Retail & Consumer Report 2018

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Contents

Foreword

Now in our second year participating in PwC's global Retail & Consumer initiative, we are delighted to present our 2018 Irish Retail and Consumer report which canvassed the opinion of online shoppers in 27 territories including 1,000 in Ireland.

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2017 saw us launch our first Irish report with key insights including:

1. Shift to online is real and happening at pace
2. Mobile is a game changer
3. Social media is emerging as the great influencer
4. Security is key to building trust
5. The role of the store is critical and cannot be ignored

The 2018 PwC Retail and Consumer report has further examined these plus some new areas however our core opinion remains unchanged.

The power has very much shifted from those who make and sell products to the consumers who buy them. Offering consumers what they want, when they want it, will separate the winners from the losers.

With new technologies including Artificial Intelligence, Voice-Assisted devices, Augmented Reality and Blockchain all driving accelerated rates of disruption, this shift of power to the consumer has never been greater. 2018 is the year to understand how this myriad of change will impact on your market, business model and customer in order to build a future-proofed platform for growth which will see you winning in this new but all too soon normal disrupted world.

Economically, all the indicators are positive. However, Ireland is not without headwinds such as Brexit, which remains a real threat to our economic development. Irish consumers are positive about their spending outlook however the new shopping habits developed during the economic recession have not been forgotten.

Online has made it easier for consumers to seek out value which in turn changes how they engage with stores. Christmas 2017 was a victim of this with deep Black Friday discounting disrupting how consumers spend in a key trading period in terms of revenue and profit generation. These new forces will only increase in intensity and with emerging technologies playing a much more influential role in how we shop, disruption is now the accepted norm.

Preparing for this disruption is essential as retailers and brands seek to win market share in rapidly changing markets where technology is now driving change at a pace never experienced before. We are witnessing the collision of online and offline in a way scarcely imagined before. Online giants such as Amazon are now actively looking to grow their store portfolio beyond their recent Wholefoods acquisition. Their experience extracting real value from the consumer data they hold combined with a strong store offer will deliver a compelling consumer offer. Understanding these merits is a key step to winning in your respective categories.

2018 key findings to support planning for disruption:

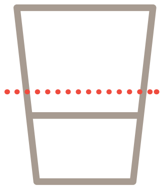
1. Mobile has become the standard

The shift from Desktop to Mobile is well underway with Mobile set to become the dominant platform for online shopping within the coming years. Looking to other markets such as the UK, USA and China where Mobile adoption is much higher, it is only natural that Ireland will follow their growth rates. This has significant consequences for those selling online as mobile adaptive websites are now a necessity. In addition, those who cannot provide their Irish consumers with a localised offer are missing out on growth opportunities. Consumer's expectations are shifting with trusted mobile payment capability now expected as standard.

33% **more likely to shop** with a retailer that offers mobile payment

2. The store continues to evolve

Stores remain as the most important shopping channel and will continue to hold this position of strength. However, retailers need to offer a compelling consumer offer in order to win. Our survey shows that consumers like to shop in stores, and will keep doing so as long as stores provide the right experience, combination of value, convenience, personal service and integrated physical and online services. One key area of focus is customer service and with less than half of Irish consumers satisfied with most elements of in-store shopping experience, is an area of concern and opportunity.



Less than half are satisfied with **most elements** of the **in-store shopping** experience

3. Data is more than insights

Trust is essential for retailers seeking to harness data about customers in order to provide a better experience. Our respondents seem to trust retailers to collect data about their interactions and use information to make personalised offers. However they are not comfortable having a retailer identifying when they are nearby and prompt them offers via a mobile-device. A rethinking of strategy may be needed to ensure your relationship based on trust is not damaged.

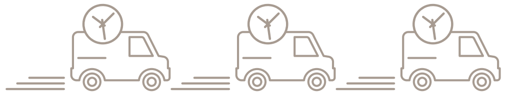
4. Social is the new media

Although trust in the brand plays a strong role in determining where consumers shop, they rely heavily on other people's opinion to decide what to buy. Businesses must develop engaging and relevant social media strategies in order to drive consumer engagement. Younger consumers are the most avid users of social media as a source of purchase inspiration and, as they age, it is unlikely that this will change. A well-crafted and engaging social media strategy is therefore critical.

62% of **25yr – 34yr** find purchase inspiration through social media

5. Getting the last mile right is critical

Not that long ago, a visit to a retailer was undertaken for the express purpose of buying products and bringing them home. This has all changed and now shopping also means ordering and waiting for the goods to turn up at the door. Online Pure Plays are able to build an efficient business model around this. However, those retailers with existing store footprints struggle to profitably compete in this complex space where getting the last mile right is critical. Consumers, expectations related to lead times are increasing due to the growth of new developments such as subscription services and last-mile delivery partnerships. Understanding how to effectively improve your last-mile service is essential as consumers expectations grow.



77% **of Irish consumers are willing to** pay for same day or next day delivery

Our 2018 Retail and Consumer report paints a picture of consumers who are complex and highly segmented by age. The convergence of new technology and emerging patterns of social interaction are reshaping consumer habits in ways that are changing how retailers, brands and consumers engage. One other certainty is the pace of change which means that our markets are being reshaped at an almost frantic pace and those who want to capitalise on this need to understand how to win in our escalating disrupted landscape.

Key Facts: Retail & Consumer 2018

66% of Irish CEOs are confident about business outlook

59% say its important to purchase local products

38% of 25-34 year olds shop online weekly

18% say they shop less often at other retail stores as a result of Amazon (34% in the USA)

33% say they are more likely to shop with a retailer who offers mobile payment

Less than **50%** say they are satisfied with the in-store shopping experience

34% say they are comfortable to have their shopping patterns monitored

51% say they are not comfortable for a retailer to identify them when nearby

57% only use credible websites when shopping on their mobile phone

52% say they are concerned about security when making mobile payments

38% say they use social media to inspire their purchases

94% of 18-24 year olds use social media to inspire their purchases

77% of consumers are willing to pay for same or next day delivery

69% consider return shipping to be the most attractive service if they don't have to pay

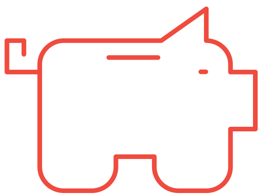
Economy & Growth

Economy & Growth

Consumers continue to be value-conscious

Changing consumer behaviours following the impacts of the deep recession ten years ago has led to a new value-conscious consumer. Retailers and brands will have to work harder than ever to attract and maintain consumers by ensuring their products and offerings meet consumer value expectations.

PwC's 2018 R&C survey results reveals that, despite the positive economic outlook, only 31% of consumers expect to spend more in 2018 compared to 2017.



31% less than a third expect to spend **more in 2018**[1]

Positive outlook but Brexit is a concern

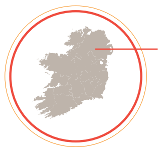
While the economic outlook for Ireland continues to be positive, businesses need to ensure that they have appropriate plans in place to minimise the potential impact of external factors such as Brexit, inflation and other cost pressures, such as increasing rents, that could further impact consumer spending.

Ireland's strong trading relationship with Britain means that Brexit remains the number one concern in relation to external macro factors for Irish consumers.

The survey highlights that sentiment amongst Irish consumers for 2018 is positive with over 80% expecting the economy to perform the same or better than 2017[1]. This outlook aligns with key economic indicators which show a continued reduction in unemployment levels[2] (down to 6.2% at the end of 2017), GDP growth[3] of 4.8% is predicted for 2018. This growth highlights the strong momentum in the Irish economy.

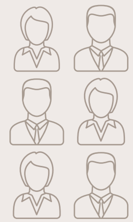
PwC's latest Global Economic Outlook report predicts Ireland to be the fastest growing Eurozone economy over the next 6 years to 2024[4].

Impression of how the overall economy in Ireland will perform in 2018



Only 12% expect THE **Irish economy** to perform worse **than last year**

66% of **Irish CEOs** are **confident** about the business outlook **for 2018**



89% of **Irish CEOs** are **concerned** about the impact of **Brexit**[5]

Which external factors do you think will most impact your spending?

Sources:

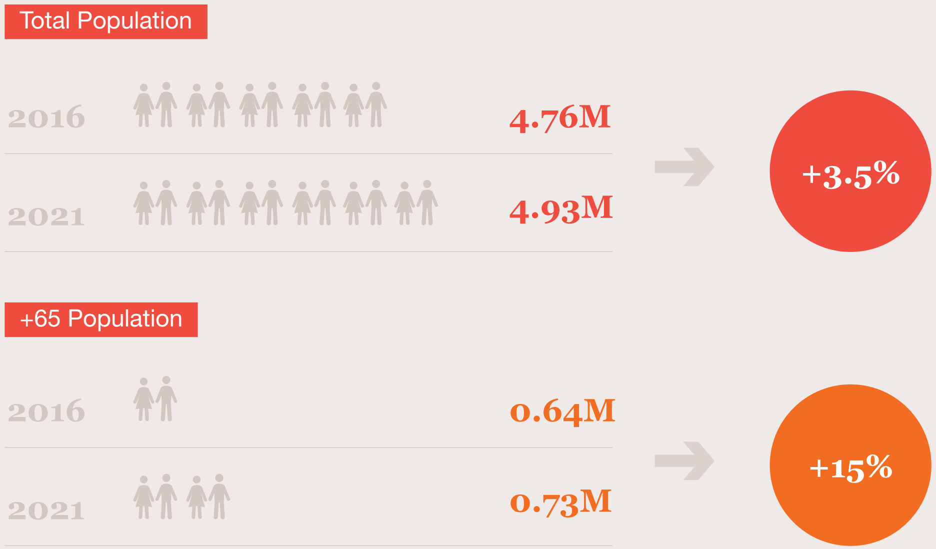
1. Global Consumer Insights Survey, PwC, Dec 2017
2. www.cso.ie, Monthly Unemployment Report
3. Bank of Ireland, February 2018
4. PwC, Global Economic Outlook report
5. PwC, CEO Pulse Survey, 2017

Ireland’s population is growing and ageing

Irish-based businesses must remain relevant to their customer base. Ensuring their products and offerings cater to changing demographics going forward is critical.

Census projections show Ireland’s total population is likely to grow by 3.5% up until 2021 (following 3.8% increase since 2011[6]) with the over 65 age group likely to increase by 15%[6] (following an increase of 19.1% between 2011-16).

The National Planning Framework 2018 predicts population growth of 1 million and the number of people aged over 65 to double over the next 25 years[7] in Ireland.



We’re operating in a global landscape but local is still important

Building trust with consumers is really important and the survey confirms that local products create trust amongst Irish consumers. Businesses should ensure they maximise the provenance of their brand as consumers are more and more looking to ‘keep it local’. Effective marketing and packaging can help raise consumer awareness in relation to retailer and brand origin and help drive increased footfall and sales as a result. Social media can play a very useful role here also.

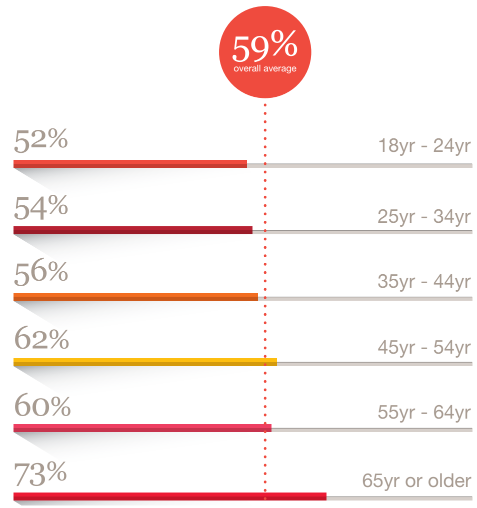
Almost 60% of Irish consumers feel it is important to keep it local with the impact on the Irish economy, supporting local retailers, product quality and traceability the key reasons why consumers chose local products.

More specifically, the 65+ category are most aware when it comes to recognising the benefits that buying Irish has on the economy.

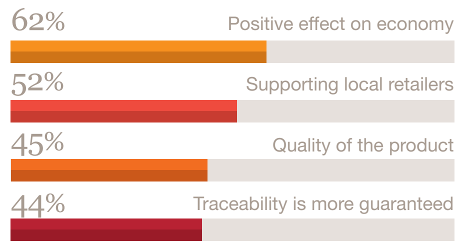
Sources:

6. Census 2016 Results, Central Statistic Office, April 2017
7. Ireland 2040 Our Plan, Draft National Planning Framework

% of consumers who think it is important to purchase locally produced products



What are your main reasons for purchasing Irish products?



Key retail & consumer insights

1 To win the battle to attract and keep the ever increasing value-conscious customer, retailers and brands need to work harder than ever, by clearly understanding their position in the market and the relevancy of their consumer offer.

2 While the economic outlook for Ireland is positive, businesses must plan for external factors such as Brexit, cyber-attacks and other geopolitical shocks to ensure that they are competitively positioned to minimise impacts to their business.

3 Ireland's rising population presents an opportunity for further economic growth, however, businesses must remain relevant to their customer base altering their offering in the medium to long term to meet Ireland's ageing population.

4 There is an opportunity for businesses to effectively leverage the Irish provenance of their stores and brands to attract customers as a significant proportion (approx. 60%) of Irish consumers consider purchasing Irish products as important or very important.

1 Mobile

Mobile has become the standard

Mobile

Mobile has become the standard

Online shopping will grow

Irish retailers and brands need to ensure that they are firmly established in the online market, to win over the consumer savvy shopper. New figures show that Irish consumers spent around €5billion[1] online last year, but almost two thirds of that - around €3 billion went to retailers outside of Ireland. This large overseas spend provides real opportunities for locally based businesses to build the necessary platforms to attract this lost revenue back to Ireland.

A quarter (25%) of Irish consumers are shopping online weekly or more frequently, compared to over 50% in the UK. The 25-34 year-old category are the most active online shoppers (38%) in Ireland. Additionally, almost all customers surveyed (95%) shop online at least once per year.

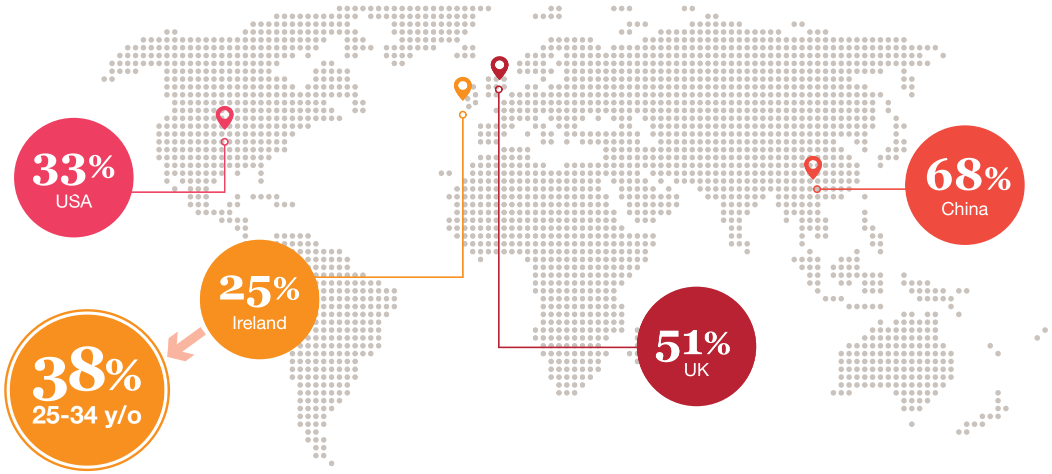
Irish brands and retailers should also consider Amazon as an additional online channel to grow their own online offering. This will be critical as Amazon in Ireland grows in popularity. Survey results from the UK and elsewhere show that Amazon shoppers are less likely to shop elsewhere. If Amazon were to establish a fulfilment centre in Ireland, similar to that in the UK, it is likely that consumer shopping on Amazon would head towards current UK level of 90% as their supply chain penetration into Ireland improves.

Major global cities such as London and New York lead the way when consumers are asked about frequency of shopping. 55% of respondents in London shop weekly or more frequently with a slightly higher level of 57% in New York. The benefit to retailers of servicing large urban areas much more efficiently is evident with the high numbers of shoppers creating a critical mass.

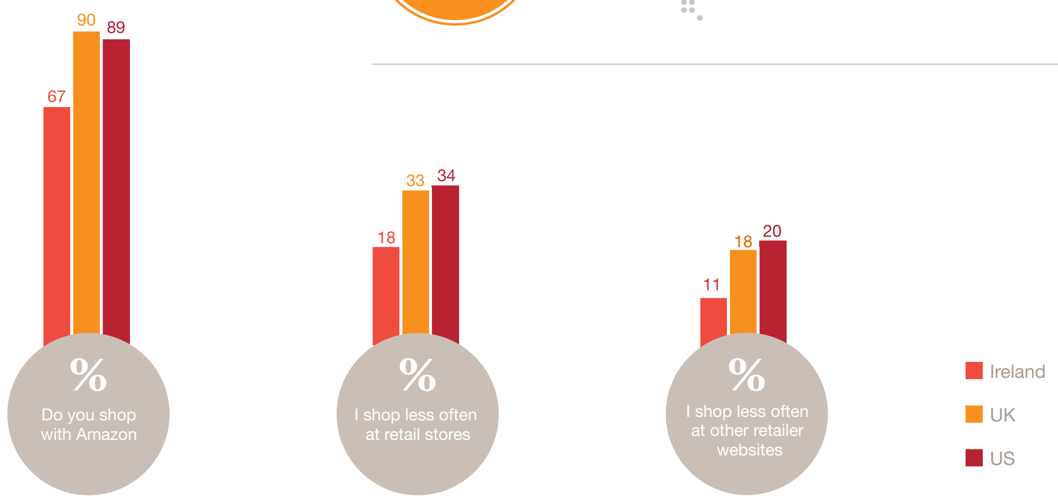
Sources:

1. Consumer Market Monitor - Marketing Institute of Ireland and UCD Michael Smurfit Graduate Business School.

% of consumers who shop online weekly or more frequently



How has shopping with Amazon influenced your shopping behaviour?



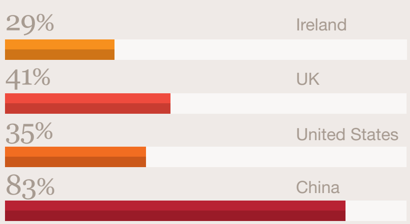
Mobile has become the standard (cont'd)

Mobile-enabled websites are now a necessity

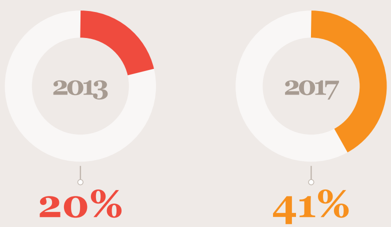
Irish brands and retailers must ensure that their website is fully mobile-enabled as mobile devices are becoming a key purchasing tool when shopping online. Retailers who embrace this can benefit from improved customer interactions and increased sales, with customers able to browse and shop effortlessly via mobile.

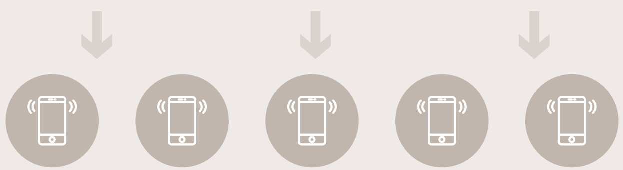
29% of consumers make purchases via mobile phones on a monthly or more frequent basis and PwC expects this to grow to approx. 50% within 5 years (based on UK trajectory over the last 5 years)

Consumers purchasing via mobile phone monthly or more frequently by country



UK growth in purchases via mobile phone has doubled over past 5 years





Based on the trends in more mature markets such as the UK, US and China, it is likely that mobile purchasing in Ireland will increase towards 50% in the coming years

Adoption of mobile payments is critical

Retailers who are prepared for the growth in consumer expectations around mobile payments (likely to become the norm) will reap the benefits of both increased traffic and spending whilst those lacking this facility will be at risk of becoming less relevant to consumers.

Mobile payment use and acceptance is set to grow in 2018. For example, 66% of consumers aged under 35 agree that mobile payment is their preferred method of purchasing in store.

Subscription models work

Amazon Prime has proven that subscription offerings work as a way of attracting new customers and gaining repeat business. Both retailers and brands need to understand whether subscription models are an effective way of winning consumer loyalty.

The average Amazon Prime member in the US spends $1,300 annually[1] which is almost double that spent by non-Prime members.

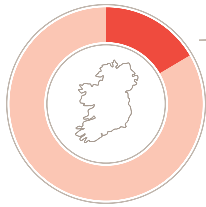
Sources

1. Consumer Intelligence Research Partners (CIRP), Buyer shopper patterns analysis, Oct 2017

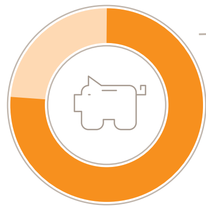
33% more likely to shop with a retailer that offers **mobile payment.**

67% of Irish consumers say that they shop with Amazon

Subscription models work



17% % of Irish Amazon shoppers who are Prime members



77% think Amazon Prime has been good value for money


Payment Details
Card Number
Expiration Date

Mobile has become the standard (cont'd)

More shopping categories likely to shift online or be disrupted by the sharing economy

Businesses operating in 'at risk' (to online shopping disruptions) categories such as DIY, furniture and household appliances, while still predominantly bricks & mortar retail, however they will need to consider their business models in light of a likely greater shift online to service the modern consumer effectively.

- While certain shopping categories (e.g. Clothing and Footwear, Books, Music, etc.) have experienced an increasing shift to online in Ireland, other categories surveyed have not yet reached significant online penetration (e.g. DIY, furniture, household appliances, etc.) with more than 60% of consumers never purchasing online in these categories.
- Grocery remains a small online market in Ireland with only an estimated 3% of total grocery purchases made online. This compares to an estimated 7.5%[1] in the UK which would indicate that we are likely to see a greater shift to online grocery activity in Ireland.

A recent disruptor across many industries is the concept of the sharing economy, where consumers share or rent products without ever owning them. This creates an opportunity to provide consumers with a different offering, allowing them to save on equipment that is only needed occasionally. A number of applications of the sharing economy can be seen (right):

What % of purchases have been online in the last 12 months

Options	All	Some	None
Clothing & Footwear	2%	78%	20%
Books, music, movies, video games	4%	69%	27%
Health & Beauty	2%	56%	42%
Consumer electronics	5%	41%	54%
Toys	1%	42%	57%
Sports Equipment	2%	40%	58%
DIY / Home Improvement	1%	35%	**64%**
Grocery	1%	34%	**65%**
Furniture & Homeware	1%	34%	**65%**
Household appliances	2%	30%	**68%**

Products that consumers would be willing to share

Options	Ireland	China	UK	US
Do-it-yourself/home improvement items	24%	13%	24%	21%
Sports/outdoor equipment (e.g. skis, golf clubs, tents)	25%	49%	21%	27%
Other modes of transport (e.g. bicycles, vans, boats)	29%	63%	22%	25%
Cars	35%	51%	34%	32%
None of the above	40%	10%	41%	40%

Sources:

1. Online grocery shopping in the UK, Statista.com

Key retail & consumer insights

1 Irish businesses need to improve their online offering, in order to shift online consumer spend back to Irish-based websites.

2 Websites must be mobile-enabled as mobile devices are becoming a key purchasing tool when shopping online.

3 Be prepared to consider Amazon as an additional channel alongside your own online store as Amazon becomes more prominent amongst Irish consumers.

4 Mobile payments are set to double by 2023 so retailers need to ensure that they have smooth, effective mobile payment options in-store.

5 Subscription models can present online retailers and brands with an alternative way of attracting and retaining customers.

6 Irish businesses need to consider their business models in light of certain shopping categories such as DIY, furniture and household appliances at risk of disruption from online shopping and the sharing economy.

2 The Store

The store continues to evolve

The Store

The store continues to evolve

The store continues to evolve

Bricks & mortar stores need to ensure that they are continually evolving and remaining relevant by focusing on enhanced customer services and experiences. To effectively make this shift, businesses need to focus on a number of key elements such as having suitably trained staff with deep knowledge of products, as well as additional last mile services such as the availability of 'click & collect' and 'in-store' ordering services.

- While the store remains the most important shopping channel for consumers with 73% of Irish consumers shopping in-store monthly or more frequently, less than half (36%) of Irish consumers are satisfied with most elements of the in-store shopping experience.
- In particular, consumers are becoming less satisfied with in-store sales associates knowledge of products (51% in 2018 compared to 63% in 2017). This decline represents growing consumer expectations of the retailer and the service they provide. This is likely to be an area that is going to continue to challenge retailers and therefore needs to be a key focus area in 2018 and the coming years.

Amazon's recent acquisition of Whole Foods has given the e-commerce giant an immediate presence in the US brick & mortar retail space. This move demonstrates the continuing value of the physical store but also demonstrates how acquisitions can provide companies with quick access into new channels. Businesses in Ireland need to be prepared for a changing competitive landscape as acquisitions open the door to new entrants in their markets.

Additionally, Amazon Go stores, the first of which opened in January 2018, offer checkout-free shopping. While its strategy to break into the brick & mortar space is still in its infancy, Amazon's physical presence could provide a major shift as to how consumers shop in the future.

% satisfied with sales associates knowledge of product range

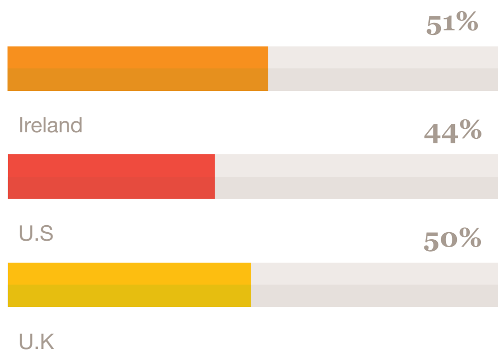
12% decline on last year

Less than half are satisfied with **most elements** of the **in-store shopping** experience

$1 Billion estimated revenues from Prime Day deals on Amazon in 2017[1]

4.4% growth in sales at Whole Foods in Q3 2017 - **its fastest sales growth** since Q4 2015[2]

% satisfied with sales associates knowledge of product range



Sources:

1. PwC (2017) "2017 Holiday Outlook".
2. Bloomberg (2017) "Quantifying the Amazon Effect at Whole Foods"

The store continues to evolve (cont'd)

AI devices have the potential to disrupt the in-store shopping experience

The digitisation of the modern world has gathered pace and now advanced, intelligent technologies (such as the Amazon, Echo and Google Home) are making their way into the home. Irish consumers remain slow to invest in these technologies today, as AI devices are still considered underdeveloped. As these technologies mature this will likely lead to greater adoption and wider usage. This will disrupt the way consumers engage and shop with brands and retailers for replenishment of household supplies and groceries. Retailers and brands need to understand how customer journeys are going to be disrupted by AI and how they can remain relevant to the consumer.

It is likely that products with a highly repetitive ordering pattern such as household grocery items are at most risk of being impacted by the changes in how the consumer shops in-store. Both retailers and brand owners must prepare for this and consider how the store evolves as more space is given over to fresh foods and those product categories that require much more consumer engagement.

In addition to space allocation, the role of store personnel is more important as the consumer seeks out different experiences. Product knowledge training becomes more important as consumers are now using their time in-store in a different way to before. Gone are the days when the consumer is shopping every aisle filling large trollies as this work has been largely automated. The challenge now is how to engage the consumer is a more meaningful and value adding way.

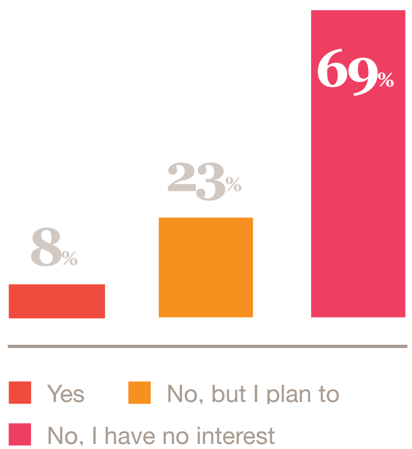
Whilst AI development and adoption is very much in its infancy we expect the pace of change to significantly increase.

Survey results show that Ireland is lagging other developed countries in relation to adoption and ownership of AI devices. Up to 20% of consumers in the US and China indicated that they own an AI device which would indicate that there is likely to be further adoption in Ireland.

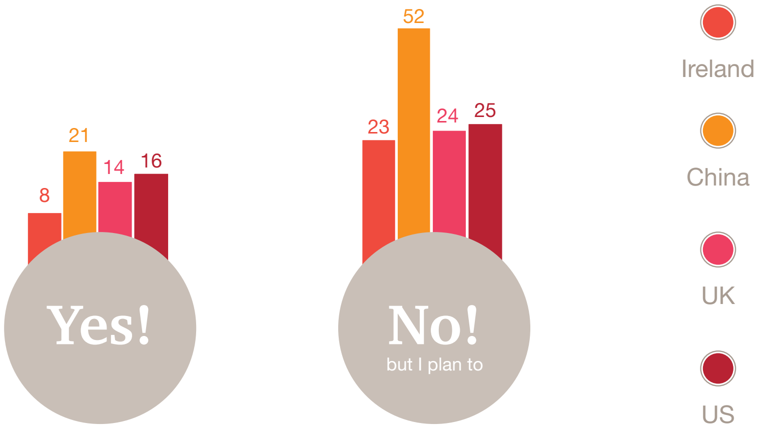
Whilst AI technology sits on every mobile phone through applications such as Siri, it is clear from the responses that consumers are not recognising this. Based on their responses, consumers are clearly considering AI devices to be standalone units such as the Amazon and Google devices.

% of Irish consumers who own AI devices

AI Device Examples:
Siri (Apple iPhone)
Alexa (Amazon)
Google Home



Country comparison - % of consumers who own AI devices



Sources

1. The economic impact of artificial intelligence on Irelands economy (November 2017)

The store continues to evolve (cont'd)

Key retail & consumer insights

1. The store continues to evolve and bricks & mortar businesses need to ensure they are also evolving, with a number of elements identified such as having suitably trained staff with deep knowledge of products as key to becoming a more modern retail model.

2. Preparedness is key to winning in a changing competitive landscape as acquisitions lead to new entrants in their markets.

3. Consumer adoption of AI devices will disrupt the way consumers engage and shop with brands and retailers for the replenishment of household supplies and groceries.

4. Retailers and brands need to understand how customer journeys are going to be disrupted by AI and how they can remain relevant to the consumer.

3

Data

Data is more than insights

Data

Data is more than insights

The Retail & Consumer sector now has an abundance of data available to it which, if effectively leveraged, can be used to better understand their customers and drive revenue growth. In addition, data insights can help also support the identification of efficiency opportunities. This will be critical as businesses face margin pressures in an increasingly competitive environment across their customer sectors.

Consumers want help, not surveillance

Consumers are becoming more comfortable with receiving personalised offers based on purchase history. However, privacy is a key concern especially when it relates to location based targeting (51% don't want location based offers). This needs to be taken into account when businesses are developing their digital strategies.

- Just a third (34%) of Irish consumers trust retailers to collect data about their interactions and use the information to create individualised offers. In particular, four out of ten (40%) between the ages of 18-34 trust retailers to monitor their shopping patterns, in order to provide a more seamless shopping experience across both the digital and physical storefronts.
- Irish consumers are less enthusiastic about the prospect of retailers knowing their physical location, with nearly two-thirds (64%) over 65 years of age uncomfortable with this notion.

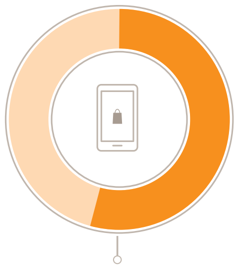
34% A third are happy for retailers to monitor shopping patterns and purchases

51% are not comfortable for a retailer to identify them when nearby

Customer security is paramount

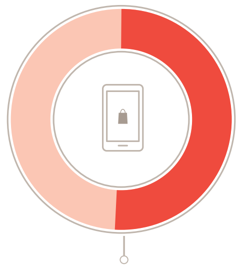
Irish businesses must be GDPR ready, as well as having robust cyber security programmes in place. Retailers can build trust through providing secure websites and payment facilities, as well as protecting customer data in order to increase consumer confidence and drive repeat purchases.

- More than half (52%) of Irish consumers remain concerned about security when making payments on their mobile. These consumers will only use credible websites that have built trust amongst consumers over time



57%

only use credible/legitimate websites shopping on their mobile phones



52%

concerned about security when making payments on their mobile phone

Whilst consumers expect to pay via their mobile, security of their payment cannot be put at risk.

Data is more than insights (cont'd)

Key retail & consumer insights

1 Data can assist the Irish Retail & Consumer sector in winning and retaining customers, through greater personalisation and tailoring of offers. However, awareness of consumers reluctance to receive location-based targeting is an area for review.

2 Security remains a pervasive element for consumers when shopping online via mobile but managed effectively, can drive trust and loyalty with consumers to certain websites and brands.

3 With new GDPR regulations taking effect from May 2018, there is pressure on firms to comply with this new law. GDPR significantly changes data protection law in Europe, strengthening the rights of individuals and increasing the obligations on organisations. The safeguarding of personal data is at the heart of the law thereby creating an opportunity to further build trust with consumers.

4 Social Media

Social is the new media

Social Media

Social is the new media

Influence of social media is significant

Brands and retailers need to examine who represents their customer base as social media has varying influence depending on age demographic. Businesses must recognise that social media is a strong source of information and inspiration for Irish consumers.

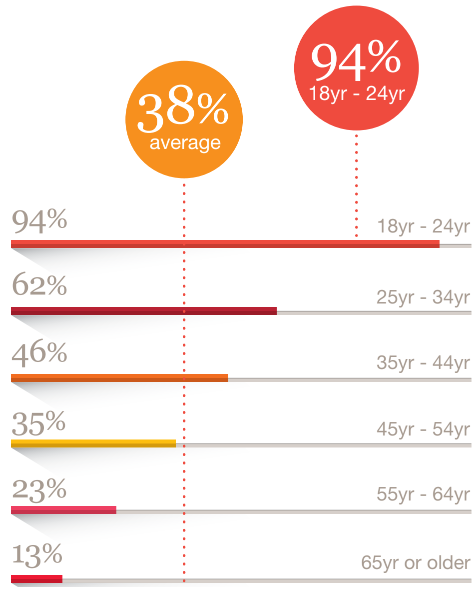
- This is a particularly important channel for brands who wish to win over a younger generation of consumers. Millennials and Generation Z consumers are more likely to make purchases when retailers actively engage on social media with this age grouping.
- Irish consumers cited social media (38%) as the most influential channel along with individual retailer websites for inspiring purchases. Social media ranked higher than other online media channels, such as blogs and digital press and magazines. With 90% of 18-24 year olds using social media to inspire purchases, this is a key demographic group in terms of encouraging social media engagement.

Social media needs to be a core component of a business's digital strategy

Businesses must develop engaging and relevant social media strategies in order to drive spending, especially those targeting younger consumers. Irish businesses should not downplay the pivotal role that a well-crafted social media strategy can have on their success in the marketplace. They should set aspirational goals, which effectively cater for some recent innovations in the social media marketing space, such as:

- Appointing brand ambassadors who actively use and promote products;
- Using live streams for product launches or exhibitions;
- Investment into localised advertising services.

Usage of social media to inspire purchases by age demographic



Key retail & consumer insights

1 Social media is the most influential tool for Irish consumers when finding inspiration for purchases, particularly for younger age groups. Irish businesses need to ensure they know their core customer segments so that they can develop the most relevant social media strategy.

2 Irish retailers need to consider the relevance of social media in winning younger consumers, focusing on the potential role of influencers, live streaming, as well as direct engagement with customers.

5 The Last Mile

Getting the Last Mile right is critical

The Last Mile

Getting the Last Mile right is critical

Consumer delivery expectations will become more demanding

Irish-based businesses with online stores need to be prepared for the shift in consumer expectations towards same day or next day delivery. Irish businesses have the opportunity to exploit shorter delivery times in order to gain online market share in Ireland. A click & collect service (either in store or with another provider) can also present itself as a way of providing shorter lead times such where delivery may be impossible.

- Irish consumers currently have low expectations on the expected delivery lead time for purchases, with 3-5 days being the average expected delivery timeframe. This could be attributed to the fact that many Irish consumers purchase goods online from sites abroad, with 60% of Irish online spend going to non-Irish firms.[1] However, relatively long lead times are not the norm in the grocery sector.

Irish consumer delivery expectations & willingness to pay

Expected for free	
Same or next day	No
2 days or greater	Yes
Willing to pay	
Same or next day	**Yes**
2 days or greater	No

Same Day or Next Day Delivery

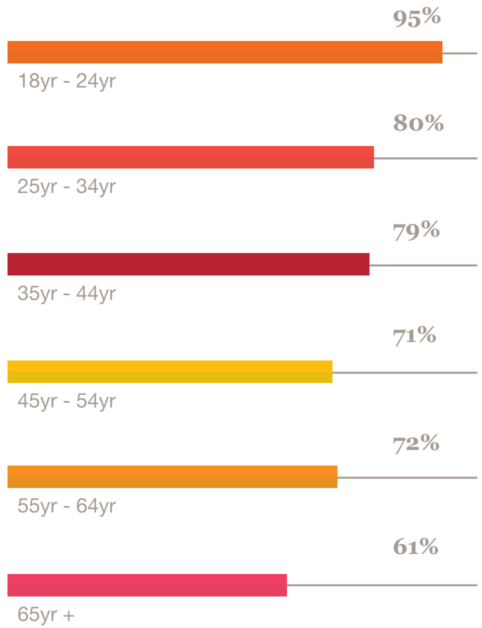
77% of Irish consumers are willing to pay for same day or next day delivery

A sustainable delivery pricing model is required

Irish retailers should understand what consumers are willing to pay for, in terms of delivery lead times. Survey results indicate that an effective delivery pricing strategy could maximise delivery fees for shorter lead times. With the demand for home delivery and shorter lead times likely to grow, businesses now have the opportunity to proactively plan an economically sustainable fulfilment model.

- The majority (77%) of Irish consumers are willing to pay for the option of shorter lead times when it comes to delivery

Willingness to pay for same/next day delivery

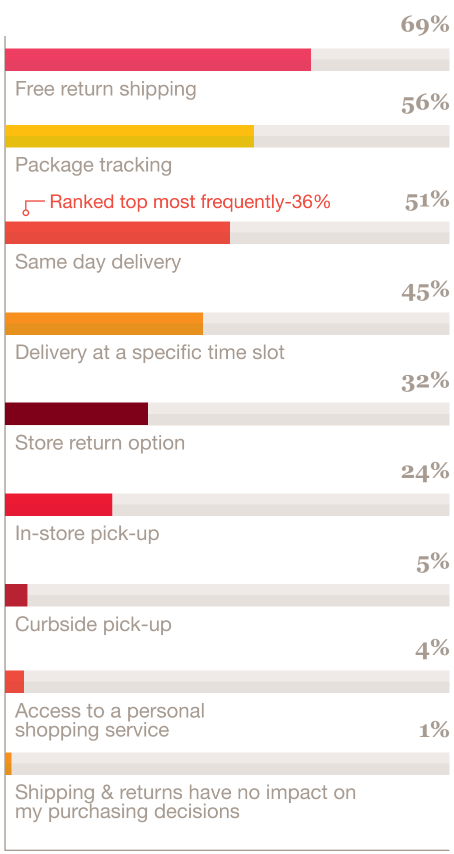


Sources

1. Consumer Market Monitor - Marketing Institute of Ireland and UCD Michael Smurfit Graduate Business School.

Getting the Last Mile right is critical

Which services are most attractive if offered at no extra cost?



Free returns expected by Irish consumers

Irish businesses need to be able to offer seamless, free returns to attract and keep customers returning to their online store. The additional cost that this will drive into the business will need to be effectively managed but, if successful, should lead to greater customer loyalty and repeat business.

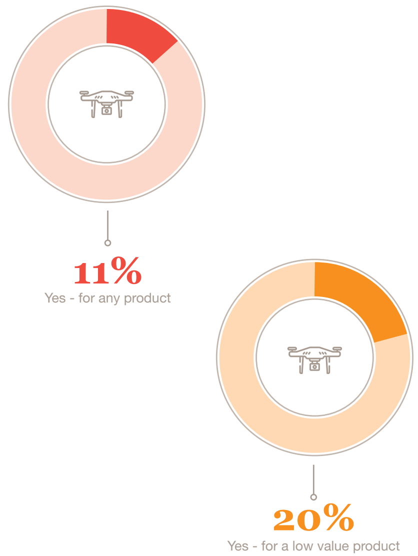
- Irish consumers consider 'free return shipping' as the most attractive service when it is free.
- Free package tracking is also a key service for Irish consumers when considering shipping and delivery.

69% consider **return shipping** to be the **most attractive** service if they don't have to pay

Will drone deliveries become a realistic option?

Online retailers and brands should be aware of the potential disruptions drones could cause. They may present a more cost effective solution than road when looking to service customers in more remote parts of Ireland.

% of Irish consumers willing to have goods delivered via drone



Key retail & consumer insights

1. Businesses with online stores need to be prepared for the shift in consumer expectations towards same day or next day delivery.
2. Effective delivery pricing strategies should be developed to maximise delivery fees from those willing to pay for shorter lead times. This can then part-subsidise standard delivery that is increasingly expected to be free amongst consumers.
3. Online retailers are under pressure to offer free returns and manage the increased cost to the business of this service in order to meet consumer expectations and drive traffic to their online stores.
4. Drone deliveries have the potential to disrupt existing delivery models and could present a more cost effective solution than road for businesses looking to service customers in more remote regions.

Retail & Consumer Report: Conclusions

Our 2018 Retail and Consumer report paints a picture of consumers who are complex and highly segmented by age. The convergence of new technology and emerging patterns of social interaction are reshaping consumer habits in ways that are changing how retailers, brands and consumers engage. One other certainty is the pace of change which means that our markets are being reshaped at an almost frantic pace and those who want to capitalise on this need to understand how to win in our new disrupted landscape.

Theme	Key insights/ message	Implications for R&C businesses
Mobile	Mobile has become the standard with 29% of Irish consumer frequently using a mobile phone to shop online. This will increase as Ireland catches up with other more mature markets.	• Revenues are at risk if you can't offer a mobile adaptive service. • Mobile payment is now expected as the standard.
The Store	The store continues to evolve and will play a key role in attracting and retaining consumers.	• Store personnel need excellent customer service and product knowledge skills. Building and maintaining this is critical in order to drive consumer footfall.
Data	Data is more than consumer insights. Extracting its value through personalised consumer engagement is key however privacy must be respected.	• In addition to consumer insight, data provides opportunities to identify operational efficiencies. • Ensure data is secure and GDPR ready. • Building Trust is critical.
Social Media	Social is the new media and needs to be fully leveraged as consumers use it as key source of purchasing inspiration.	• Know your core customer segments and develop relevant social media strategy in line with their different profiles. • Seek opportunities to create endorsement and advocacy as consumers are more and more depending on the views of others.
The Last Mile	Getting the last mile right is critical as consumers delivery expectations become more demanding.	• Growing demand for shorter delivery times is becoming the norm with shoppers prepared to pay for this service. • Optimise delivery pricing model in line with consumers delivery expectations. • Free returns are now expected however this brings its own operational challenges.

Survey methodology

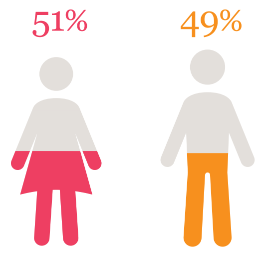
Survey methodology

The survey was carried out in Autumn/ Winter 2017 having 1,001 Irish online consumers in Ireland representative by:

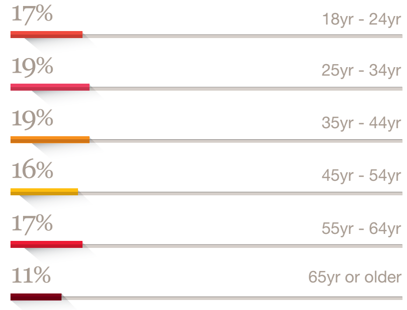
- Age;
- Gender;
- Employment status;
- Region;
- Income.

PwC's Global Retail and Consumer practice, in conjunction with PwC's Research to Insight (r2i), administered a global survey to understand and compare consumer shopping behaviours and the use of different retail channels across 27 territories including Ireland. This year, there are a number of new areas of research including consumer shipping and delivery habits, and the role of artificial intelligence (AI) technologies in the purchase journey.

Gender

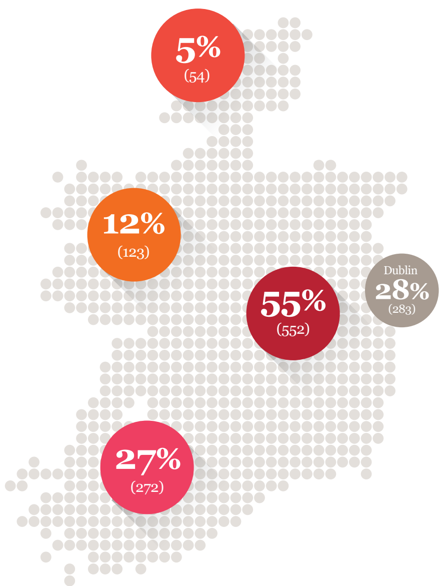


Age

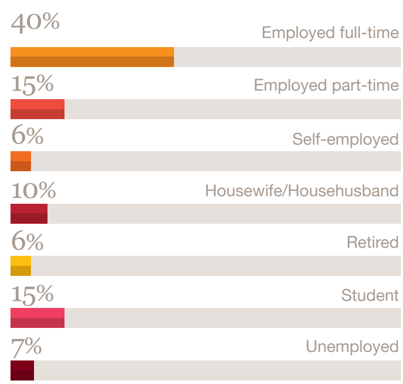


Spread of respondents by province

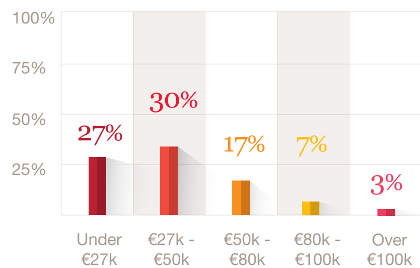
Province	%
Ulster	5%
Leinster	55%
Munster	27%
Connaught	12%



Employment status



Income



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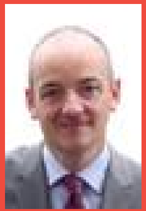

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