



Roinn Cumarsáide,  
Fuinnimh & Acmhainní Náúrtha  
Department of Communications,  
Energy & Natural Resources

# GROWING SMALL BUSINESS THROUGH ONLINE TRADE

ENTERPRISE IMPACTS OF THE  
TRADING ONLINE VOUCHER SCHEME

MAY 2016







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# 1 FOREWORD

The Programme for a Partnership Government aims to create an extra 200,000 jobs by 2020, of which 135,000 will be outside of Dublin.

Hundreds of thousands of jobs and livelihoods across every town and village in Ireland are supported by small businesses. Digital can help these businesses to gain efficiencies, drive innovation, expand and grow. This is why they need to be part of the online conversation. Customers are looking for brands they trust, as well as products and services of quality and value.

Working with the Department of Jobs, Enterprise and Innovation, Enterprise Ireland and the Local Enterprise Office network, my Department has developed the Trading Online Voucher Scheme. The scheme supports small and micro enterprises to take the first steps in realising the opportunities of digital for their business.

This measure is revitalising small businesses and helping to spread growth to all regions. The data and case studies set out in this report demonstrate what can be achieved when the Government supports small businesses through training, mentoring and networking, as well as the provision of small grants. The research shows that small firms that sell online can experience a substantial increase in customer enquiries and sales. These enterprises are growing and expect to take on new employees because they are selling online.

Trading online also means that small Irish businesses can reach customers anywhere in the world. And so, it is encouraging to see that 3 out of 5 of them begin to export for the first time.

It is particularly noteworthy that both urban and rural based businesses benefit equally from the online opportunity. Digital trade is, therefore, contributing to sustainable regional economic development.



I want to thank all those involved for their efforts in making the scheme such a success. Most of all, I want to acknowledge the small firms who, by availing of the scheme and participating in this research, have given a solid example to others who want to improve and expand their businesses by going online.

**Denis Naughten**  
Minister for Communications, Energy and Natural Resources

May 2016



## 2 SUMMARY

**Small Irish businesses which invest in their trading online business can expect to see positive returns. This research, conducted with over 800 companies which have participated in the Government's Trading Online Voucher Scheme, measures the impacts of trading online.**

Small businesses, with 10 or fewer employees and less than €2m in revenue, which have a trading online strategy, seek expert help and invest time into engaging with customers online can expect to see positive impacts in terms of sales and jobs growth, and real export potential. Returns from businesses surveyed showed that:

- > **21%** was the average increase in **sales**
- > **84%** experienced an increase in **customer enquiries**
- > **73%** said that the new online business was additional and **did not** displace existing sales
- > growing businesses expect to recruit on average **1.4** more employees
- > **3 out of 5** businesses begin to export, and
- > **89%** said that the trading online component of their business will become more important in the next six months.

The research also indicates that the results obtained by businesses are not dependent on their physical location. Analysis of business growth and job creation illustrates that supporting businesses to trade online is making a sustainable contribution to regional economic development in Ireland.



## 3 IRELAND'S DIGITAL ECONOMY

The revolution in business brought about by digital technology and content has grown over the last decade to the extent that it is now being referred to as the 4<sup>th</sup> industrial revolution. The digital world is increasingly becoming part of the fabric of the business environment. The use of the internet has impacted the way most business and Government services are provided.

Some changes are more obvious than others, but scratch below the surface and an astonishing array of activities are supported digitally. Whether a business is proactive and has invested time and money in the latest digital tools or is reactive and has remained focussed on its traditional business, digital is influencing business activities at every juncture.

This evolution cannot be simply considered a fashion trend. There is something more going on and for every small business in Ireland, an understanding of how best to use digital technology and content is not just nice to have, it is essential.

So, how big an impact has digital had on the Irish economy in the last decade or so? Today, according to research commissioned by the Department and conducted by Indecon<sup>1</sup>, the digital economy represents 6% of Ireland's GDP and it is growing fast, at approximately 40% per annum since 2012. Currently almost 116,000 direct and indirect, predominantly digital jobs, are supported. Irish consumers spend around €850,000 per hour online, 24 hours a day.

Irish small business is in the midst of an online revolution. All Irish businesses are affected by the changes occurring in consumption patterns. These trends are growing rapidly in importance and impact. A growing number of Irish businesses are changing to embrace the opportunities presented by the revolution in online consumption. Data from the EU Commission's digital economic and social index shows that 32%<sup>2</sup> of Irish SMEs are trading online. The research from Indecon shows, however, that small businesses tend to be significantly less engaged in online activity.

The research also shows that not all sectors or business types are reaping the benefits. It is clear that there is a two tier Irish digital economy: one dominated by multinational companies where productivity and product innovation are powered by digital, the other tier predominantly traditional indigenous Irish businesses which are slower in leveraging digital to reduce costs, drive innovation and expand markets.

It is clear therefore, that Government policy to support small Irish businesses to close the gap in trading online represents significant potential for economic growth and jobs.





## 4 THE GLOBAL CONTEXT

The global internet economy is fundamentally driven by growth in the number of connected consumers using the internet. The level of sophistication of internet use is driving the type of interactions businesses can expect to have with these online customers. The internet has grown throughout the world. Where there are low levels of computers, mobile phones are the means of connection. There are 3.4bn internet users worldwide<sup>3</sup>. This represents 46.4% penetration of the entire global population.

This explosion in connected consumers over the short life of the internet is having a very significant impact on the global economy. According to research undertaken by McKinsey, 21% of the global GDP growth can now be attributed to the impact of the internet.

The impact on jobs is twofold: businesses that use digital content and technology gain efficiencies and displace certain types of employment. This displacement is, however, more than compensated by the creation of new types of jobs to support the online aspects of businesses. The net jobs impact is an overall increase in employment of 1.6<sup>4</sup>.

International evidence shows that 75% of the impact of digital is found in traditional business, and not, as many may think, in the digital industry. Small businesses which adopt digital get a 10% gain in productivity for their business and are twice as likely to export. These trends mean that 9 out of 10 jobs in Europe require digital content and technology skills according to the European Commission.



<sup>3</sup> Internet World Stats

<sup>4</sup> McKinsey: Internet Matters 2011



## 5 TRADING ONLINE VOUCHER SCHEME

McKinsey has measured that SMEs who adopt internet **grow twice as fast** and **export twice as much** when compared to non-adopting businesses.

The majority of small Irish businesses do not trade online despite the enormous market opportunity it provides. There are many reasons for this including, in the main, the perceptions of technical complexity, the competitive environment, ability to invest and an uncertain return.

The Trading Online Voucher Scheme was rolled out nationally, following a successful pilot, under the 2014 Action Plan for Jobs. The scheme is a key action under the business strand of the *National Digital Strategy* which was published in July 2013.

The scheme aims to get more small Irish traditional businesses, with 10 or fewer employees and less than €2m revenue, trading online. It provides a flexible incentive for small business owners/managers to address the perceived barriers to trading online.

Operated through the national network of 31 Local Enterprise Offices (LEOs), the scheme offers a financial incentive of up to €2,500 along with training, mentoring and networking support.

It is an example of an effective cross Government partnership between the Department of Communications, Energy and Natural Resources, the Department of Jobs, Enterprise and Innovation, Enterprise Ireland (EI) and the LEO network.

Over 2,000 businesses have, to date, successfully applied for a trading online voucher and the roll-out continues nationwide.

The scheme is attracting small businesses, including sole traders, ranging from arts and crafts, clothing and shoe shops to food suppliers and farm producers, manufacturers, online trainers and professional services. Among the sectors availing of the scheme are retail (24%), professional services (14%), manufacturing (9%), arts, crafts and design (8%) and food (6%).





## 6 EVALUATION OF IMPACTS

There is a clear need to measure the impact of trading online on small Irish business. The research, on which this report is based, was conducted in February 2016. Over 800 businesses, which have participated in the Trading Online Voucher Scheme, were targeted. They ranged from businesses that previously had no trading online capacity to those that had limited trade online capacity. The response rate was 70%.

Returns from businesses surveyed showed that:

- › • 21% was the average increase in sales
- › • growing businesses expect to recruit on average 1.4 more employees
- › • 3 out of 5 businesses begin to export.

The research also indicates that the results obtained by businesses are not dependent on their physical location. Analysis of business growth and job creation illustrates that supporting businesses to trade online is making a sustainable contribution to regional economic development in Ireland.



# GROWTH INDICATORS

Since commencing trading online, **84%** of businesses see an increase in **customer enquiries**.

One of the first business impact indicators for trading online is the sales pipeline. Increases in the pipeline give a view of future earnings, independent of a product or service orientated business. The fact that so many businesses report an increase in customer enquiries indicates that moving to trade online gives the business incremental market penetration.

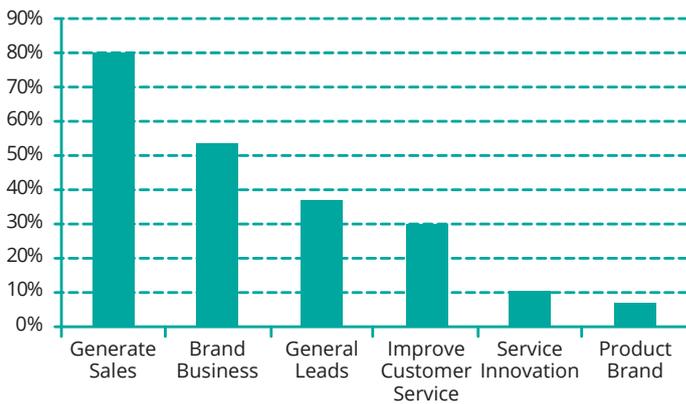


Figure 1. Which of the following options describes the main focus of your online strategy?

Given that the majority of businesses using the Trading Online Voucher Scheme are businesses involved in buying and selling manufactured goods or services, it is no surprise that product and service innovation feature lower in terms of strategy focus.

## Direct sales have already increased by an average of **21%** as a result of trading online.

Sales revenue is the life blood of every business. The reported 21% average increase in sales by businesses which have participated in the scheme is very substantial. It gives a real indication of the momentum a small business with limited resources can expect if they invest their time and efforts. Increased sales build a foundation for the digital business. It justifies investment of additional resources to grow the digital aspect of the business.

More detailed analysis of the responses from across the country indicates that the location of the businesses has little effect on the sales growth. This leads to the conclusion that businesses that trade online are operating on a more even playing field with their competitors. Location is not such a limiting factor to business growth when trading online. This is a key new finding and supports the proposition that digital trade is a key contributor to sustainable economic development.

## CASE STUDY

RETROFIT SILLS LTD. 102 ROSELAWN, TRAMORE, CO.  
WATERFORD W91 TW77  
[WWW.RETROFITSILLS.CO.UK](http://WWW.RETROFITSILLS.CO.UK)

Paul O'Neill is a director of the company, Retrofit Sills Ltd, based in Waterford, which provides superior quality insulated window sills for the construction industry. Paul started importing external wall insulation systems from Poland in 2011 and recognised that a similar product to insulate window sills was not available for builders. After experimenting with some designs, he invented and patented insulated window sills. They were suitable for both new and existing buildings, thereby solving a major problem faced by the construction industry.

As Paul began to focus on marketing his new product, he quickly recognised the need for a website to promote his products. Paul turned to his Local Enterprise Office in Waterford for advice, and credits them for the considerable help they were able to offer.

Having secured a Trading Online Voucher, Retrofit Sills developed a website that could be easily found by prospective customers. The company discovered that 10,000 people in the UK searched for sills every day with 2,000 of these using 'cills' as the spelling. Paul invested in search engine optimisation to direct some of this traffic to their website.

*“From day one the site has attracted interest from the UK and Ireland, so much so that we found we were not ready for a lot of the interest. We have signed up some major distributors both in the UK and Ireland”*

Ramping up to full production in 2016, they are in the unenviable position of already having customers lined up, many of whom would not have heard about the company without the website.

The website is a great reference point for information on installation guides and things like sizes and colours, according to Paul. This small local manufacturing business has doubled its sales, and now employs 3 staff, with a growing market share in Ireland and the UK. With the potential for countless markets further afield, since their products can be easily accessed online, the future is certainly looking promising for Retrofit Sills.





6

Evaluation of Impacts

# GROWTH INDICATORS

The training and mentoring available through the Trading Online Voucher Scheme is having an influence on the approach businesses are taking to sustaining and growing their online business. Business owners and managers are more focused on maintaining an active and up-to-date web presence, and less reliant on external resources. Many are also much clearer on the job they need their web technology to do and less distracted by technology trends which in the past would have influenced their strategy.

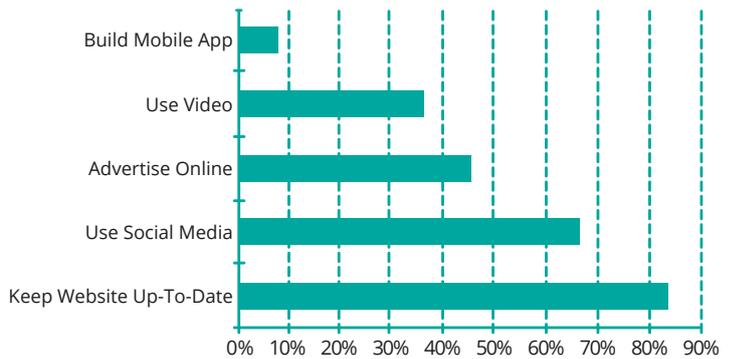


Figure 2. What are your plans to encourage more of your customers to use your online store?

**73%** of businesses surveyed reported that their new online trading did not displace existing sales.

The vast majority of businesses report no impact on their existing sales. Instead, the trading online component adds to their business revenue. Data elsewhere in the research clearly indicates that the primary reason for this is that the addressable market, in terms of types and location of customers, increases with the introduction of online trade.

This is of particular interest to the 24% of small businesses from the retail sector which have used the voucher scheme. Relatively few retailers have tried to use a click and collect strategy to encourage their online customers to visit their physical business, with the potential of encouraging a greater spend.

Only **12%** of businesses have implemented a **click and collect** offering.

**89%** of businesses see their **online store** becoming more important for their business in the next 6 months. This perception is driven by enhanced lead generation and sales.

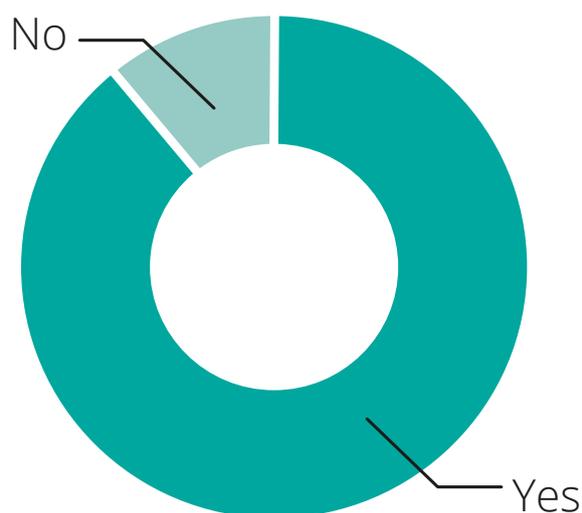


Figure 3. Do you see the online store becoming more important to your business over the next six months?

The future importance of the online aspect of small businesses was studied. For small businesses, social media and optimising their representation in search results is key to sustaining the gains made by investing in transforming their traditional business with an online component.

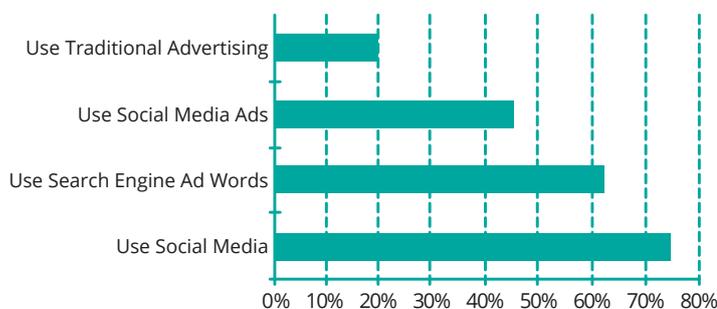


Figure 4. If you plan to advertise your online business to new customers, how do you plan to do this?

Given the increase in the sales pipeline and sales revenue, it is not surprising that that some 9 out of 10 businesses report that the trading online component of their business is becoming more important in the near term. It is interesting to note that this overwhelming positive outlook is prevalent in small businesses that were not trading online until recently, and required activation through the Trading Online Voucher Scheme to take the necessary action.



## GROWTH INDICATORS

### CASE STUDY

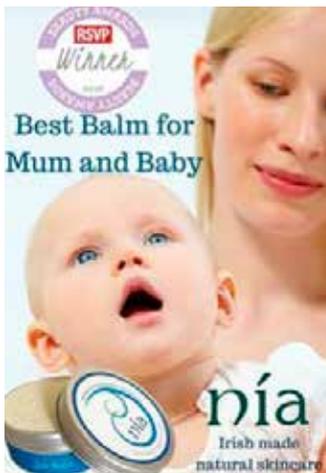
NIA NATURAL BEAUTY, DUNGEEHA, GORTBOY,  
NEWCASTLEWEST, CO. LIMERICK.  
WWW.NIA.IE

Founded by Celia O'Grady, Nía Natural Beauty produces Irish made natural skincare products. With over 30 years' experience in the beauty industry, Celia decided to formulate beauty products with natural ingredients which she could recommend to her clients.

*"I knew the value of using online channels to promote my business and wanted to enhance my website and social media channels so I sought assistance from my Local Enterprise Office in Limerick."*



As Celia puts it, all their products are made using natural healthy butters and oils together with vitamin rich superfoods which both give fantastic results on the skin and are healthy and good for us. Based in Gortboy, Newcastlewest, Co. Limerick they faced the challenge of creating awareness



for their products. The Local Enterprise Office was able to provide advice about the Trading Online Voucher Scheme, a scheme specifically designed to help small businesses like Celia's to overcome problems they face in trading online.

Celia said their existing website required major improvements, including a payment system that allowed customers a choice of payment methods and a way to collect their email addresses to enhance efficiency.

Following the launch of the new website, which also allowed new products to be made available for sale, Celia saw revenue increasing and took on a full time employee to deal with the extra orders. The new website helps Nía to increase sales of their chemical-free skin creams and spa treatments, while at the same time providing enhanced customer support and education.

While most customers are still from Ireland, orders from abroad are increasing. Celia is now looking to capitalise on her investment in online trading by looking at ways to target the UK market through her online channel. Commenting on how useful she found the scheme, Celia said:

*"Since participating in the Trading Online Voucher Scheme, our online sales have doubled and are increasing monthly"*



## EMPLOYMENT INDICATORS

For growing businesses, the average number of net new jobs per business is expected to be **1.4** jobs in the next 12 months.

The average size of business using the Trading Online Voucher Scheme is approximately 4 persons in size.

The multiplier of 1.4 is in line with the previous research conducted in 2015 and with existing international research. This level of jobs growth is consistent with the level of lead generation and sales growth achieved. There is a good correlation between the size of the increase in sales and the increase in employment.

Further analysis of the survey results shows little geographic variation in job growth. Jobs are created by businesses no matter where they are located. This shows that business transformation to include a trading online component can be an important contributor to sustainable regional employment growth.

This finding is significant, as growth in employment shows that businesses which make an informed initial investment in their trading online business see the benefits sustaining into the longer term. It means that there are more opportunities for job development outside the main urban areas. It also puts the focus on the availability of digital skills and experts to help small businesses sustain and grow their online business.





## EXPORT INDICATORS

Digital levels the playing field for small business. The internet gives very low cost access to billions of online customers. It shifts the focus of competition and allows businesses which are innovative and ambitious to grow.

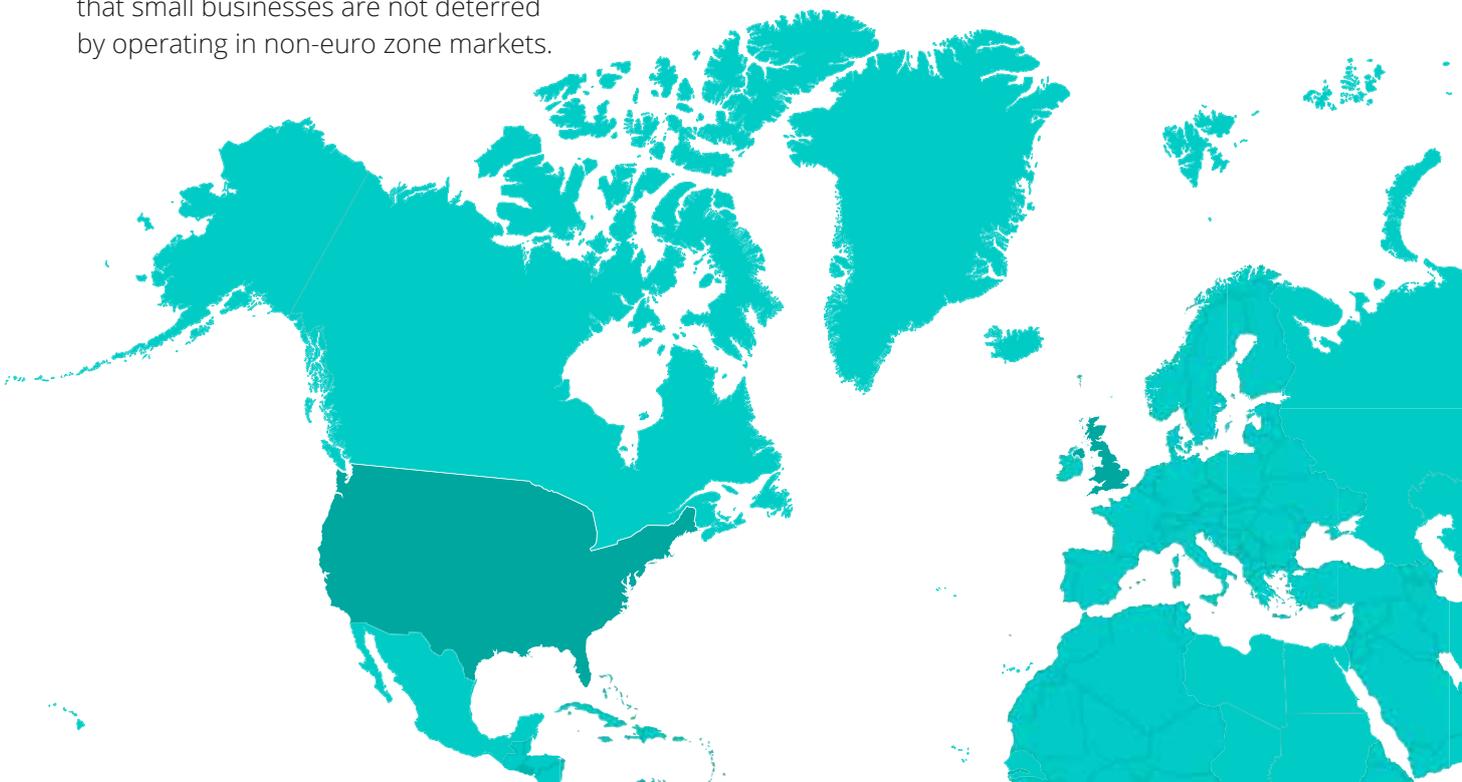
New findings in this research show that the majority of the small traditional businesses which start to trade online, also begin to export.

**59%** of businesses are now getting enquiries and orders from **new markets**.

The vast majority of the 170,000 or so traditional small Irish businesses in Ireland trade in local markets. Many businesses in rural Ireland survive by developing close relationships with customers over an extended period of time. Exporting is not the main aspiration of many small businesses, but those which embark on developing their trade online are finding new customers in new markets.

Not surprisingly, most of the growth in new markets is in traditional English speaking markets with good connections to Ireland. It is interesting to see the US appearing so prominently in the research, given the perceived expense and complexity of servicing that market. It also appears that small businesses are not deterred by operating in non-euro zone markets.

Most important **export markets** are UK, USA and Northern Ireland.



## CASE STUDY

WYLDSSON LTD., UNIT 9, TALLAGHT BUSINESS CENTRE,  
WHITESTOWN BUSINESS PARK, TALLAGHT, DUBLIN D24 EW25.  
WWW.WYLDSSON.COM

Like many others during the recession, Dave McGeady found it difficult to secure employment. But Dave had an idea. Knowing how difficult it was to find healthy snack foods and preferring his mum's snack mixes of nuts, seeds and fruits to anything that was available, he started his own company in 2012. He called it "Wylldsson" after his 'wild-son' days.



He started with his own natural version of a 'trail mix' snack. Dave experimented with different ingredients at his kitchen table and attended trade fairs across the world to source his ingredients. He expanded the range to 30 products, all of which are gluten and dairy free with no added sugars, and importantly, are produced in Tallaght.

*"Not only is our new webstore more solid from a technical point of view, it also looks far more professional than our old one. It comes down to all the little details. We got our product photographs redone, and edited a lot of the text. It's also designed to be used on mobile too, which is very important as more and more people are now using their phones to shop online. We're a growing company and the new webstore has really helped us to take our business to the next level."*

faced a challenge, we've got in touch with them and the range of supports that they offer is amazing. We heard about the trading online voucher at the ideal time, because it was time to raise our game and improve our webstore. The application process was very straightforward", he says.

*"With help from the Trading Online Voucher, Wylldsson has experienced an increase in sales and now we employ an additional 2 people full time. Today, exports account for 35% of sales."*

Wylldsson's customers include many professional athletes. Dave and company co-founder Daragh Whelan knew the basic webstore which opened in 2014 had to be updated. Dave recalls when golfer Paul Dunne was seen on television eating their products in front of an audience of 4 million people while he was leading the open, the Wylldsson website crashed from the upsurge in visitors, eager to learn more about their products. Dave engaged with his Local Enterprise Office and applied for, and was successfully awarded, a Trading Online Voucher. Dave values the support they got from Local Enterprise Office South Dublin.

"We've had a huge amount of support from the LEO from day one. They've supported us throughout this journey. I've always been really impressed with them. They really care about helping us grow. Any time we've

With plans to expand further into the US market, this is one company with a very healthy looking future.



## 7 CONCLUSIONS

The Trading Online Voucher Scheme is helping small businesses throughout the country to crystallise their online strategy, and to execute this strategy, in turn overcoming any perceived barriers to moving online.

The survey of over 800 small businesses, many that are new to trading online, clearly shows what can be achieved when businesses are supported through training, mentoring and networking, as well as financial support. The results demonstrate that those small businesses which have a trading online strategy, seek expert help and invest time in engaging with customers online, succeed in effectively and sustainably growing their business.

The results should inspire other small businesses to consider an investment into trading online. The results should also inspire the digital content and technology industry to target small Irish business and help them succeed.

It takes time for investments in trading online to materialise in a business. Success relies on the commitment and innovative approach of the business. This report quantifies the real growth potential for Irish small business if that effort is made.

The research reaffirms that trading online provides opportunity for business growth and employment, regardless of where a business is located in Ireland. The majority of traditional businesses which trade online become exporters, improving Ireland's online balance of trade.

One of the recurring themes which emerged through the direct engagement with Irish small businesses during the process of rolling out the Scheme was the increased opportunities for collaboration between businesses that trade online. Focussing on the online business gives owner/managers the opportunity to look at the businesses around them in a different way. Instead of being driven by competitive pressures, small businesses that are looking to maximise the impact of online trade look for opportunities to collaborate, for example, in cross-selling, shared logistics or shared promotion.





## 8

# APPENDIX

## INFORMATION ABOUT THE TRADING ONLINE VOUCHER SCHEME

### WHAT IS IT?

The Trading Online Voucher Scheme is designed to support Irish small businesses to enhance their trading online presence.

The scheme offers a matched funding opportunity of up to €2,500 in the form of a TRADING ONLINE VOUCHER which is available to eligible businesses by applying to their Local Enterprise Office. This is a unique programme under the National Digital Strategy, funded by the Department of Communications, Energy & Natural Resources.

### WHO IS ELIGIBLE?

The vouchers are targeted at businesses that have a limited or no online trading presence; 10 or less employees; turnover of less than €2 million; applicants must be trading for a minimum of 12 months and the business must be located in the region of the Local Enterprise Office to which they are applying.

There are some categories of business that are deemed ineligible for a Trading Online Voucher (e.g. projects which are contrary to public policy). For further details on eligibility please contact your Local Enterprise Office, see the back cover of this report or [www.localenterprise.ie](http://www.localenterprise.ie).

## WHAT CAN VOUCHERS BE USED FOR?

The Trading Online Vouchers can be used for the development or upgrade of an e-commerce website, such as implementing online payments or booking systems.

Other usage includes purchase of internet related software, online advertising (subject to limits), development of an app, development and/or implementation of a digital marketing strategy, consultation with ICT experts for early stage adopters of online strategy as well as training/skills development specifically to establish and manage an online trading activity.

Vouchers cannot be used for development of brochure websites, purchase of non-internet related software, or anything other than online trading related activity.

## HOW DO I APPLY?

Visit [www.localenterprise.ie](http://www.localenterprise.ie)  
or contact your Local Enterprise Office *(see over)*

You can also find updates on Twitter - #LEOTOV

## LOCAL ENTERPRISE OFFICE (LEO) CONTACT PHONE NUMBERS

FOR TRADING ONLINE VOUCHER SCHEME

<b>Carlow</b>	<b>059 912 9783</b>	<b>Leitrim</b>	<b>071 965 0420</b>
<b>Cavan</b>	<b>049 437 7200</b>	<b>Limerick</b>	<b>061 407 499</b>
<b>Clare</b>	<b>065 682 1616</b>	<b>Longford</b>	<b>043 334 3346</b>
<b>Cork City</b>	<b>021 496 1828</b>	<b>Louth</b>	<b>042 932 4185</b>
<b>Cork North &amp; West (North)</b>	<b>022 432 35</b>	<b>Meath</b>	<b>046 907 8400</b>
<b>Cork North &amp; West (West)</b>	<b>023 883 4700</b>	<b>Mayo</b>	<b>094 904 7555</b>
<b>Cork South</b>	<b>021 497 5281</b>	<b>Monaghan</b>	<b>047 718 18</b>
<b>Donegal</b>	<b>074 916 0735</b>	<b>Offaly</b>	<b>057 935 7480</b>
<b>Dublin City</b>	<b>01 222 5611</b>	<b>Roscommon</b>	<b>090 662 6263</b>
<b>Dublin South</b>	<b>01 414 9000</b>	<b>Sligo</b>	<b>071 914 4779</b>
<b>DLR</b>	<b>01 204 7083</b>	<b>Tipperary (Clonmel)</b>	<b>052 612 9466</b>
<b>Fingal</b>	<b>01 890 0800</b>	<b>Tipperary (Nenagh)</b>	<b>0761 065 000</b>
<b>Galway</b>	<b>091 509 090</b>	<b>Waterford (City)</b>	<b>0761 102 905</b>
<b>Kerry</b>	<b>066 718 3522</b>	<b>Waterford (Dungarvan)</b>	<b>058 214 42</b>
<b>Kildare</b>	<b>045 980 838</b>	<b>Westmeath</b>	<b>044 933 8945</b>
<b>Kilkenny</b>	<b>056 775 2662</b>	<b>Wexford</b>	<b>053 919 6020</b>
<b>Laois</b>	<b>057 866 1800</b>	<b>Wicklow</b>	<b>0404 308 00</b>

