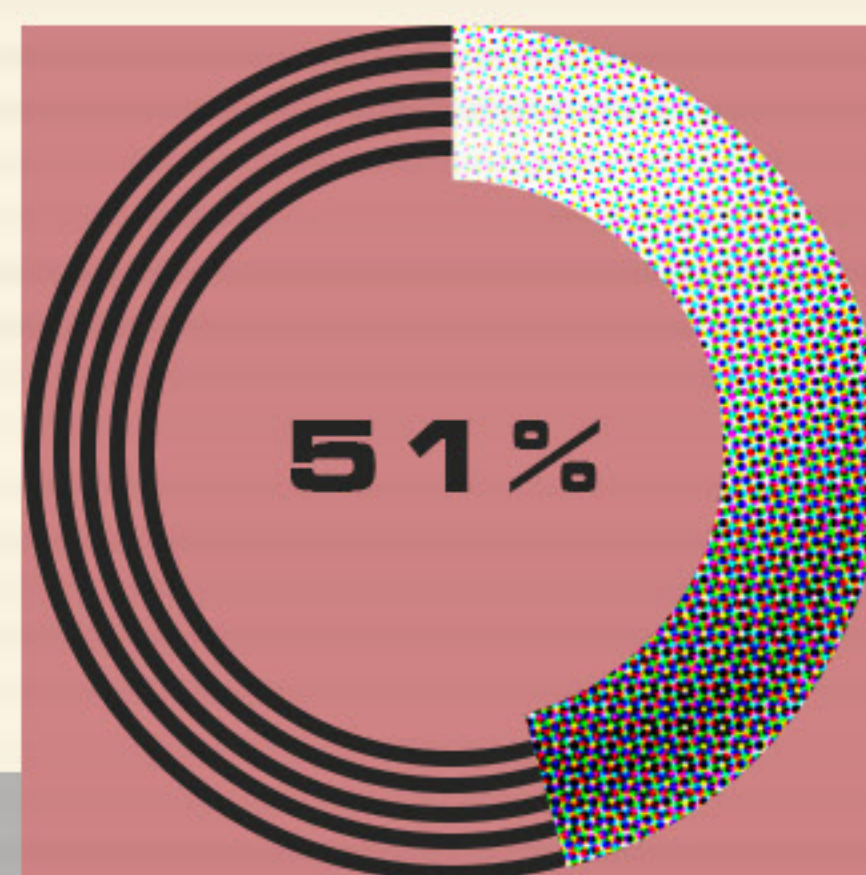
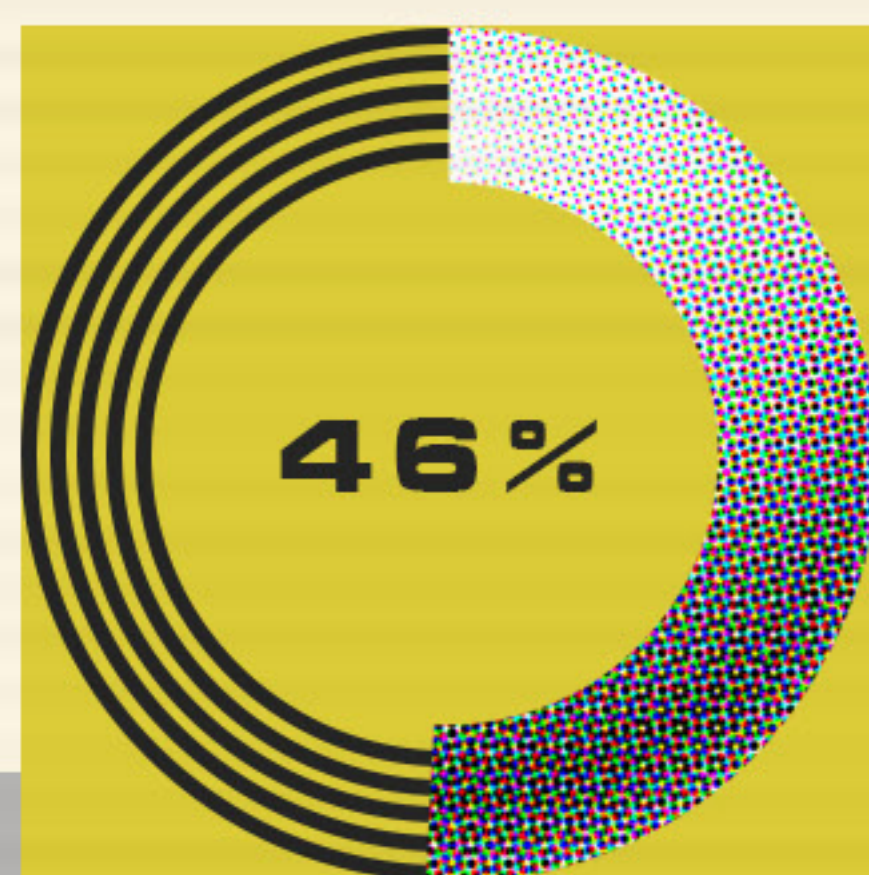
2016



2017



MOBILE



TABLET

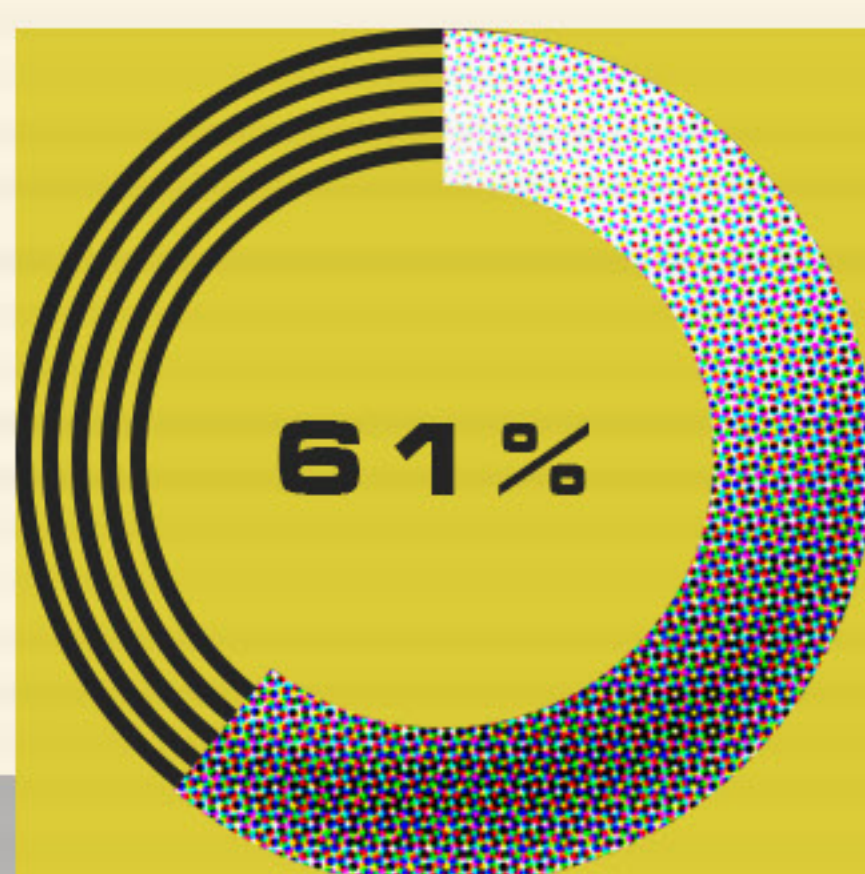


While we are more willing to browse on mobile, the all important conversion more often occurs on Desktop, with desktops and laptops retaining a 58% share of all online revenue. While maintaining the lion's share of online spend, Desktop is slowly losing its dominance in online revenue share. Between 2016 and 2017, revenue generated from customers converting on mobile increased by 4% to 30% of the overall share. The remaining 12% is generated by tablet users.

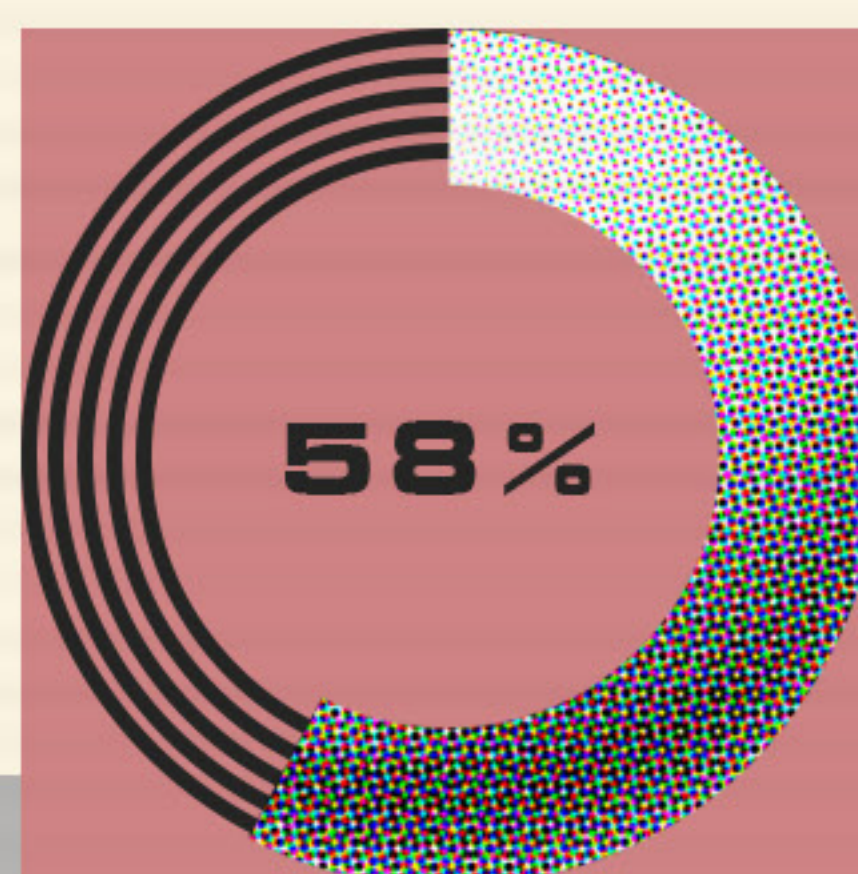
The data could lead you to underestimate the value of customers shopping on tablets. However, our 2017 E-commerce KPI Benchmarks Study found e-commerce sites with higher volumes of Tablet traffic also generated more revenue.

REVENUE

2016



2017



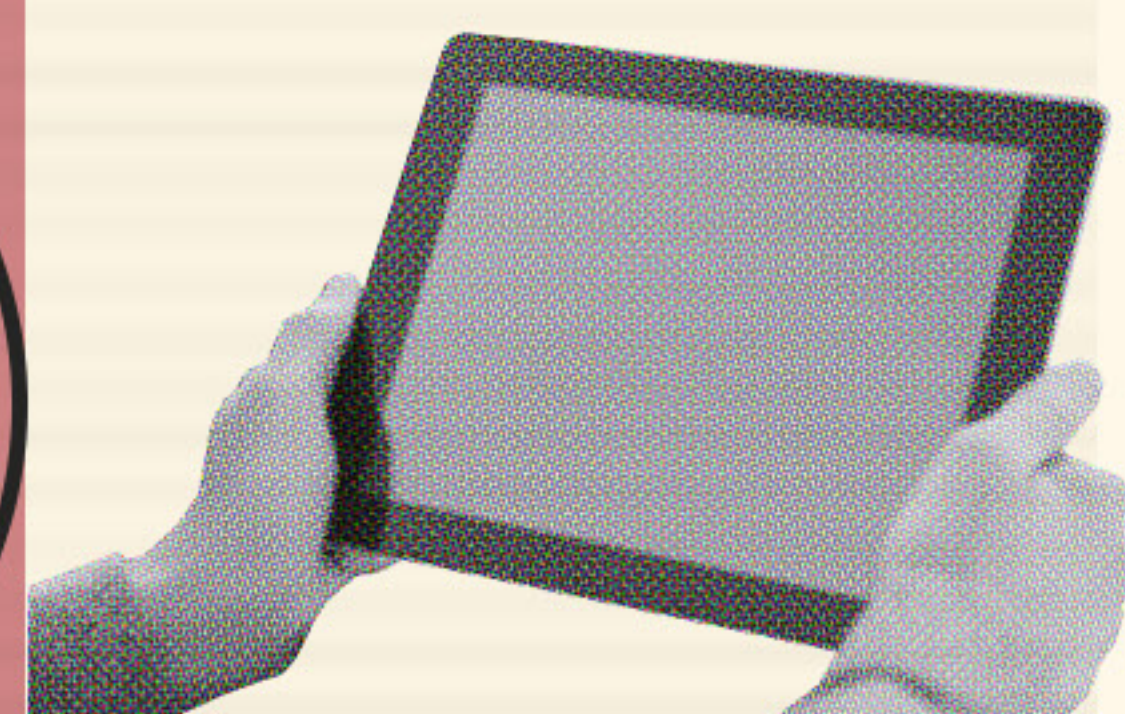
DESKTOP



MOBILE



TABLET



INTERNATIONAL **TRADE**



In 2017, international transactions accounted for 24% of all revenue generated by Irish retailers, a 1% drop from 2016.

Last year, we earmarked Brexit as an opportunity for online and multichannel businesses thanks in part to the efforts of the European Union barriers to international trade. Since then, the EU has ushered in the Second Payment Services Directive (PSD2) in an effort to modernise Europe's payment systems for the benefit of EU consumers and businesses alike. The first PSD was introduced to make cross-border payments as easy, efficient and secure as national payments within a Member State. PSD2 seeks to contribute to a more integrated and efficient European payments market, which if achieved will further reduce friction for cross-border transactions.

PSD2 is but one EU initiative to stimulate cross-border e-commerce. In December 2017, the EU announced another agreement to reduce cross-border parcel delivery costs in an effort to encourage e-commerce between Member States.

This leads us to echo last year's study; Ireland's international opportunity beyond the UK is huge and far outweighs the potential losses posed by Brexit, but only for those willing to adapt. Despite the potential, our study shows practically no change in Irish businesses shifting their income to international markets between 2016 and 2017.





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AN IMPROVING **DIGITAL LANDSCAPE**

Nothing makes online shoppers hit the back button faster than a poorly designed and slow website. Thankfully, companies and brands are responding with improved design and investment in their web-infrastructure. While these efforts are contributing to faster websites, consumers are enjoying a double win as the general digital landscape of Ireland is constantly improving.

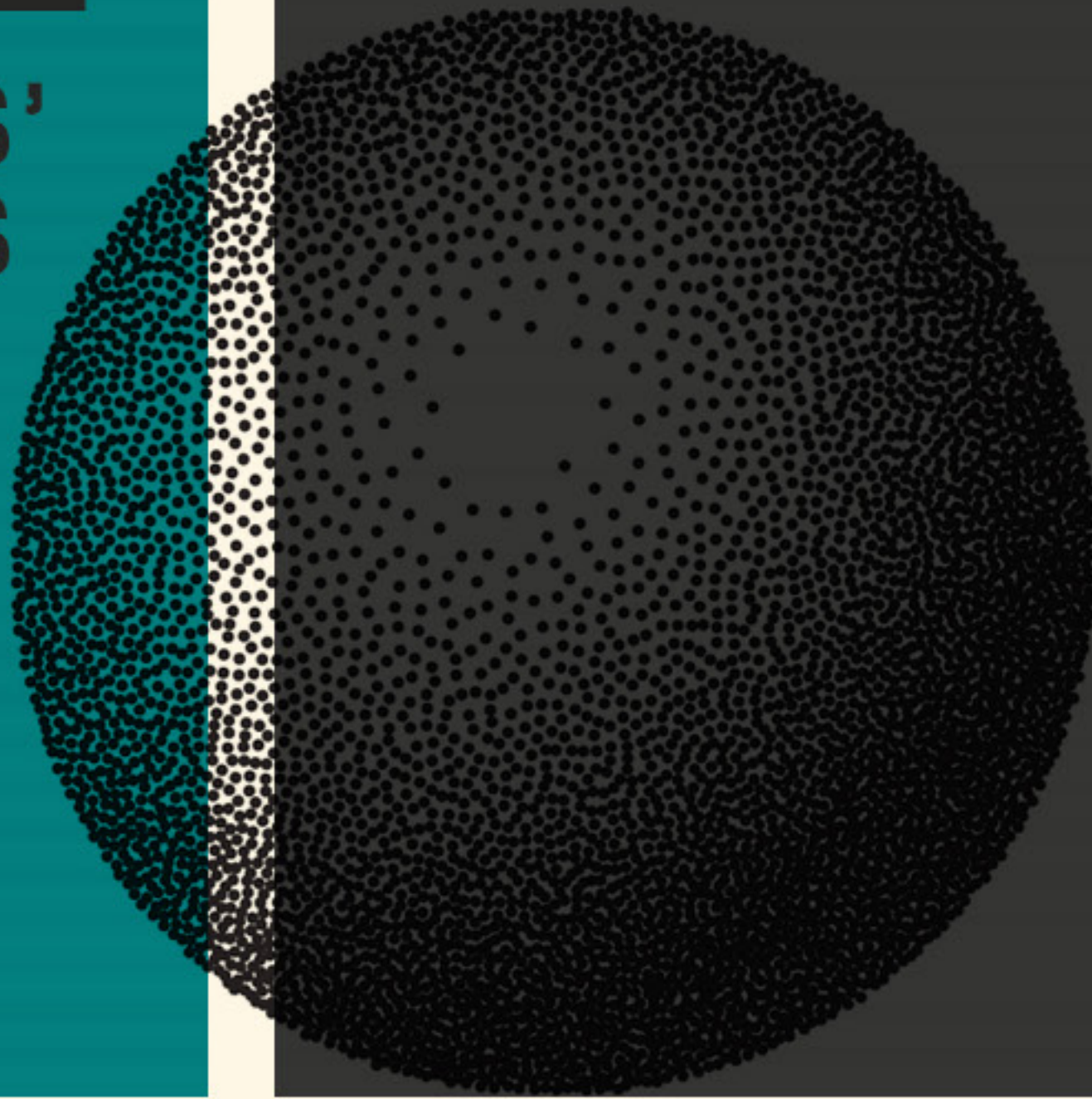
ComReg figures show that between Q3 2016 and Q3 2017, there was a 20% increase in mobile customers accessing digital stores and services over faster 4G internet connections. In terms of fixed line broadband, by Q4 2017, 65% of Irish premises had access to high-speed broadband, a figure expected to rise to 77% by the end of 2018.

This is great news for online businesses. As our 2017 E-commerce KPI Benchmarks Study discovered; speed matters online. If pages on your site load quickly, you're more likely to see revenue growth. So, while companies are responsible for developing their own website infrastructure, we expect Ireland's improved mobile and fixed broadband network will also stimulate online revenue. Our report also dives into transaction data and has already shown strong evidence that Irish consumers are increasingly willing and able to make purchases online as the volume of transactions in 2017 increased by 32%.

Transaction growth (32%) surpassing traffic growth (14%) indicates established consumers are shopping more frequently. This figure is also boosted by late adopters, encouraged to go digital following several government initiatives. Combine these factors with an ever improving online infrastructure and the Irish digital landscape has never looked so promising.

Q.4:

BLACK FRIDAY
BECOMES A
BLACK HOLE
FOR RETAILERS'
MARGINS



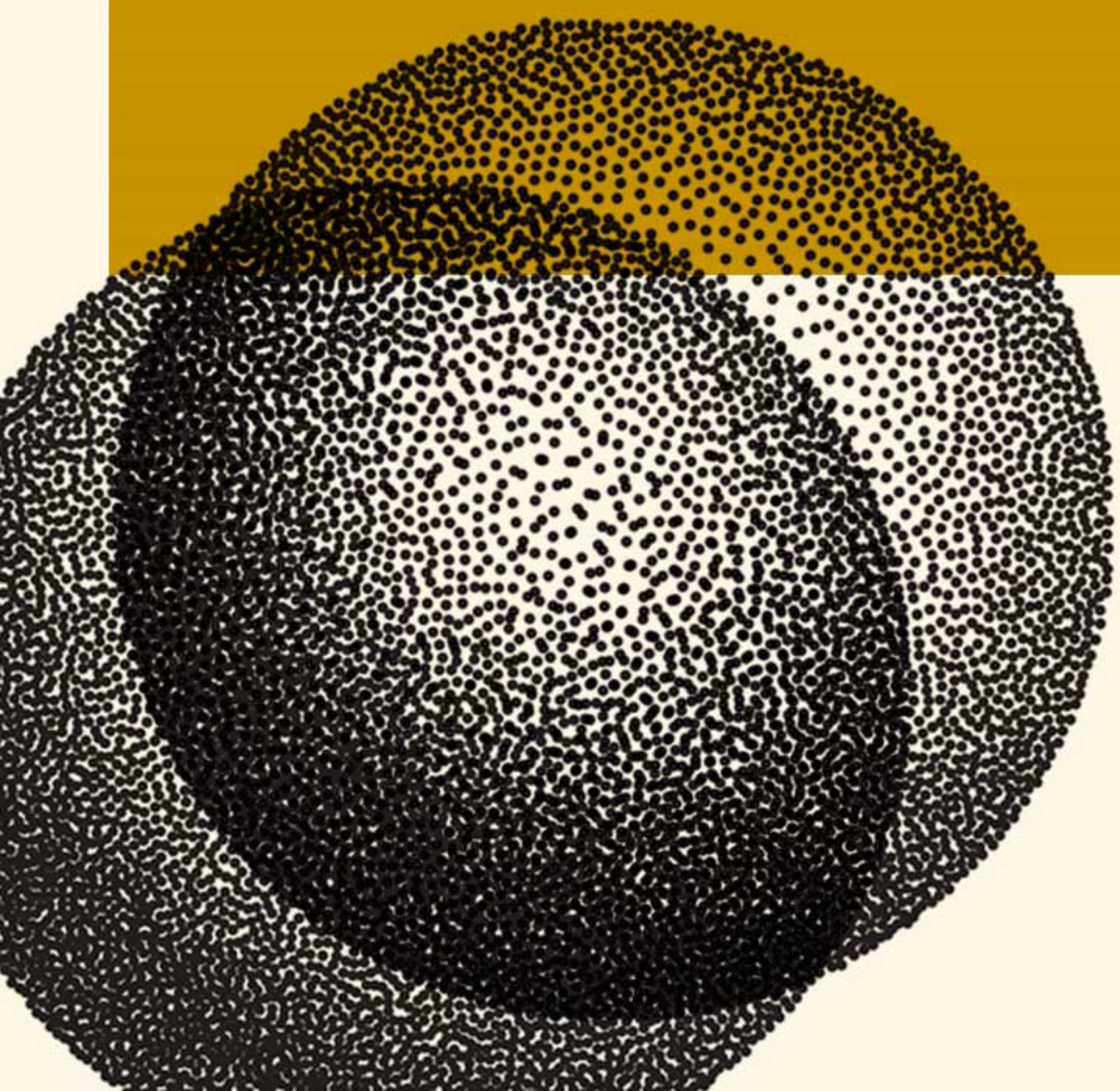
Q4 has long been considered the make or break period for online retailers as they geared up for the run into Christmas. Dubbed the 'Golden Quarter', our research shows that Q4 revenue grew 10% in 2017. While 10% growth is not to be sniffed at, Black Friday year-on-year revenues were up 56% in 2017. With total annual retail revenue growing by 19%, Q4's 10% growth is lagging well behind the rest of the year.

One day in November has become the focal point of an entire quarter and many now believe that overall Q4 success or failure hinges on it. In 2017, 7% of all Q4 online revenue was generated on Black Friday alone, but the big question remains: Is Black Friday a new contributor to the quarter, or is spend simply transferred to this day?

According to Deputy CEO of Retail Excellence Ireland, Lorraine Higgins, 2017 Q4 opened poorly largely owing to consumers delaying their spend until Black Friday. Savvy, bargain-hunting shoppers have evolved and shifted their spending habits to the Black Friday sales, a day which has become a black hole of excessive, margin-eroding discounting. Coupled with increased marketing spend in an effort to acquire new customers, Black Friday can quickly become a void for even the thriftiest online business.

Businesses shouldn't become too hyperfocused on this one date on the calendar as the Irish public are demonstrating they are both willing and able to shop more regularly throughout the year. Smart retailers use Black Friday as a customer acquisition tool and understand that the big win comes from the additional transactions from these shoppers in the future.

Our year-on-year transaction data shows Irish consumers now shop online more frequently, completing 32% more transactions in 2017. By comparison, the 10% growth in Q4 transactions, indicates Irish shoppers are spreading their transactions out across the full year.



**WHAT LIES
AHEAD IN**



2018

More Marketing Spend to Migrate Online

Google and Facebook have been fighting tooth and nail to win media spend off each other and everybody else. At the core of their strategies is conversion, that is people who click on our ads and then go on to buy. Therefore their innovation efforts have gone into creating ad formats that convert. Adoption of Google Shopping and “Facebook Shopping” offering Dynamic Product Ads generated great growth for retailers in 2017.

In 2018 retailers will be able to get cold hard data on how many in-store purchases were impacted by their online activity. Facebook recently cracked measuring the Research Online Purchase Offline (ROPO) phenomenon as Facebook advertisers can now upload email addresses associated with in-store transactions to see if those in-store shoppers interacted with an online ad. Google is certain to follow suit and when marketing directors gain visibility on the considerable in-store impact of their online activities, further funds will flow towards online.

Did Amazon Just Wheel a Trojan Horse Into Your House?

Amazon is now providing official support for their range of Alexa-powered smart assistants in Ireland. This was met with great applause from media and has sparked a “Will Voice Kill Search” debate in e-commerce circles.

While many industry commentators are predicting voice will reshape e-commerce, in Wolfgang Digital we think this is absolute codswallop. The last decade has seen the web shift from text only, to text and images, to text and video. Each iteration of making the web more visual has led to increased conversion rates. All our experience of marketing retail and travel websites tells us that people are less likely to buy from a single search result with no visual information than they are from a selection of search results accompanied by rich visual information. We suspect Amazon know this too. They are more than happy to receive the free media generated by the “voice kills search” conversation knowing their bigger win lies elsewhere.

The bigger e-commerce win for Amazon is they have successfully deployed tens of millions of Alexa enabled trojan horses to consumers who have not only welcomed, but paid for the ears of Amazon to come into their home.

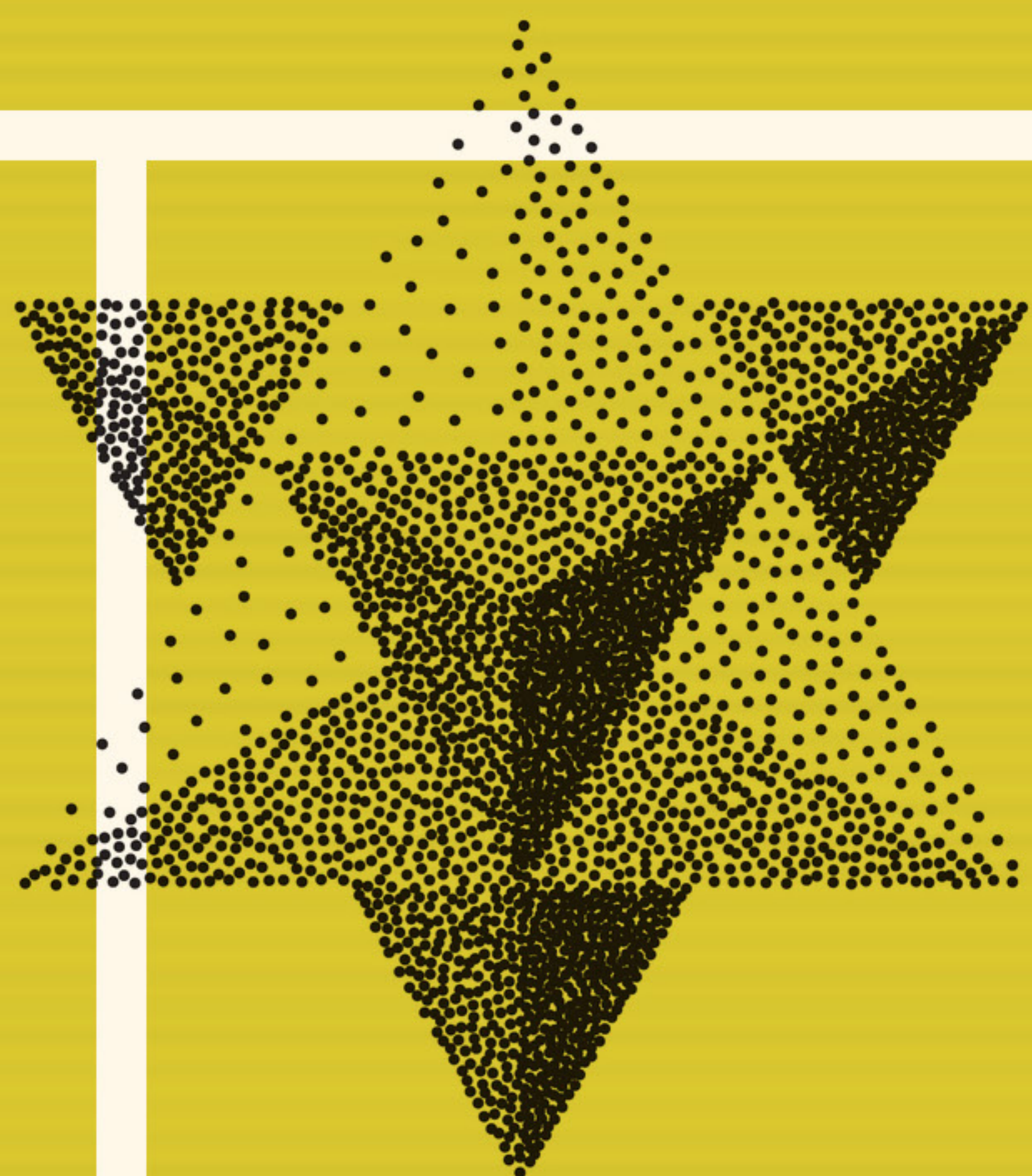
General Data Protection Regulation

Black Friday isn't the only black hole your brand will face this year as the General Data Protection Regulation (GDPR) poses very similar challenges. GDPR governs how companies process, manage and store data and is expected to be a costly, but unavoidable, implementation for companies.

While there has been an immense focus on the fines and risks associated with GDPR, much of which has reached the point of scaremongering, little has been said about the opportunity. Earlier, we showed you how customers are shopping more regularly with a 32% increase in transactions. This indicates loyal shoppers are returning to make repeat purchases. If you implement a GDPR strategy that positions your brand with an ability to manage customer data and even pick up the slack from your competitors, GDPR will bring rich rewards for your company.

THE DATA

Wolfgang Digital's 2018 Irish Online Economy Report measured the growth in Irish e-commerce sites by looking at data from identical lists of contributors through 2016 and 2017. Participants vary from year to year and as such, each report reflects findings from that specific dataset. From this data, we looked at sessions, revenue, average transaction value and total number of transactions for sites primarily in retail and travel verticals. The participants of the study generated a total of €240 million in 2017, representing over 3% of online revenue generated in Ireland. Average figures were used to ensure websites with larger turnover didn't skew the findings.



Wolfgang Digital is an Irish performance digital marketing agency, employing 45 people in its Dublin offices and servicing clients all over the world. They are the current Irish, European and World search marketing champions and are the 2018 Retail Excellence Ireland Supplier of the Year. They are the holders of 14 Digital Media Awards including the Grand Prix Prize, 7 European Search Awards including Best Agency, 2 UK Drum Search Awards including The Grand Prix Prize and 4 Global Landy Awards.

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

Numbers & Words by
MARTY

Design by
HELENA

Overseen by
AL

