



Consumer buying patterns | Key population trends | Retail structures and trends | Strategic options



Ireland

A £20 billion+
Retail Market



InterTradeIreland

TRADE & BUSINESS DEVELOPMENT BODY



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InterTradeIreland – Trade & Business Development Body

InterTradeIreland – Trade & Business Development Body' is one of six Cross-Border Implementation Bodies established under the British-Irish Agreement. It is committed to:

- Establishing a channel for and an information source on North-South trade and business development.
- Creating the climate whereby significant changes in the nature and level of trade and cooperation between the two economies can be generated.
- Enhancing competitiveness by encouraging information share, joint marketing initiatives, joint Research & Development and other ventures.

- Maximising the potential of e-business to create economies that can excel in the global marketplace.

- Encouraging the flow and exchange of venture capital within the two economies and between firms and third level institutions.

It is working towards:

Co-operation on business development opportunities, North and South.

- Devising new approaches to business development in a Cross-Border context.

- Supporting business by making recommendations to increase

enterprise competitiveness in a North-South context.

- Promotion of North-South and all-island trade & supply chains through business linkages, clusters, networks and partnerships.

- Undertaking specific value added projects and events in relation to trade promotion.

- Enhancing the availability, supply and awareness of equity/venture capital on the island of Ireland



Enterprise Ireland

Enterprise Ireland is the government agency with responsibility for supporting the growth of local industry in the Republic of Ireland.

Enterprise Ireland's clients are primarily Irish manufacturing and internationally traded services companies employing ten or more people and overseas natural resources companies operating in Ireland.

The core mission is to work in partnership with these clients to develop a sustainable competitive advantage leading to a significant increase in profitable sales, exports and employment.

Enterprise Ireland works with Irish industry in meeting the following challenges:

- Creating profitable new business
- Building share of international markets
- Harnessing new technologies
- Deepening R&D capability
- Building people skills and capabilities
- Accelerating adoption of best e-business practice

Each client is given access to an Enterprise Ireland Development Adviser who is their primary contact person. The adviser is committed to understanding the specific requirements of the individual client companies and to helping the client identify and use all the appropriate resources within Enterprise Ireland. This one to one partnership is designed to support companies in developing and implementing strategies to build their competitive position in the marketplace. The Development Adviser may be located in any of the twelve offices throughout Ireland.



IDB
Northern
Ireland

Industrial Development Board for Northern Ireland

The Industrial Development Board for Northern Ireland (IDB) is a Government agency within the Northern Ireland Department of Enterprise, Trade and Investment and is responsible for stimulating industrial development by encouraging the competitiveness and growth of indigenous companies and by attracting overseas investment.

To stimulate growth in the local economy and help companies become more internationally competitive, Trade International Northern Ireland, the export and trade arm of IDB, provides a range of services to companies in manufacturing and tradeable services. These services include the facility to research any international market, a programme of trade development visits, trade missions and trade exhibitions to overseas markets.



Trade
International
Northern
Ireland



LEDU, the Small Business Agency for Northern Ireland was established in 1971. It supports local economic development and promotes the established and expansion of small local enterprises (primarily in the manufacturing and tradable service sectors) that normally employs less than 50 people.

LEDU assists small businesses in Northern Ireland to become more competitive, particularly in the export markets, by providing information, guidance and financial support directly through its client executives and through third parties working on its behalf. **LEDU** also works in partnership with local communities to promote economic development in their areas.

LEDU encourages greater understanding of the contributions which small business plays in the economy.

LEDU's three Corporate Plan Objectives for 1998-2001 are:

Business Development – Going for Growth

- Maximising the growth potential of small businesses and their ability to contribute to the small business economy.

Local Economic Development – Working in Partnership

- Confirming that **LEDU's** position and role in the small business marketplace is in harmony with others such as District Councils and Area Partnership.

Enterprise Development-Preparing for the Future

- Stimulating higher levels of enterprise and ensuring increasing numbers of high growth start-ups.

InterTradelreland, Enterprise Ireland, the Industrial Development Board for Northern Ireland and LEDU would like to thank all those buyers, distributors and industry experts throughout Ireland who contributed their time and expertise during the course of this study. It was much appreciated:

Photographs courtesy of the Crafts Council of Ireland and Showcase Ireland Events Ltd.

Report Series:

This report, which is a briefing document for manufacturers, is accompanied by markets profiles giving an all Ireland retail perspective on a range of consumer product areas.

The sectors covered are

- 1: Domestic Furniture
- 2: Contract Office Furniture
- 3: Hotel Furniture
- 4: Contract Fitted Furniture
- 5: Housewares and Soft Furnishings
- 6: Giftware and Jewellery
- 7: Clothing and Footwear
- 8: Small Kitchen Appliances (2001 release)

Note:

This report was researched for InterTradelreland, Enterprise Ireland, Industrial Development Board for Northern Ireland and LEDU by Quaestus. While every effort has been made to ensure the accuracy of information provided in this report, neither Quaestus, InterTradelreland nor EI/IDB/LEDU can accept responsibility for possible errors or omissions.

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InterTradeIreland – Trade & Business Development Body

“InterTradeIreland is a unique and innovative organisation.

We are committed to working on behalf of the business

people on the island of Ireland, enhancing

competitiveness and assisting in the removal of barriers

to trade and business development North and South.

Doing trade and business between neighbours

is the most natural thing in the world,

and our work will bring benefits to all.”



Dr. Martin Naughton, Chairman



Why This Report?

Many large consumer product manufacturers are successful because they are market-driven and customer-led. They invest heavily to understand the changing marketplace and the needs and aspirations of their customers. Large retailers also invest substantially in market and consumer research in order to respond to the requirements of existing and new customers.

Small and medium size manufacturers don't have the same research resources as the big players and, as a result, may find it difficult to acquire the basic facts and figures on what is happening in the Irish market.

For this reason, InterTradeIreland, with the support of Enterprise Ireland, the Industrial Development Board for Northern Ireland, and LEDU, the Small Business Agency for Northern Ireland, has published a series of reports to give small and medium enterprises a comprehensive overview of the consumer markets in the Republic and Northern Ireland. The reports cover markets of significant opportunity in giftware and jewellery, clothing and footwear, consumer and contract furniture, housewares and kitchen appliances.

This report provides an overview of the consumer market in Ireland, with a specific focus on the retail sector, and gives a context and perspective for the individual reports. Together, they will provide a better understanding of the consumer marketplace in Ireland, so that manufacturers can identify opportunities and grow their business, especially by possessing the key information necessary to adopting an all-Ireland marketing approach. The reports are intended as a primary research resource and as a starting point for manufacturers to develop more detailed research and market intelligence that is relevant to their individual requirements.

The report covers three broad areas:

- Economic trends that impact on consumer purchasing patterns and behaviour
- The changing retail marketplace
- Strategic advice for manufacturers seeking to grow their sales in Ireland.

It highlights opportunities. Much of the data confirms a strong and growing consumer demand for the foreseeable future, especially in the Republic due to the increase in the high spending 20+ age groups. There are always new opportunities for those who spot them and retail channels can be used imaginatively to reach new customers.

Statistics and data for the Republic and Northern Ireland differ significantly in coverage, definitions, methodology, time periods covered and currency. Some forecasts for the Republic may be underestimated due to the higher than anticipated economic and population growth of the late 1990s which is continuing into the current decade.

Additional information to what is in this report is available from government statistics, trade publications, marketing industry directories, or specialist firms such as A C Nielsen. Readers who seek more detailed information on a topic should consult their development agency library, contact the referenced sources directly or visit their websites where further free data can be found.

Please contact your adviser in your local development agency for further information.

Topline Summary

Ireland is a market of 5.5 million people,

- that is set to increase to 5.8 million by 2006.

It comprises 2.3 million wage earners

It has average GDP per capita at purchasing power parity of over IR£18,000 / Stg£14,250 per year,

- which is higher than Sweden or Finland¹.

The total retail market is worth in excess of IR£20 / Stg£15 billion a year

The market is serviced by sophisticated and demanding international retail chains,

- as well as by an increasingly sophisticated independent retail sector,
- which gives consumers a greater choice than ever before.

Manufacturers in Ireland can gain from this sizeable local market,

- provided they do their homework in advance,
- both in developing products that the market wants,
- and identifying the appropriate sales channels to use.

This report will help SMEs better understand

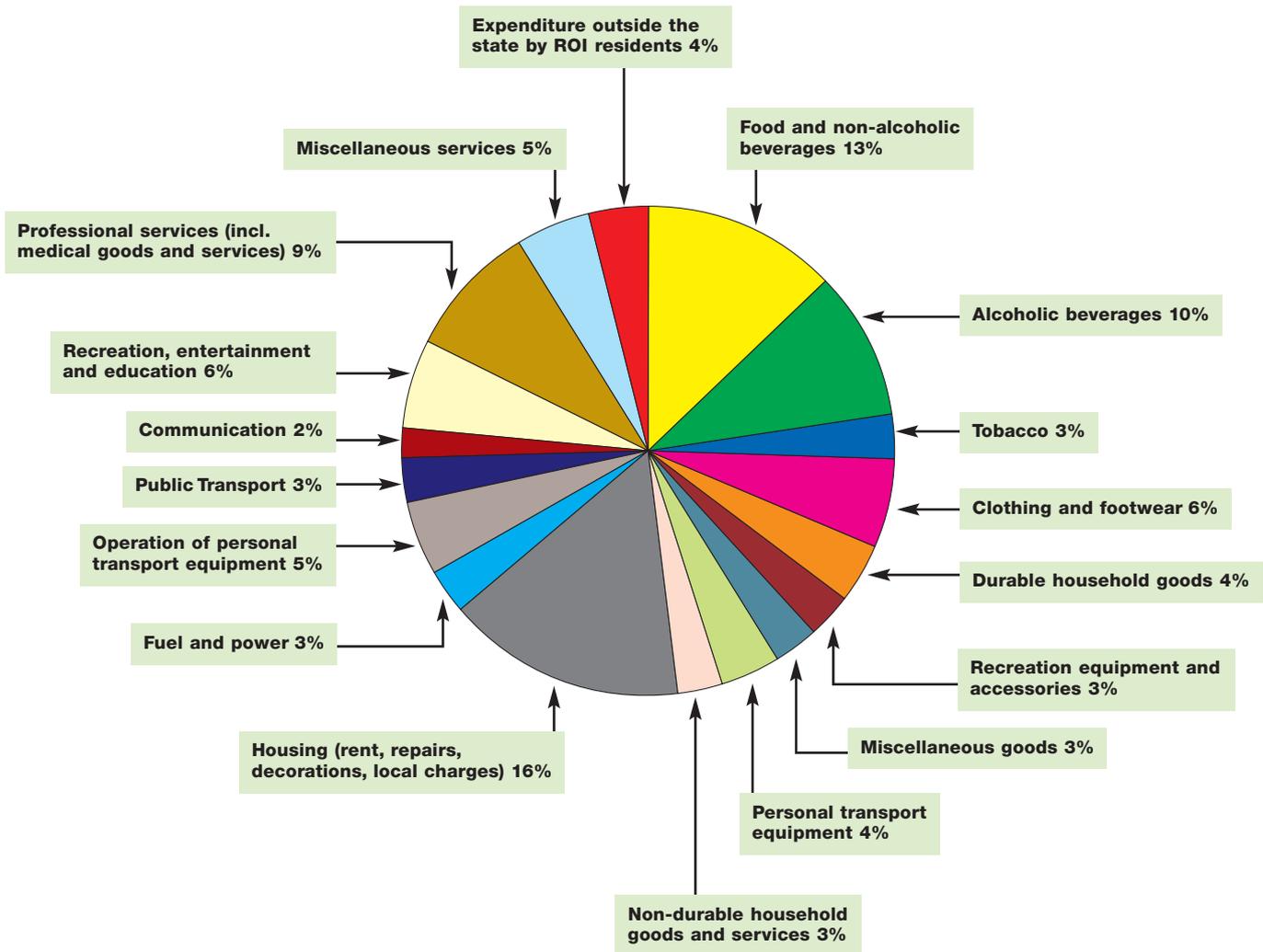
- The growth of the market,
- The size and scale of the opportunity,
- The changing retail structures,
- The relocation of buying power out of Ireland.

And the importance of being either a high volume, low cost producer, selling to international chains, or a smaller scale niche producer, selling to local chains or specialist retailers.

¹ OECD, GDP per capita, 1998, September 2000

How are Consumers in the Republic Spending Their Money?

Expenditure by consumers in the Republic was IR£36.64 billion in 1999, up 11.3% on 1998. This includes spending by overseas visitors. The breakdown is as follows²:



² Total is greater than 100% due to rounding

Consumption of personal income at current market prices³

Category	1995	1999 (EST)	Increase 1995-99
	IR£M	IR£M	%
Food beverages and tobacco	7305	9643	32
Food	3694	4467	21
Non-alcoholic beverages	238	398	67
Alcoholic beverages	2465	3575	45
Tobacco	908	1202	32
Clothing and footwear	1579	2138	35
Housing (rent, repairs, decorations, local charges)	2844	5779	103
Fuel and power	896	1009	13
Household equipment and operation	1594	2395	50
Durable household goods	971	1457	50
Non-durable goods and services	623	938	51
Transport and communication	3097	4929	59
Personal transport equipment	812	1526	88
Operation of personal transport equipment	1133	1680	48
Public transport	726	1024	41
Communication	426	699	64
Recreation, entertainment and education	2630	3264	24
Equipment and accessories	854	1095	28
Services (incl. Education)	1775	2169	22
Miscellaneous goods and services	3585	5980	67
Professional services (incl. medical goods and services)	1783	3138	76
Goods	645	1027	59
Services	1166	1814	56
Expenditure outside the state by Republic of Ireland residents	1029	1506	46
Less: Expenditure above by non-residents e.g. tourists	-1375	-1898	38
Nett expenditure by Republic of Ireland residents	23192	34743	50

A note of caution: detailed household data⁴ for the Republic is several years out of date at present, but the data will be available on a more timely basis from now on as a new ongoing computerised household expenditure survey programme was introduced in 1999 and first reports are due out in late 2000. The Household Budget Survey breaks down expenditure in detail by individual product type. The CSO also produces less detailed annual estimates of total consumer spending as part of its analysis of the economy. These help identify fast growing categories.

³ Table 13, National Income & Expenditure Annual Report 1999, Central Statistics Office, August 2000

⁴ Household Budget Survey 1994-95, Central Statistics Office 1997

Total consumer spending grew by 11.3% in 1999 in value terms, continuing the strong growth of 10.2% in 1998 and 11.9% in 1997. Private consumer spending (i.e. including housing, cars, holidays, etc.) was almost IR£34.75 billion in 1999. Overseas visitors spent a further IR£1.9 billion in the Republic in 1999.

Consumer expenditure grew by 50% over the five years from 1995 to 1999. All consumer categories experienced growth, with above average growth in non-alcoholic beverages, housing, cars ("personal transport equipment"), communications (reflecting the growth of mobile phones) and professional services.

Developments that have affected consumer spending patterns include the following:

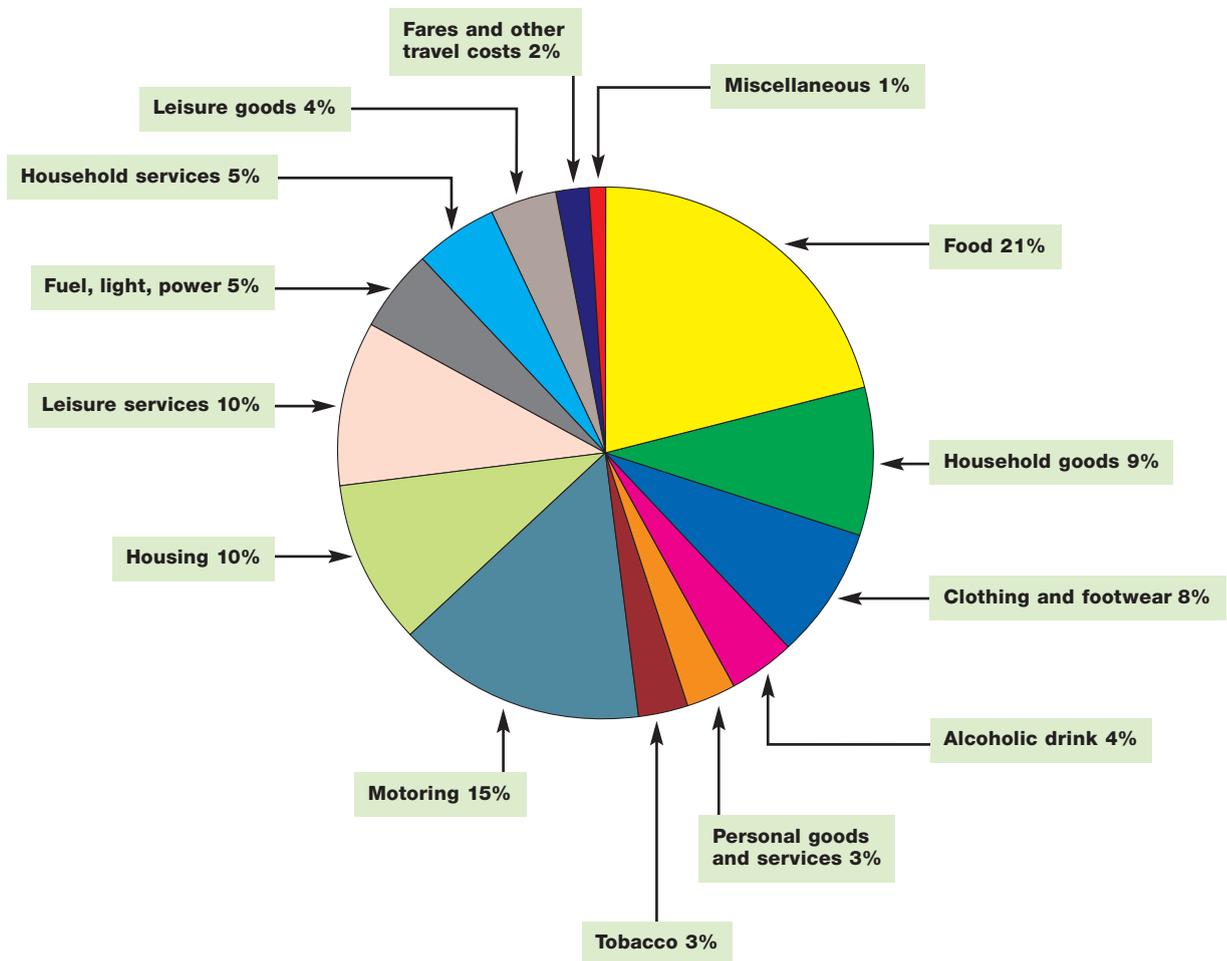
- 29% of the 25-34 age group in the Republic have high educational qualifications (the UK figure is 26%) and thus tend to have higher incomes and expectations⁵.
- Former emigrants are returning to live and work in Ireland, together with overseas nationals. Each year since 1996, over 40,000⁶ people from overseas have come to live in the Republic, and this high annual level of immigration is forecast to continue for the foreseeable future.
- Increased competition in the grocery and clothing sectors has resulted in low growth by value, despite a growing population and a high overall level of spending.
- Consumers are spending heavily on innovative and leisure services such as holidays, mobile phone calls, eating out and home entertainment.

⁵ OECD Education at a Glance 2000

⁶ CSO, Population and Migration Estimates April 2000, 12 September 2000

How are Consumers in Northern Ireland Spending Their Money?

In Northern Ireland, the total spend by consumers is estimated at Stg£10.1 billion in 1999⁷, with an annual value growth of 3-4%. The categories are substantially different to those for the Republic as the following breakdown shows:



⁷ Based on extrapolated weekly household expenditure to end-1999 times 52 weeks times 610,000 households.

**Average weekly household expenditure on goods and services
Northern Ireland 1994 - 1999 (Stg£)⁸**

Category	1994-95 Stg£	1997-98 Stg£	% Change 1994-98	End 1999 estimated value per household* Stg£
Food	57.86	62.90	8.7	67.30
Motoring	41.10	45.80	11.4	48.09
Housing	27.70	30.70	10.8	31.62
Leisure services	25.27	29.50	16.7	31.56
Household goods	22.59	26.40	16.9	27.72
Clothing and footwear	23.04	25.00	8.5	26.25
Fuel, light, power	15.58	15.80	1.4	15.8
Household services	13.43	14.00	4.2	14.7
Alcoholic drink	12.64	12.00	(5.1)	12.84
Leisure goods	14.02	12.70	(9.4)	13.6
Personal goods and services	9.86	10.50	6.5	11.02
Tobacco	7.64	8.90	16.5	9.34
Fares and other travel costs	6.78	6.40	(5.6)	6.72
Miscellaneous	2.58	1.90	(26.3)	2.00
Average weekly household expenditure	£280.38	£302.40	7.9	£318.57*

* In Northern Ireland, the latest figures are for 1997-98. Consumer expenditure grew by 4% in the twelve months ended March 1998. The figures for the 21 months from April 1998 to December 1999 are estimates that extrapolate historic growth rates.

Northern Ireland consumer expenditure, while not as spectacular as in the Republic, is growing at a faster rate than in previous years. The figure for the UK as a whole is 5.5% in February 2000⁹. Detailed comparisons of Northern Ireland against various British regions are contained in the annual official publication "Regional Trends". Summary comparisons of income and expenditure are in the annual Northern Ireland "Family Expenditure Surveys".

⁸ Family Expenditure Survey, Northern Ireland Statistics and Research Agency 1999

⁹ Northern Ireland Department of Finance and Personnel Quarterly Economic Report, March 2000

The Population Profile of Ireland is Changing

Republic of Ireland

The population of the Republic is showing a net increase of 40,000 a year and this upward trend is expected to continue for the immediate future.

Total Population Republic of Ireland¹⁰

Year	Total	Males	Females
1971	2,978,248	1,495,760	1,482,488
1981	3,443,405	1,729,354	1,714,051
1991	3,525,719	1,753,418	1,772,301
1996	3,626,087	1,800,232	1,825,855
2001 ¹¹	3,836,400	1,903,700	1,932,600
2006 ¹²	4,052,000	2,010,400	2,041,600
2011 ¹³	4,254,000	2,110,500	2,144,200

Population By Age Group – Republic of Ireland¹⁴ ('000)

Increasing

Decreasing

Age Group	Total			Males			Females		
	1996	2001	2006	1996	2001	2006	1996	2001	2006
0-14	859	831	865	441	427	445	418	404	420
15-19	340	325	288	174	167	148	166	159	142
20-24	293	328	308	149	166	156	144	162	152
25-44	1,016	1,118	1,222	503	555	610	513	562	612
45-54	412	471	509	209	237	253	203	234	256
55-59	154	186	225	78	94	113	76	92	112
60-64	138	150	181	69	75	90	69	75	91
65+	414	428	452	177	164	196	237	244	257
Total	3,626	3,836	4,052	1,800	1,901	2,010	1,826	1,933	2,042

From 1996 an important trend has been the growing up of the baby boomers of the 1970s into the first-home formation 25+ age group. Also important is the fast growing and affluent 50-64 age group. The labour force will rise from 1.62 million in 1998 to 1.98 million in 2011. More detailed projections are provided on a diskette included with the CSO report.

¹⁰ CSO Census of Population 1996 for years up to and including 1996

¹¹ Population and Labour Force Projections 2001-2031, CSO, July 1999, Table 1

¹² Population and Labour Force Projections 2001-2031, CSO, July 1999, Table 1

¹³ Population and Labour Force Projections 2001-2031, CSO, July 1999, Table 1

¹⁴ CSO Population and Labour Force Projections, July 1999, Table 1

Northern Ireland

The population of Northern Ireland is also growing, at about 6,000 per year. This annual increase is now forecast to continue to 2011 whereas previously it was forecast to fall sharply after 2001.

As a result, population projections for Northern Ireland have been revised upwards. 2001 is now forecast at 1.708 million (previously 1.694 million); 2006 is forecast at 1.742 million (previously 1.711 million); and 2011 is forecast at 1.771 million (previous forecast was 1.720 million)¹⁵.

In contrast to the Republic, the first-home formation 25+ age group in Northern Ireland is set to decline after 2001. Up to 35% of university students go to colleges in Britain and often do not return. There is some evidence of a net inward migration trend in 1996-97¹⁶. Overall, the younger age groups show a decline in numbers. The profile of the population is greying.

Projected population by age group in Northern Ireland ('000)¹⁷

	Increasing		Decreasing		
	1998	2001	2006	1998 to 2001	2001 to 2006
Children (under 15)	388	378	357	-2.6	-5.5
Young adults (aged 15-29)	374	367	369	-1.9	0.5
Adults (aged 30-44)	362	378	382	4.4	1.0
Adults (aged 45-59)	275	288	312	4.7	8.3
Young Elderly (aged 60-74)	193	196	213	0.1	8.7
Elderly (aged 75+)	97	102	109	5.1	6.8
All Ages	1,689	1,708	1,742	1.1	2.0

The split between males and females by age group is as follows:

Population by age group – Northern Ireland ('000)¹⁸

Year	Total			Males			Females		
	1998	2001	2006	1998	2001	2006	1998	2001	2006
0-14	388	378	357	199	194	183	189	184	174
15-19	127	130	133	65	67	68	62	63	64
20-24	117	115	121	61	60	63	56	55	58
25-44	492	500	498	246	250	251	246	250	247
45-54	194	199	216	96	99	106	98	100	110
55-59	81	89	96	39	44	47	41	45	49
60-64	71	74	86	34	35	42	37	38	44
65+	220	224	236	88	91	99	131	133	137
Total	1689	1708	1742	827	839	858	861	869	883

¹⁵ Northern Ireland Health and Social Services Board 1998 based population projections versus 1996 based projections.

¹⁶ "NI set for 'brain gain' as emigres return home", Financial Times, 21 August 1999

¹⁷ Northern Ireland Health and Social Services Boards: 1998 Based Population Projections, NISRA, 2000

¹⁸ Northern Ireland Health and Social Services Boards: 1998 Based Population Projections, NISRA, 2000

The Irish Consumer Market is Boosted by Tourism

Tourism in Ireland has reached record levels. The number of visitors to the Republic in 1999 was 6.07m, up 6.1% on 1998¹⁹. In a new strategy announced in 1999²⁰, Bord Failte /Irish Tourist Board set a target of 8 million visitors to the Republic for 2004. Northern Ireland had 1.655 million visitors in 1999²¹. Its tourism growth is ultimately dependent on the achievement of a lasting peace.

Revenues from tourism in the Republic were IR£2.5 billion (a 9% growth over 1998) in 1999^{22, 23}, while Northern Ireland revenues were Stg£265 million (or a 19% growth in real terms over 1998)²⁴.

The growth of Irish tourism has obvious implications for suppliers to the hotel and catering sector and for manufacturers and retailers catering to tourists. It is a considerable market and has implications for almost all consumer products, but especially for the giftware, jewellery, crafts, fashion and fashion accessory sectors.

¹⁹ CSO June 2000

²⁰ Irish Times, 28 July 1999

²¹ Department of Economic Development for Northern Ireland/NITB Policy 2000

²² CSO June 2000

²³ This includes about £560m in fares received by ROI carriers

²⁴ Department of Economic Development for Northern Ireland/NITB Policy 2000

Ireland's Economic Performance

Republic of Ireland

The Republic has seen dramatic growth from the mid 1990s. This growth is evidenced in a buoyant consumer market, both in the number of consumers and their spending power. The trend is forecast to continue for at least the next decade.

The following table illustrates the level at which growth has been sustained over the 1990s.

Manufacturing Output (annual percentage change)²⁵

	Total %	High Tech* %	Traditional† %
1993	5.4	9.3	0.4
1994	12.7	18.1	5.3
1995	20.1	28.9	6.3
1996	8.2	10.9	3.3
1997	16.6	21.9	5.7
1998	16.7	22.6	2.7
1999 estimate	10.0	12.5	2.0
2000 forecast	11.0	13.0	2.3
Average (1994-2000)	13.5	18.25	4.0

* The 'high-technology' sector comprises the pharmaceuticals, "office and data processing" (IT equipment and software), "other foods" (concentrates), electrical and instrument engineering sectors.

† Traditional industry comprises the remaining sectors including most food and drink.

The Republic of Ireland's economy is growing faster than any other economy in the developed world. Per capita GDP on a purchasing power basis caught up with the UK in 1998 at US\$22,509 (US\$21,170 for the UK)²⁶.

Forecasts for 2000 are for a further 9.5% growth in GDP (at constant market prices)²⁷. The two main problem areas for the economy are high inflation (at a fifteen year high of 6.2% in July 2000 and expected to average 5.5% for 2000 as a whole and 4% in 2001²⁸) and a tight labour market.

²⁵ Central Bank of Ireland, Spring 2000

²⁶ OECD, Main Economic Indicators, April 1999

²⁷ Central Bank of Ireland, Spring 2000

²⁸ Quarterly Report Autumn 2000, Central Bank of Ireland, September 2000

GNP (Gross National Product) is the total output of a country and is a measure of economic activity. GDP (Gross Domestic Product) is the net amount remaining in the country after paying overseas investors their royalties and profits. For most countries GNP and GDP are approximately the same and GDP is normally used, but, for the Republic of Ireland, GNP is significantly greater than GDP (although the annual growth rate of GDP has been higher than GNP). The GNP differential is due to the important role that multinational firms play in the economy and the high absolute value of royalty payments and profit repatriation. Hence the need in recent years to quote both figures to give a true indication of the size and growth of the Republic of Ireland economy.

Real Economic Growth – Republic of Ireland (at constant market prices)²⁹

	GDP %	GNP %
1996	7.7	7.2
1997	10.7	9.3
1998	8.6	7.8
1999	9.8	7.8
2000f³⁰	9.9	8.2
2001f³¹	9.4	7.5

The Irish economy is ranked as the fifth most competitive in the world in the Global Competitiveness Report 2000³², published by the World Economic Forum – up from tenth position in 1999. The IMD World Competitiveness Yearbook³³ ranks Ireland in seventh position – up from eleventh in 1999 and 29th place in 1996.

With the exception of the period 1980-1985, GDP has been growing at 4% or higher since 1960, so strong growth is not just a recent phenomenon. Although all the forecasts in the mid-1990s were for strong growth for the following decade, the recent high levels were totally unanticipated. The long term forecast is for continued GDP growth of 4-5% through to the year 2010³⁴.

Economic growth in the Republic is driven mainly by the exports of the overseas-owned high-technology sector. This multinational sector has deep roots in the country and has stimulated the development of a sophisticated Irish-owned subsupply industry, and more recently to an indigenous high technology sector, particularly in IT, software and electronics. The highly educated employees in these sectors are higher paid than the average.

Ireland's entry to the Euro zone on January 1, 1999 led to a halving of Central Bank interest rates from 6% to 3%, with a knock-on effect of lower consumer borrowing rates. This enabled consumers to borrow more for the same monthly repayment. During 2000, rates increased progressively by 1.75%, which is still relatively low. The other effect of low interest rates is very low bank deposit rates for savers – hardly an incentive to save and possibly an incentive to spend. Personal savings in the Republic as a percentage of GNP have fallen steadily from over 20% in 1975 to a current level of around 5%³⁵.

²⁹ Monthly Economic Bulletin – June 2000 - Issued by the Minister for Finance

³⁰ Quarterly Economic Commentary, ESRI, August 2000

³¹ Quarterly Economic Commentary, ESRI, August 2000

³² World Economic Forum, Sept 2000

³³ IMD Rankings April 2000

³⁴ ESRI Projections

³⁵ Central Bank of Ireland, Spring 1999 Bulletin, page 22

Northern Ireland

Real Economic Growth – Northern Ireland (Volume)^{36 37}

	GDP %
1993	3.1
1994	3.9
1995	4.0
1996	1.2
1997	3.6
1998	1.6
1999	2.0
2000 <small>forecast 38</small>	2.5
2001 <small>forecast 39</small>	2.5

The figures show good growth until a slowdown in 1996. After a brief recovery in 1997, the rate of growth fell, due to the general UK recession. Recovery is dependent on the GB economy due to the close economic linkages. Over the last few years, Northern Ireland's GDP growth rate has exceeded that of the UK as a whole, and per capita GDP has risen from 76.4% of the UK average in 1989 to 80.4% in 1997⁴⁰. Northern Ireland's share of overall GDP has risen from 2.1% to 2.3% in the same period.

Like the Republic, Northern Ireland has high growth in the newer technology sectors and declines in traditional sectors such as textiles and agriculture. Total manufacturing production increased by 7.7% in 1999 compared to less than 2% in the UK as a whole⁴¹. The outlook is for modest growth over the next few years. The following table illustrates the disparity between the traditional and the high tech sectors.

Northern Ireland manufacturing indices 1995-1999⁴²

Sector	1995	1998	1999 Q4
Food, drink & tobacco	100	105.6	128.2
Textiles & leather	100	90.9	90.1
Chemicals	100	125.2	119.9
Basic & fabricated metals	100	129.4	118.8
Engineering & allied industries	100	120.3	147.8
Total other manufacturing	100	108.5	113.7
ALL MANUFACTURING	100	111.0	123.7

³⁶ Northern Ireland Department of Finance and Personnel Quarterly Economic Report, March 2000 for 1993-1996

³⁷ PricewaterhouseCoopers, Northern Ireland Economic Review & Prospects, June 2000 for 1990-2010

³⁸ PricewaterhouseCoopers, Northern Ireland Economic Review & Prospects, June 2000 for 1990-2010 Projections

³⁹ PricewaterhouseCoopers, Northern Ireland Economic Review & Prospects, June 2000 for 1990-2010 Projections

⁴⁰ PricewaterhouseCoopers, Northern Ireland Economic Review & Prospects, June 2000 for 1990-2010

⁴¹ PricewaterhouseCoopers, Northern Ireland Economic Review & Prospects, June 2000 for 1990-2010

⁴² PricewaterhouseCoopers, Northern Ireland Economic Review & Prospects, June 2000 for 1990-2010

The Labour Market

Since salaried consumers have more money to spend, the growth of the total employed workforce is a prime driver of consumer spending and market opportunities in Ireland.

There has been a significant fall in unemployment in recent years in Ireland while the Northern Ireland workforce is steady at about 600,000, the workforce in the Republic has grown, and will continue to grow dramatically. Low unemployment has resulted in an extremely tight labour market.

Republic of Ireland

Employment and Unemployment Republic of Ireland ('000s)

	1996 ⁴³ April	1997 ⁴⁴ April	1998 ⁴⁵ May	1999 ⁴⁶ Q4	2000 ⁴⁷ Q1	2001 ⁴⁸	2006 ⁴⁹
Total in employment	1,329	1,380	1,494	1,647	1,650	n/a	n/a
Total unemployed	179	159	127	89	81	n/a	n/a
Total Labour force	1,508	1,539	1,621	1,736	1,731	1,725	1,846

Republic of Ireland Seasonally Adjusted Standardised Unemployment Rates (%)⁵⁰

	1995	1996	1997	1998	1999	May 2000
Annual Average %	12.1	11.5	9.8	7.4	5.6	4.6

The labour force in the Republic is projected to reach 1.846 million by 2006, with annual increases of up to 28,000⁵¹. There was a dramatic increase in the numbers at work between 1996 and 1999, when an additional 228,000 entered employment. The Government is planning to facilitate up to 200,000 skilled immigrants to work in Ireland to meet labour market shortages over the period 2000-2005. Regulations governing work permits for non-EU nationals are being eased. The female share of the labour force will rise from 39.6% in 1998 to 43% by 2011, mainly due to the return of a greater number of married women with children to the workforce.

Northern Ireland

The Northern Ireland working population has been growing steadily and at end 1999 the total at work (including 75,000 self-employed) was 700,000. Over the period 2000-2010 it is estimated that a further 132,000 net new jobs will be required to absorb the growth in the working population plus an increase in the overall labour force participation rate from 66% to the UK average of 74%⁵².

⁴³ Labour Force Survey (replaced by Quarterly national Household Survey after April 1997)

⁴⁴ Labour Force Survey (replaced by Quarterly national Household Survey after April 1997)

⁴⁵ Quarterly National Household Survey, May 1998 (which replaces the Annual Labour Force Survey from April 1997)

⁴⁶ Quarterly National Household Survey, Quarter 1, 2000

⁴⁷ Quarterly National Household Survey, Quarter 1, 2000

⁴⁸ CSO Population and Labour Force Projections 2001-2031, July 1999

⁴⁹ CSO Population and Labour Force Projections 2001-2031, July 1999

⁵⁰ CSO Benchmark Labour Force Survey/Quarterly National Household Survey (QNHS) estimates

⁵¹ CSO Population and Labour Force Projections 2001-2031, July 1999

⁵² Northern Ireland Economic Review and Prospects, June 2000, page 33, PricewaterhouseCoopers

Total in employment ('000s)⁵³

September 1997	December 1998	December 1999
597	617	625

Seasonally Adjusted Standardised Unemployment Rates (%)⁵⁴

	1995	1996	1997	1998	1999	Feb 2000
Annual Average	10.8	10.1	9.0	7.8	6.3	5.6

Republic and Northern Ireland

Unemployment Annual Average (%)⁵⁵

Year	1995	1996	1997	1998	1999	2000
Republic of Ireland⁵⁶	12.1	11.5	9.8	7.7	5.1 ⁵⁷	4.0 f ⁵⁸
Northern Ireland⁵⁹	10.8	9.1	8.5	6.7	6.3	5.6 ⁶⁰

⁵³ Northern Ireland Department of Finance and Personnel Quarterly Economic Report, March 2000

⁵⁴ Northern Ireland Department of Finance and Personnel Quarterly Economic Report, March 2000

⁵⁵ International Labour Office (ILO) basis

⁵⁶ CSO Benchmark Labour Force Survey/Quarterly National Household Survey (QNHS) estimates

⁵⁷ Quarterly National Household Survey (QNHS), CSO, First Quarter 2000

⁵⁸ Quarterly Economic Commentary, ESRI, June 2000

⁵⁹ Northern Ireland Department of Finance and Personnel Quarterly Economic Report, March 2000

⁶⁰ Northern Ireland Department of Finance and Personnel Quarterly Economic Report, March 2000

The Housing Market

More than 300,000 new houses and apartments were built in Ireland in the six years 1993 to 1999, a major increase in the total housing stock. The combined Republic and Northern Ireland new housing figure is running at a record high of over 57,000 units per year.

In the Republic, housing completions increased by an annual 10% in 1999. This growth is sustainable according to industry experts⁶¹. An annual home/apartment new build figure of about 45,000 units is forecast through to 2005⁶², with a requirement for more social housing due to rapidly increasing house prices.

In Northern Ireland, housing completions have also increased in recent years and now average around 10,000 per year.

Housing Market – Republic of Ireland and Northern Ireland 1995-1999⁶³

	1995	1996	1997	1998	1999	Change 1995-1999
Average house price Republic of Ireland (IR£)	56,341	62,340	71,860	88,144	105,098	+87%
Average house price Northern Ireland (Stg£)	61,000	63,000	67,000	69,000	73,000	+20%
New dwellings completed Republic of Ireland (units)	30,575	33,725	38,842	42,349	46,512	+52%
New dwellings completed Northern Ireland (units)	8,463	8,556	10,168	10,077	10,583 est*	+25%
Total housing stock Republic of Ireland (units)	1,091,000	1,115,000	1,145,000	1,177,000	1,212,000	+11%
Total housing stock Northern Ireland (units)	600,000	596,500	607,500	618,000	626,000	+4%

* PriceWaterhouseCoopers estimate.

⁶¹ "The Housing Market – An Economic Review and Assessment", Peter Bacon & Associates March 1999

⁶² Medium Term Review 1999-2005, ESRI, October 1999

⁶³ Department of Finance and Personnel – Economics Division, DOE (NI), DOE (ROI) – Housing Policy Department

Spatial and Planning Issues

Dublin, Belfast and, to a lesser extent, Cork are the only major conurbations in Ireland. About half the total population is within about one hour's drive of either Dublin or Belfast.

There are 39 smaller Irish cities and towns with rural catchment areas. Government planning policy is to encourage strong regional towns to act as growth hubs by providing the services and amenities needed to attract and retain industry and residents and benefit the surrounding rural areas.

Population concentration in towns

The populations of the 39 cities and towns range from 10,000 (Downpatrick) to 79,000 (Limerick), according to the most recent official census figures. The surrounding hinterlands give these primary shopping towns an added population of up to 50%.

1996 Census of Population Republic of Ireland ('000)⁶⁴

Greater Dublin	953	Drogheda	25	Wexford	16
Cork	180	Swords	22	Athlone	16
Limerick	79	Tralee	20	Carlow	15
Galway	57	Kilkenny	19	Naas	14
Waterford	44	Sligo	19	Malahide	14
Dundalk	30	Ennis	18	Leixlip	13
Bray	28	Clonmel	16	Newbridge	13

1991 Census of Population Northern Ireland ('000)⁶⁵

Belfast	279	Carrickfergus	23	Omagh	17
Londonderry	72	Lurgan	22	Armagh	14
Newtownabbey	57	Newry	23	Strabane	12
Bangor	52	Portadown	21	Banbridge	12
Lisburn	42	Antrim	21	Enniskillen	11
Ballymena	28	Coleraine	21	Limavady	11
Newtownards	24	Larne	17	Downpatrick	10

⁶⁴ CSO Census of Population 1996

⁶⁵ Statistical Abstract of Ireland 1997, Central Statistics Office, February 1998

The Retail Property Market

The retail property market in Ireland has been transformed over the last few years, as developers and major British and overseas retail chains have responded to the unprecedented economic and population growth in the Republic and the peace process in Northern Ireland.

Dublin city centre, which had been in decline, made a dramatic comeback in the 1990s, with extensive investment in pedestrianisation, more parking facilities, the establishment of new stores and major investment by existing stores – especially the two major department stores, Brown Thomas and Arnotts. Late night and Sunday opening, together with the renovated Temple Bar artistic area, has attracted people back into the city seven days a week. This, in turn, has stimulated the opening of restaurants, coffee bars, and other amenities which have attracted yet more people.

In Belfast, significant new retail space is planned for the city centre, following a Government-sponsored competition among developers, which resulted in the selection of a Dutch developer, MCC. Some of the underbidders are likely to proceed anyway with their own schemes, thereby increasing further the amount of new retail space.

There is a serious shortage of appropriate retail space in both Dublin and Belfast, which is frustrating the expansion plans of major chains such as Marks & Spencer and IKEA.

In regional cities such as Cork, Limerick and Galway, there has also been major investment in new city centre shopping, most of it by British chains. In towns such as Enniskillen and Newry in Northern Ireland, and Athlone and Kilkenny in the Republic, large new shopping centres have been built which have attracted chains such as Argos.

Smaller towns with a population of fewer than 10,000 are being targeted by Lidl and Aldi. Aldi already has stores in Dublin, Ballincollig and Letterkenny. Towns such as Cookstown (where the first Lidl store opened in 1999), Arklow, Youghal, Longford, Bandon, Bantry, Carrigaline, Letterkenny and Castlebar are the target market of these retailers.

Of particular interest to cross-border trade is the designation by the Irish Government in Spring 1999 of the Dublin-Drogheda road as a strategic growth corridor, and of the towns of Drogheda and Balbriggan as strategic growth centres to take pressure off the Dublin Metropolitan area. Indeed, because of the mountains immediately to the south of Dublin, future population growth will mainly be to the north and west of the city, leading to a high population concentration comparatively close to Northern Ireland.

Republic of Ireland planning issues

Two main developments are:

- The Government embargo on food stores in excess of 32,000 sq.ft. (35,000 sq. ft. in the Dublin area) initially introduced in 1998 and confirmed in April 1999.
- The April 1999 "Strategic Planning Guidelines for the Greater Dublin Area" produced by Brady Shipman Martin, in consultation with the seven local authorities in the Greater Dublin Area.

The Guidelines have no formal legal authority but are generally followed by planners and developers as a guide to good practice. One of the aims of these Guidelines is to prevent major retail chains from building massive out of town centres, which would take business from existing local retailers and destroy town centres. The Guidelines seek also to restrict the development of major new destination shopping centres.

The Guidelines allow for additional shopping facilities in the Dublin area at Lucan/Clondalkin and Swords. Both have centres at an advanced stage. It suggests limited retail expansion in the south east of Dublin at Bray, Blackrock, Dundrum and Dun Laoghaire, but only where this would not adversely affect Dublin City centre.

On a wider scale, the Guidelines seek to promote an expansion of retail warehousing (particularly where they are close to public transport infrastructure), reinforce the city centre, and expedite the refurbishment of older centres. Major shopping centres adjacent to new motorways are discouraged as they generate additional local traffic to the detriment of through traffic.

Dublin Retail Market – New developments in the pipeline⁶⁶

About 195,000 sq. metres (2 million sq ft) of new retail space is in the pipeline for the Republic of Ireland.

Location	Planned Floor area sq. m	Completion date
The Pavilion, Swords	21,368	2001
Ashleaf Shopping Centre	9,290	Open
Abbey Mall Shopping Centre	1,950	2001
Millennium Mall	39,950	2002
Parnell/Moore Street	7,900	2002
Ilac Centre	7,400	2001
Liffey Valley Phase II	29,700	2002
Square Phase III	11,150	2001
Pye Centre, Dundrum	41,800	2002
Stillorgan Shopping Centre	9,290	2002
Ayrefield, Malahide	8,360	2001
Total	188,158	

Other Republic of Ireland developments⁶⁷

Location	Planned Floor area sq. m	Completion date
Edward Square, Galway	7,500	2000
Cork Blackpool	9,290	2000
Buttermarket Centre, Sligo	12,077	2000-2001
Crescent Shopping Centre, Limerick	5,600	2001
Ennis Road, Limerick	18,100	2001/2002
Mahon, Cork	13,935	2001/2002
Waterford	5,600	2002
Total	72,102	

⁶⁶ DTZ Sherry Fitzgerald Review of the Dublin Commercial Markets, March 2000

⁶⁷ DTZ Sherry Fitzgerald Review 1999 Outlook 2000

The status of two major retail schemes planned for Dublin at Swords (on the Belfast Road) and on the Malahide Road is uncertain at present. Both schemes received planning permission from the county council, but were subsequently turned down by An Bord Pleanála. New retail schemes totalling 37,150 square metres (400,000 square feet) are expected in Cork, Limerick, Mullingar, Sligo and Letterkenny⁶⁸.

Northern Ireland Retail Market – New developments in the pipeline⁶⁹

Demand continues to exceed supply, as major British and other overseas retail chains seek a presence in Northern Ireland, particularly in Belfast. Strong rents have been achieved and new centres are attracting quality tenants. It is forecast that a further 46,450 square metres (500,000 square feet) of retail space is needed in Belfast to meet the needs of the chains.

Recent and planned new retail space in Northern Ireland

Location	Planned floor area sq. m
Harbour Exchange	43,200
Tillysburn	6,967
Forestsides	N/A
Drumkeen Retail Park (opposite Forestsides)	5,574
Abbey Retail Park, Newtownabbey	23,225
Abbeycentre (extension)	3,716
Sainsbury's, Newtownabbey	6,038
Castlebawn, Newtownards	18,580
Bloomfield, Bangor (extension)	N/A
Flagship Centre, Bangor (extension)	N/A
Safeway, Bangor	N/A
Damolly Retail Park, Newry	13,935
The Quays, Newry	N/A
Buttercrane Centre, Newry (extension)	N/A
Rushmere Centre, Craigavon (extension + retail park)	N/A
Erneside, Enniskillen	N/A

⁶⁸ Hamilton Osborne King Property Outlook, Autumn 1999

⁶⁹ DTZ Sherry Fitzgerald Review of the Dublin Commercial Markets, March 1999

The Retail Market in Ireland

The retail sector in Ireland has shifted fundamentally. It was two regional markets (Republic and Northern Ireland), with local chains and buying centres. It is now substantially part of a single UK and Ireland market, dominated by large British chains with centralised buying and logistics.

Republic of Ireland

The retail market in the Republic is estimated at IR£12 billion in 1999, IR£13.88 billion if bars are included as a retail channel.

Description of business / category of goods	Number of enterprises surveyed	1997 Actual ⁷⁰			1999 Estimates		June 2000 Estimates	
		Retail sales indices annual average*	Turnover excluding VAT	Purchases of goods for resale excluding VAT	Retail sales value indices annual average*	Turnover excluding VAT	Retail sales value indices at June 2000*	Retail sales percentage change end 1999
		IR£ millions	IR£ millions	IR£ millions	IR£ millions	IR£ millions	%	
Non-specialised stores	5795	112.3	5,131	3,975	132.1	6,035	143.3	8.5
Food, beverages and tobacco**	2858	100.7	630	444	104.1	651	107.0	2.8
Pharmaceutical, medical and cosmetic articles	1132	114.0	565	388	161.8	801	183.1	13.2
Textiles and clothing	2399	112.8	788	509	137.7	962	156.8	13.9
Footwear and leather	375	113.8	137	84	137.5	166	142.1	3.3
Furniture and lighting	745	114.1	243	165	140.2	299	152.3	8.6
Electrical goods	923	134.3	490	367	181.7	663	182.1	0.2
Hardware, paints and glass	973	116.4	480	383	143.1	589	156.8	9.6
Books, newspapers and stationery	730	110.3	312	232	129.1	365	152.7	18.3
Other retailing in specialised stores	3355	121.1	1,041	719	150.1	1,291	196.4	30.8
Other retail sales	553	121.1	135	80	150.1	167	196.4	30.8
Bars	7384	114.4	1,657	950	130.8	1,894	150.7	15.2
Total of above			11,608	8,296		13,884		

*Base year 1995 = 100. Source: CSO Retail Sales Index Table 2 – published monthly

**In specialised stores

The most accurate and comprehensive calculation of the Republic of Ireland retail market is the Annual Services Enquiry conducted by the CSO. This covers approximately 30,000 establishments and, as a result, there is a time lag of 2-3 years before it is published.

The Wholesale Price Index has lagged the Consumer Price Index by 3.9% over the period 1997-1999, indicating that manufacturers are experiencing downward price pressure.

⁷⁰ Annual Services Enquiry 1997, CSO

The Retail Sales Indices and percentage increase for each product category for the first six months illustrate the continued strong growth in retail sales in the Republic of Ireland in 2000.

Northern Ireland

The Northern Ireland retail market is estimated at STG£5.33 billion in 1999.

Category	Weekly expenditure by category by household 1997-98	Annual average change	End 1999 growth estimate (based on 1 year 9 months)	End 1999 estimated value per household	End 1999 estimated value for all households
	Stg£	%	%	Stg£	Stg£ billions
Food	62.9	4	7	67.30	2135
Household goods	26.4	3	5	27.72	879
Clothing and footwear	25	3	5	26.25	833
Leisure goods	12.7	4	7	13.6	431
Alcoholic drink	12	4	7	12.84	407
Personal goods and services	10.5	3	5	11.03	350
Tobacco	8.9	3	5	9.35	296
Total retail expenditure				168.09	5.332

Based on the analysis, it is calculated that the retail market on the island of Ireland is worth IR£20+ billion/£stg15+ annually.

Structure of the Retail Market

Retailers in Ireland can be broadly categorised as follows:

- **Irish chains** such as Dunnes Stores and Superquinn, which are consumer and service focused, and which have redefined themselves and invested in response to the more competitive Irish market. They are traditionally supportive of Irish manufacturers, but price competition means that they must seek suppliers – Irish or other – who offer the lowest prices. Irish manufacturers who cannot match the prices of overseas suppliers may be delisted unless they have a strong consumer brand and loyalty. Some of these may, in the future, be targets for takeover by overseas retailers.
- **Major UK national chains** such as Tesco, Sainsbury's, Marks & Spencer, Boots, Reids and Courts recently joined by German discount chains such as Lidl and Aldi. These, in the main, follow centralised purchasing formulae and procedures. Some focus on no frills, low prices while others emphasise product innovation and uniqueness. Over 100 foreign retailers have entered the Irish market focusing on Dublin.
- **Independently owned symbol groups** such as SuperValu and SPAR which, under the guidance of wholesalers such as Musgrave Group, BWG and Henderson's, allow independent owner managers to share in central purchasing, store design and staff training, and which have built advanced central distribution systems.
- **Independently owned specialist chains** such as Connors Pharmacies, Harry Corry, Smyths Toystores and Petstore, which have a strong regional or national presence.
- **Independently owned specialist outlets** which are part of buying groups such as Toymaster in toys, and independent pharmacies which are shareholders in drug distribution companies such as United Drug, Cahill May Roberts and Smiths.
- **British and other international specialist chains** with a limited number of Irish outlets in sectors like fashion and eyewear, such as Debenhams, Monsoon, Mango and Specsavers.
- **Independently owned outlets** which buy privately at international trade fairs and from importers and agents.
- **Department stores** which have experienced a revival. Some rent selling space to manufacturers and specialist retailers on a concession basis, sometimes sharing profits. They specialise in fashion and household sectors.

Supermarkets are expected to continue their strong growth at the expense of food specialists and independent grocers. Independent grocers will come under increasing pressure as trends towards one-stop shopping continue and price competition grows stronger. Grocers in smaller towns are coming under particular pressure as Aldi and Lidl build nationwide chains in towns with a population of about 10,000.

The Republic, with a strong symbol group sector differs from Britain. The better independents benefit from the information systems, merchandising, training and central distribution of the Musgrave Group and of BWG while retaining individual store ownership at owner-manager level. The expansion of both these wholesalers into Northern Ireland will benefit the independent sector there. Conversely the expansion by John Henderson and its VIVO fascia into the Republic will benefit smaller retailers.

Supermarkets, convenience stores and symbol groups, are expected to gain market share at the expense of traditional outlets such as independent grocers, butchers, bakers, and greengrocers.

Most grocery sales in the Republic still go through locally owned supermarket chains. They are under pressure to match the buying power of their significantly larger British and German competitors especially on major international brands.

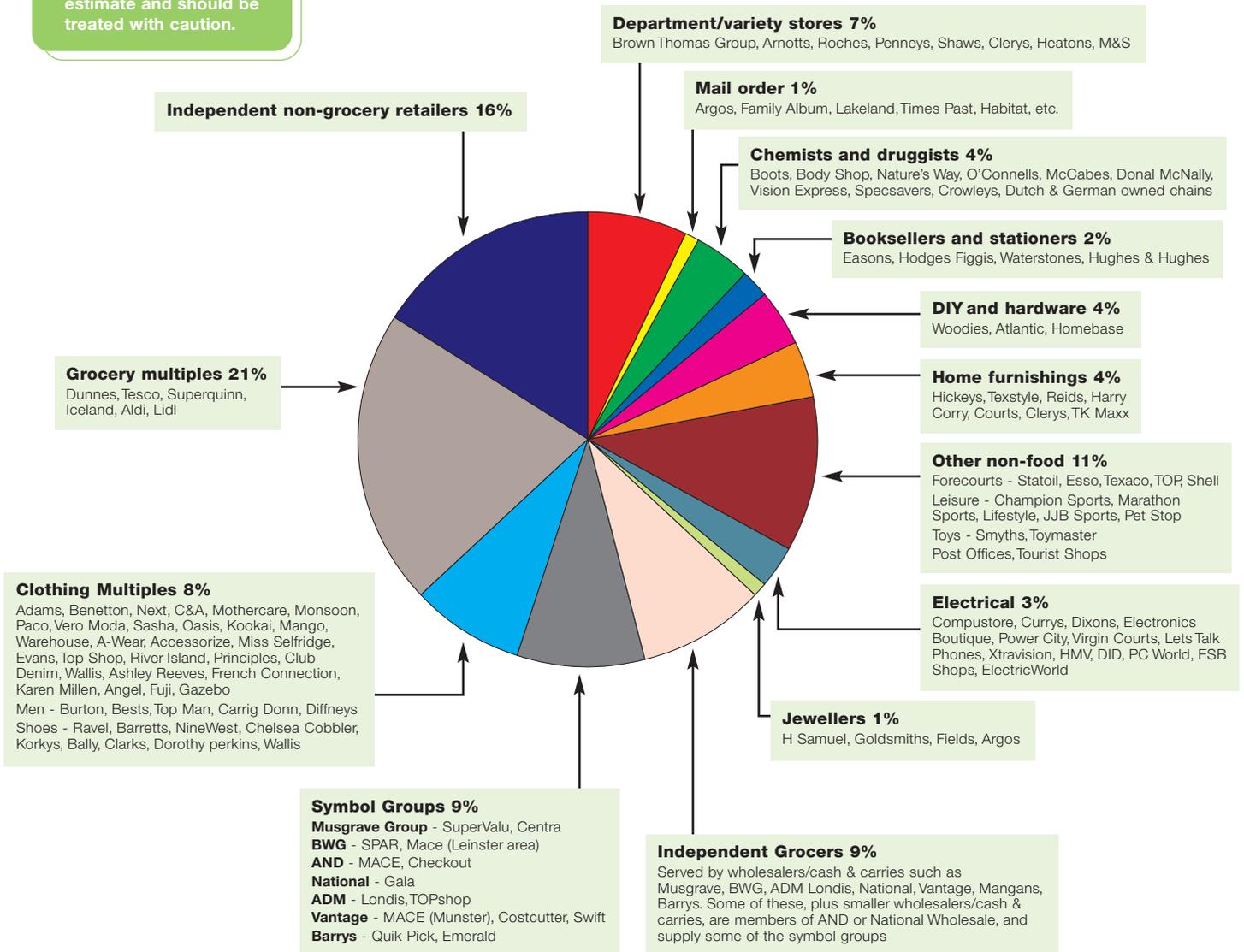
As the locally-owned element of Irish retailing is steadily reduced, Irish manufacturers are increasingly less likely to be stocked on the basis of local sourcing policies by retailers. However, some prominent British owned retail outlets in Ireland have a 'good citizenship' approach and buy substantially from Irish manufacturers who meet their commercial and competitive criteria. Two examples are:

- **Tesco:** local producers supply about 50% of the food products sold in Tesco Ireland stores in the Republic. In April 1999, Tesco announced a target of IR£997 million in trade with Irish companies, to be achieved in 2002, an increase of 44%. Trade with Irish companies has risen from IR£690 million to more than IR£850 million in Tesco's first two years of operation in the Republic. Tesco is also supporting Northern Ireland producers and highlights their products on shelf price labels.
- **Safeway:** In November 1997, at the opening of their first store in Northern Ireland, Safeway announced a policy of doubling their Northern Ireland purchases to Stg£ 200 million by 2000. The target was achieved in April 1999. Safeway, which now has 12 stores in Northern Ireland, targeted a further 15% increase, worth Stg£30 million, for 1999/2000⁷¹.

⁷¹ Safeway annual reports and press releases

The Republic of Ireland Retail Market⁷²

There is no single, reliable source of market shares, as many large Irish retailers do not publish accounts and those who do make it difficult to isolate retail sales from other activities. Overseas owned retailers combine Irish sales with other markets. This chart is a best estimate and should be treated with caution.



⁷² Source: Various – estimates based on retail sales

A Snapshot of Retailing

- The pattern of food retailing has changed dramatically in recent years as multiples have made strong inroads at the expense of independents.
- Supermarkets are increasingly competing with non-grocery retailers as they introduce non-food categories to offset static food sales.
- The boundaries between traditional retailing and other businesses are blurring. Examples: Newsagents sell prepaid phone cards. Supermarkets sell hot meals.
- Multiple retailers have different category stores which stock different elements of their overall product range. For instance, few Marks & Spencer stores stock their full range of food products, due to lack of space and local consumer profiles.
- While there was always a strong presence of British retailers in Belfast and Dublin, the 1990s have seen a major expansion. The main shopping streets of most cities and larger towns and most major shopping centres and retail parks throughout Ireland are now virtually clones of their British equivalents, with chains such as Boots, Dixons and Electronic Boutique.
- Private label remains comparatively underdeveloped in comparison with Britain. But the impact of retailers such as Tesco, Aldi and Lidl are expected to give an impetus to private label.

Republic of Ireland

- Retail sales were approximately 20% of GDP in 1999.
- Retail sales showed strong growth throughout the 1990s, and growth has been in double digits since 1997.
- 1999 retail sales are estimated at IR£13.9 billion out of total consumer expenditure of IR£36.64 billion⁷³.
- Retail sales grew 11.3% in value and 9.1% in real terms (i.e. after price inflation) in 1999⁷⁴, higher than the growth in overall consumer expenditure of 8.8% in real terms during the year⁷⁵. Strong growth is indicated for 2000.
- In the twelve months to June 2000, sectors fared differently in terms of value growth:
 - Food sales grew by only 0.8%
 - Pharmaceutical, medical and cosmetics articles rose by 21.4%
 - Textiles and clothing grew by 13.9%

⁷³ Estimate based on applying retail sales index to 1997 figures. This understates the actual figures.

⁷⁴ Retail Sales Index, CSO, April 2000

⁷⁵ Quarterly Economic Commentary, ESRI, June 2000

- Footwear & leather were up only 3.9%
 - Furniture and lighting grew by 9.5%
 - Electrical goods rose 10.2%
 - Hardware, paints and glass were up 11.9%
 - Books, newspapers and stationery were up 19.5%
 - Other retail sales were up 28.4%.
- Independent grocers still represent 36% of total outlets but are losing share. Aldi and Lidl in smaller towns will seriously affect this sector.

Northern Ireland

- Retail sales represents about 30% of GDP⁷⁶.
- Retail sales were estimated at Stg£5.33 billion in 1999 (extrapolated from the official estimate of Stg£4.5 billion in 1996⁷⁷).
- Year on year value growth is between 3% and 5% depending on category.
- Overall consumer spending is forecast at 4% growth in 2000 and 3% in 2001⁷⁸.
- After adjusting for inflation, sales growth in real volume terms is minimal.
- Food and beverages (including tobacco and alcohol) accounts for an estimated 57% of retail sales⁷⁹.
- Non-food sales account for about 43% of retail sales⁸⁰.
- Employment in retail accounted for 60,378 in 1997 (of which two-thirds were part-time)⁸¹, about 9% of the labour force. This is down from 63,825 jobs in 1996⁸².
- The number of retail businesses fell by 15% from 8,948 in 1995 to 7,579 in 1996 but the number of outlets fell less dramatically from 10,410 to 10,144.

⁷⁶ Based on most recent available year (1996) reported in Northern Ireland Department of Finance and Personnel Quarterly Economic Report, June 2000

⁷⁷ Department of Economic Development, Annual Distribution and Services Enquiry – Northern Ireland, Table 1 "Retail Business in NI; 1995 and 1996"

⁷⁸ "Northern Ireland Economic Review and Prospects", PriceWaterhouseCoopers, June 2000

⁷⁹ Estimate based on Northern Ireland household expenditure

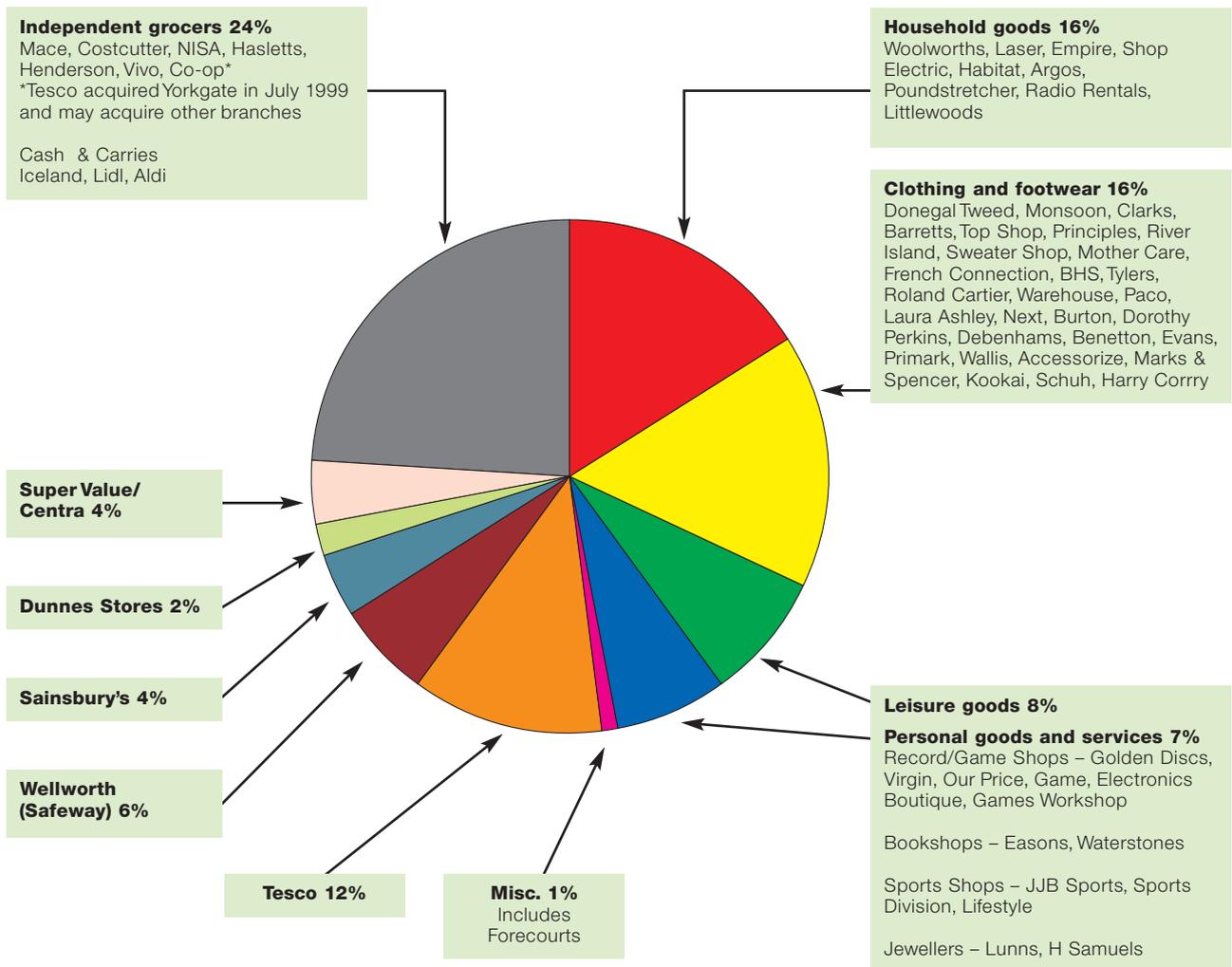
⁸⁰ Estimate based on Northern Ireland household expenditure

⁸¹ Department of Economic Development, Northern Ireland Census of Employment, September 1997

⁸² Department of Economic Development, Annual Distribution and Services Enquiry – Northern Ireland, Table 1 "Retail Business in NI; 1995 and 1996"

Breakdown of the Northern Ireland Retail Market – Grocery and Non-grocery and the Major Chains⁸³⁸⁴

(based on household budget expenditure and known shares in grocery market)



⁸³ Sources: Various

⁸⁴ Family Expenditure Survey, Northern Ireland Statistics and Research Agency 1999

There is a growing crossover between outlet types in the range of goods carried, so these figures should be viewed as simply the number of outlets whose primary business corresponds to the category type. The figures do not distinguish between large and small outlets.

Many large grocery outlets have delicatessen, bakery, butchery, off-licence and other departments. Their delicatessens increasingly compete against fast food outlets by offering pre-cooked meals and meal components.

Larger forecourts are increasingly providing not just essential groceries but drive-in items such as videos, fast food, cold beers, ATM machines, etc.

These outlet numbers represent about half the total in Ireland. The others are in smaller towns and villages.

Republic of Ireland and Northern Ireland Retailers in Towns of 1,000+ Population by Type of Outlet 1999⁸⁵

	Type of retailer	Republic of Ireland	Northern Ireland	Total
Food	Grocers	1876	707	2583
	Grocers/Off licence	729	N/A	729
	Grocers/public houses	65	N/A	65
	Delicatessens	130	25	155
	TSN	1716	592	2308
	Kiosks	62	5	67
	Butchers	1324	365	1689
	Bakers	370	376	746
	Confectioners	76	85	161
	Greengrocers	410	239	649
	Specialist Off Licences	183	306	489
	Pubs	4266	641	4907
	Pubs/Off Licences	131	110	241
	Fast Food Outlets	917	673	1590
	Restaurants	2558	926	3484
	Hotels	518	88	606
	Licensed Clubs	466	204	670
	Garages with Shop	912	370	1282
	All Other Food	128	42	170
	Non-Food	Footwear Stores	583	245
Hardware Stores		1597	401	1998
Drapery Stores		3246	1251	4497
Drug Stores		N/A	54	54
China/Glassware		295	N/A	295
Electrical Goods		1023	304	1327
Garages/Car Dealers		980	220	1200
Car Accessory Outlets		798	212	1010
Bicycle Shops		339	86	425
Stationers/Booksellers		744	227	971
Chemists		994	382	1376
Photographic Stores		321	63	384
Furniture Stores		1677	678	2355
Jewellers		606	179	785
Sports Goods Shops		305	180	485
Music Shops		244	101	345
Department Stores		146	69	215
Variety Stores		689	294	983
Video Shops		632	178	810
Florists		469	171	640
Disco/Dance Halls		104	17	121
Cinemas		66	20	86
Theatres		46	9	55
Amusement Halls		278	132	410
Hairdressers		3089	1024	4113
Wool/Fabric Shops		191	105	296
Toy Shops		102	44	146
Garden Centres		152	48	200
Office Equipment		206	68	274
All other Non-Food		1341	529	1870

⁸⁵ AC Nielsen Retail Trade Directory, October 1999 (From all towns with a population of more than 1,000)

Key Issues for Manufacturers in Ireland

There are a number of key issues for manufacturers operating in the Irish consumer market:

- 1. Demand continues to grow.** The Ireland market – North and South – is expanding rapidly due to a growing population, and more people at work. Per capita purchasing power is at an all time high and continues to rise. New home construction and household formation in the Republic are at a record level and are predicted to remain high for the next decade. Similarly housing trends in Northern Ireland will remain steady.

In order to identify and exploit this growth it is essential to study the market trends. Different age groups have different needs, and there are major shifts taking place in both the Republic and Northern Ireland. Manufacturers need to be aware of these trends as they have major implications for the types of products in demand, as well as for product attributes such as design, functionality, price and quality. For example, fewer young children means less demand for toys, but a larger teenage group can be targeted with sports gear.

Other examples of important market trends: The housing boom is driving markets such as furniture, DIY, hardware, housewares, soft furnishings and other products. This concentration of population has implications for consumer product manufacturers. By targeting outlets in Dublin, Belfast, Cork and the other 39 centres a product can effectively achieve national distribution.

- 2. There are fewer local buying points.** Through acquisitions and store openings by British, German and other retail groups, much of the retail sector in Ireland is now controlled from outside Ireland. This trend will increase as European retail chains amalgamate through mergers and acquisitions, or form buying alliances. Throughout Ireland, neighbourhood stores, specialty outlets and petrol forecourt shops are increasingly part of multinational groups, with central control and limited local buying discretion. Many pharmacies, for example, that appear to be owner managed are in fact part of Irish and overseas groups.

High speed shuttle ferries between Britain and Ireland, and an improved (though still deficient) road network, has made it feasible to service Irish retail outlets overnight directly from Britain, or, for high volume retailers such as grocery chains, to establish an Ireland-wide central distribution system.

- 3. The market is price competitive.** Irish manufacturers face strong price competition in the Irish market from low cost producers abroad. If Irish producers cannot match competitors' prices, then they need to look at ways of introducing new niche or added value products, which are less price sensitive.

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4. **World class manufacturing at low cost is demanded.** The only way for Irish manufacturers to sell directly to chains, with their sophisticated supplier approval procedures, is to become world class in terms of quality, skills and processes (and, at the same time, being price competitive). Such world class suppliers will have a close working relationship with buyers, and will be experienced enough to identify new opportunities themselves which meet the market requirements of their customers.

Irish suppliers are relatively small compared to the major international suppliers of retail chains and are often at a cost disadvantage when competing head-on. They can, however, identify niche market segments which are of less interest to the big manufacturers and where the Irish firms can build competitive advantage based on process and product innovation and product and packaging design.

5. **Niche markets offer potential.** Selling directly to major chains is not the only route to success. It is also possible to sell indirectly, as a sub-supplier, either by producing components for the larger manufacturers who already have a market, or by producing smaller volume products for those manufacturers whose processes are designed for high volume production.

The definition of niche retailer encompasses not only traditional shops but any enterprise in contact with the public. This would include cafes, health clubs, hairdressing and beauty salons, airport shops, etc. There has been a revival of formerly derelict streets and buildings in many towns. Affordable rents have allowed small specialist shops to be established off the main shopping streets. They sell everything from alternative therapies to crafts and provide an outlet for small producers.

Manufacturers should clearly define themselves either as world class high volume suppliers to major retail chains, or as smaller scale niche suppliers to smaller chains and the independent sector (with the possibility of growing into larger world class suppliers over time). High volume suppliers can focus on lowest delivered cost and sell to retailers who compete on low price such as Aldi and Dunnes, or they can focus on innovation and quality and sell to retailers such as Marks & Spencer and Superquinn. However, these quality focused retailers are no less price competitive in their buying.

Whichever choice is made will have major implications for the business, in investment, processes and systems, cost focus, design, etc. Manufacturers must invest continually in product research and development, quality systems, staff training, and must work closely and individually with each of their major trade customers to respond to, and where possible, anticipate their changing needs.

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- 6. Product innovation is of crucial importance.** Retailers need a constant stream of new products – a supermarket chain, for example, replaces up to 3,000 products every year. One approach might be to persuade major retail outlets to use Ireland as a test market for an innovative product that, if successful, could be introduced into other stores and markets. While a chain may have hundreds of stores, they are segmented according to location and consumer profiles, and according to the amount of floor and shelf space available. An Irish manufacturer might have a product that a chain was perfectly happy to list in only a certain type of store.

Manufacturers must engage in continuous new product research and development and have an ongoing stream of new product ideas to introduce to retail buyers. Not all ideas will make it onto the shelves and, of those that do, not all will be successful. An ideal strategy would be to have a portfolio of products, with less successful ones dropping off and new ones being introduced. R&D requires substantial investment in staff and facilities. It is possible to leverage limited resources by working closely with component, packaging and equipment suppliers who will share the findings of their own R&D if they see that it could lead to increased sales for them.

There is little point in a manufacturer developing a "me too" product unless it is to fill an identified gap in a retailer's range. New products should have "value" for the consumer (and for the retailer by way of higher margin). Value can be delivered in many ways such as:

- ease of use (e.g. single coat paint)
- convenience (e.g. single use disposable barbeque trays in place of charcoal, or wrapped firelogs in place of solid fuel)
- high quality (e.g. premium brands)
- low price (e.g. self-assembly furniture)
- aesthetic design (e.g. current fashion colours)
- uniqueness (e.g. hand crafted products)

Co-ordinated ranges afford an opportunity to supply a major chain with a niche product. For example, a number of Irish firms have built strong positions producing worktop savers which form part of a greater co-ordinated range including place mats, coasters, etc. and are sold by department stores and catalogue retailers such as Argos. Co-ordinated products can be as simple as plastic buckets.

- 7. eBusiness will become increasingly important.** The data in this Report does not take account of one of the most important and recent developments in selling – the role of eBusiness. Consumer on-line spending is already emerging as a mainstream shopping activity in the United States and this pattern is expected to

be replicated in Europe over the next five years. Business to consumer spending in the US was worth an estimated \$25 billion in 1999 and is forecast to reach \$233 billion in 2004⁸⁶. There are currently more than 377 million Internet users worldwide – 26% of them in Europe⁸⁷. Many consumers use the Internet to search for products and to obtain specific information on a specific manufacturer's product. They may not purchase on-line, but the information they have researched is used when purchasing in a retail store.

In the Republic, it is estimated that 30% of the population is on-line, equivalent to more than a million people⁸⁸. A survey shows that 62% of Irish Internet users bought on-line at least once over the previous twelve months, with 40% spending between IR£100-IR£500.

Penetration in Northern Ireland is lower. Best estimates put it at around 20% of population or over 300,000 people.

Mobile eBusiness (mBusiness) whereby consumers buy using their mobile phones will also grow for certain product categories. Current generation mobile phones use WAP technology for this which is limited in its capacity, but in a few years the next generation (3G) of handsets and in-car phones will offer full Internet functionality including full colour screens. Mobile phone operators and banks are already putting in place the necessary technology to allow mobile payments to take place.

All Irish manufacturers should have an Internet presence in order to have an on-line platform that can take advantage of current selling opportunities and future potential. As a minimum, a site should provide potential customers with the information they are seeking such as product photographs and details, where to buy, etc. Actually selling directly to the consumer may be the least important factor.

While consumer product manufacturers produce goods destined for end consumers, they are, for the most part, involved in business to business marketing with retailers rather than with end consumers directly. These large retail groups increasingly require an eBusiness capability from their suppliers, that is, the ability to place orders electronically, track production and deliveries, pay invoices electronically, etc. Significant developments are taking place on the Internet, such as retail gateways, affiliate marketing and web-based tendering, and Irish manufacturers must position themselves to participate in this dynamic environment or risk becoming excluded.

The Internet is a valuable information resource for manufacturers. For instance, Sainsburys have placed much useful information for suppliers and potential suppliers on the Internet. It can be found at www.j-sainsbury.co.uk/sid/index.htm

⁸⁶ Giga Information Group, June 2000

⁸⁷ Nua Internet Surveys, September 2000

⁸⁸ A C Neilsen October 2000

Information on how companies can establish themselves in eBusiness is available on the Enterprise Ireland dedicated eBusiness website, www.openup.ie and from LEDU at www.ledu-ni.gov.uk.

- 8. Manufacturers in Ireland must internationalise their business.** The data in this Report shows that, despite differences in demographics and growth, the Republic and Northern Ireland constitutes a single marketing entity for Irish manufacturers. Taking a larger perspective, a large part of the Irish market is controlled by British and other European retail groups with purchasing points outside Ireland. Irish manufacturers may be losing the advantage of a sympathetic retail approach to local sourcing. But this can be offset by the advantage that they have in the opportunity to supply the retailer's outlets in Britain and Europe. This means, in turn, that a manufacturer's product development strategy must be geared to meeting international, rather than local retailer and consumer demands.

Appendix 1: Major Retailers

Many US and other overseas chains are increasingly active in the UK and beginning to appear in Ireland. For example, Wal-Mart has acquired ASDA. PetSmart acquired the UK chain Pet City and now has outlets in NI. BlockbusterVideo owns Xtravision. German grocery retailers Aldi and Lidl are building deep discount stores around Ireland. The following is a list of major chains with those having an Irish (Republic or Northern Ireland or both) presence denoted by ♣.

- ♣ **Aldi** German discounter which has just opened 2 stores, 1 in Dublin and 1 in Ballincollig in County Cork, but plans to increase the number to 100 stores in the next 10 years.
www.aldi.de
- ♣ **Alders** UK Based department store chain.
www.allders.co.uk
- ♣ **Arcadia Group** (UK) One of the largest fashion retailers in the UK, with 1,500 outlets in High Streets and shopping centres throughout the country under five trading brands: Burton Menswear, Dorothy Perkins, Evans, Principles and TopShop/TopMan.
www.arcadiagroup.co.uk
- ♣ **Argos** (UK) Now part of GUS plc, Argos opened its first 17 stores in 1973. It now has over 400 stores and over 70 Superstores in the UK, and 11 stores in the Republic of Ireland.
www.argos.co.uk
- Asda** (UK) Major UK grocery retailer operating 223 stores throughout the UK. Acquired by the US giant Wal-Mart in summer 1999.
www.asda.co.uk
- ♣ **B&Q** (UK) Part of the Kingfisher Group, B&Q is Britain's leading home improvement retailer.
www.diy.co.uk
- Barnes & Noble** – US based online bookstore.
www.barnesandnoble.com
- ♣ **Blockbuster** (US) video rental chain which owns Xtravision in Ireland.
www.blockbuster.com
- ♣ **Boots the Chemists** (UK) UK based pharmaceuticals retailer.
www.boots.co.uk

Circuit City (US) US based Category Killer in home electricals market.

www.circuitcity.com

♣ **Co-op** (UK) The UK's major co-operative retail group.

www.co-op.co.uk

♣ **Debenhams** (UK) Claims to be Britain's favourite department store. The business currently operates from 89 department stores in the UK and one store in the Republic of Ireland. Debenhams specialises in the clothing, accessories, home and cosmetics markets.

www.debenhams.co.uk

♣ **Dixons** (UK) UK based electrical goods retailer

www.dixons.com

♣ **Dunnes Stores** Irish retailer specialising in value groceries and clothing. Has approximately 80 stores between the North and the South.

www.dunnesstores.com

♣ **Gap** – Very successful global clothing retailer.

www.gap.com

♣ **Habitat International** (UK) UK based International furniture and general merchandise retailer owned by Swedish giant IKEA.

www.habitat-international.com

♣ **HMV** (UK) UK based retailer of music and video.

www.hmv.co.uk

Home Depot (US) The world's largest home improvement retailer currently operating 742 stores.

www.homedepot.com

IKEA (Swe) Swedish furniture retailer with a presence in 28 countries around the world, 2,400 suppliers in 65 countries and 14 distribution centers. Major ten year expansion in Britain announced in June 2000 and said to be looking for a suitable site in Ireland.

www.ikea.com

JC Penney (US) US based retailer with department stores, drugstores, catalog, and direct marketing operations.

www.jcpenney.com

John Lewis Partnership (UK) 23 department stores span the UK from Southampton to Aberdeen.

www.johnlewis.co.uk

- ♣ **Kingfisher** (UK) One of Europe's most profitable volume retailers operating over 2200 stores under the fascias of Darty, Woolworths, Comet, B&Q, Superdrug and BUT.

www.kingfisher.co.uk

- ♣ **Lidl & Schwartz** (Ger) German discounter which opened its first seven stores simultaneously on 20 July 2000 in Letterkenny, Cavan, Mullingar, Athlone, Ballinasloe, Portlaoise and Limerick. Store size is about 1,000 square metres and carry a limited range of 800 items.

www.lidl.de

- ♣ **Marks and Spencer** (UK) Leading food and apparel retailer which is trying to regain the pre-eminent position it enjoyed for decades but lost during the second half of the 1990s. It is actively seeking sites for new stores in Ireland especially in south Dublin but finding it difficult.

www.marks-and-spencer.co.uk

Morrisons Fiercely independent North of England supermarket chain which in late 1999 agreed to cooperate with Dunnes Stores on new GB sites whereby Dunnes would co-locate a clothing and household store beside a Morrisons' supermarket.

- ♣ **Next** (UK) UK based apparel retailer.

www.next.co.uk

- ♣ **PetSmart** (US) The United States' largest pet superstore with significant presence in Canada and the U.K. operating over 1100 stores.

www.petsmart.com

Price Costco (US) Global wholesaler/operator of discount warehouse clubs.

www.priccostco.com

- ♣ **Sainsburys** (UK) Consists of the subsidiaries: Sainsbury's Supermarkets Ltd, Savacentre Ltd, Sainsbury's Bank plc, Homebase Ltd house and garden centres and Shaw's. It has supermarkets in NI and Homebase DIY outlets in both NI and ROI.

www.jsainsbury.com

Sams Club (US), a division of Wal-Mart Stores Inc, operates 445 locations across the US.
www.samsclub.com

Somerfield (UK) UK based retailer operating over 1,300 stores under the fascias Somerfield and Kwiksave.
www.somerfield.co.uk

Staples (US) US based office products retailer.
www.staples.com

♣ **Superquinn** (IRL) Operates seventeen grocery outlets and eight shopping centres and is expanding throughout Ireland. Superquinn has built a worldwide reputation for innovation and customer service.
www.superquinn.ie

Talbots (US) A leading specialty retailer and cataloger of women's classic apparel. Talbots operates more than 600 stores throughout the USA, Canada and the United Kingdom.
www.talbots.com

Tandy (US) One of the largest consumer electronics retailers in the U.S. with annual sales of \$5.372 billion and more than 7,000 retail outlets nationwide.
www.tandy.com

♣ **Tesco** (UK) Major UK supermarket chain which acquired Quinnsworth, Stewarts and Crazy Prices in Ireland. Has about one-fifth of the Irish grocery market.
www.tesco.net

♣ **The Body Shop** (US) Manufacturer and retailer of own brand cosmetics and toiletries. The Body Shop has over 1,300 stores in 45 countries around the world.
www.the-body-shop.com

♣ **Tower Records** (US) Operates 218 record, video and book stores, including 2 art galleries and 5 outlet stores. Tower Records has long been recognized and respected throughout the world for its unique brand of retailing.
www.towerrecords.com

♣ **Toys R Us** (US) The world's largest retailer of children's products currently operating 651 toy stores in the US, 366 international toy stores, 211 Kids "R" Us children's clothing stores and three Babies "R" Us stores.

www.toysrus.com

Waitrose (UK) Founded in 1904, is one of the UK's leading food retailers employing over 18,500 people. Owned by the John Lewis Partnership, over 115 branches are dedicated to offering quality, value and customer service.

www.waitrose.co.uk

Wal-Mart (US) The world's largest retailer which bought UK retailer ASDA in summer 1999.

www.wal-mart.com

- ♣ **WH Smith** (UK) Group includes WH Smith, the high street stores; WH Smith UK Travel stores in stations and airports; WH Smith USA, the US travel retail business.

www.whsmith.co.uk

Wickes (US) US based Home Improvement Retailer.

www.wickes.com

Appendix 2: Useful Contacts and Sources of Information

Development agencies

InterTradeIreland

Trade & Business Development Body
Tel: (028) 3083 4100
Republic of Ireland – use code (048)
www.intertradeireland.com

Enterprise Ireland

Tel: 00 353 1 8082000
www.enterprise-ireland.com

Industrial Development Board for Northern Ireland

Tel: (028) 9023 3233
Republic of Ireland – use code (048)
www.idbni.co.uk

LEDU

The Small Business Agency
for Northern Ireland
Tel: (028) 9049 1031
Republic of Ireland – use code (048)
www.ledu-ni.gov.uk

Statistics and economic data

ROI

Department of Enterprise, Trade & Employment

Tel: 00 353 1 6312121
www.irlgov.ie/entemp

CSO

Tel: 00 353 1 4977144
www.cso.ie

Office of Government Publications

Tel: 00 353 1 6613111

Central Bank of Ireland

Tel 00 353 1 6716666
www.centralbank.ie

ESRI

Tel: 00 353 1 6671525
www.esri.ie

Department of Finance

Tel: 00 353 1 6767571
www.irlgov.ie/finance

Department of the Environment

Tel: 00 353 1 8882000
www.environ.ie

NI

Northern Ireland Statistics and Research Agency

www.nisra.gov.uk

Department of Finance and Personnel for Northern Ireland

Tel: (028) 9052 0400
Republic of Ireland – use code (048)
www.dfjni.gov.uk

Northern Ireland Economic Research Centre

Tel: (028) 9026 1800
Republic of Ireland – use code (048)
www.qub.ac.uk/nierc

PriceWaterhouseCoopers (NI)

Tel: (028) 9024 5454
Republic of Ireland – use code (048)
www.pricewaterhousecoopers.co.uk

Directory

Directory of Information Sources

Published by

InterTradelreland

Trade & Business Development Body

Tel: (028) 3083 4100

Republic of Ireland – use code (048)

Business listings

Yellow Pages (NI)

www.eyp.co.uk

Golden Pages (ROI)

www.goldenpages.ie

Market research publishers

Mintel

Tel: 00 44 171 606 4533

www.mintel.co.uk

Euromonitor

Tel: 00 44 171 251 1105

www.euromonitor.com

AC Nielsen

Tel: 00 353 1 6765112

www.acnielsen.com/ie

Datamonitor

Tel: 00 44 171 316 0001

www.datamonitor.com

Retail buyer requirements and procedures

Mardek Guide to the UK's Top Retailers

William Reed Directories

Tel: 00 44 1293 613 400

www.foodanddrink.co.uk

Contact Details for InterTradeIreland, Enterprise Ireland, The Industrial Development Board for Northern Ireland and LEDU



InterTradeIreland

The Old Gasworks Business Park
Kilmorey Street, Newry
Co. Down BT34 2DE

Tel: 028 3083 4100
From Republic of Ireland use code (048)
Fax: 028 3083 4155
Email: info@tbdb.org

Web: www.intertradeireland.com



Enterprise Ireland

Wilton Park House
Wilton Place
Dublin 2

Tel: +(353 1) 857 0000/808 2000
Fax: +(353 1) 808 2802

Web: www.enterprise-ireland.com



The Industrial Development Board for Northern Ireland

IDB House
64 Chichester Street
Belfast BT1 4JX

Tel: 028 9023 3233
Fax: 028 9054 5000
Republic of Ireland use code (048)

Web: www.idbni.co.uk



Trade
International
Northern
Ireland



LEDU Headquarters

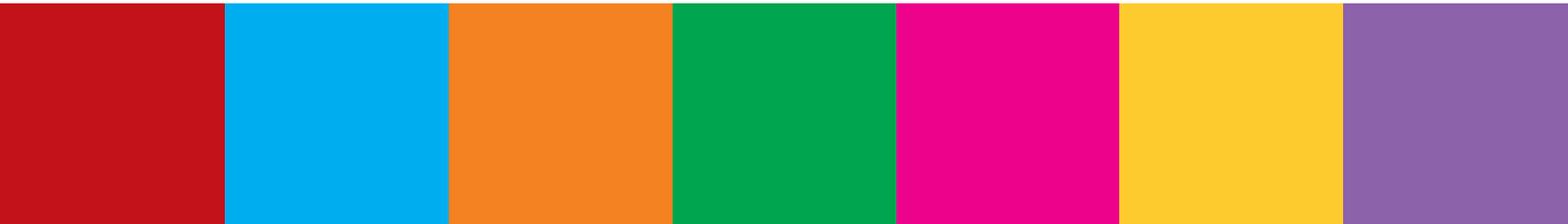
LEDU House, Upper Galwally,
Belfast, BT8 6TB

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