



AIB launch the first in a series of outlook reports for the SME sector

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Half of retailers surveyed expect business to improve within the next three years but discounting will remain a key focus in order to attract customers

New research has revealed the significant changes in consumer behaviour as consumers adjust to the new economic reality.

Close to three out of four retailers are now seeing customers buying more items on special offer. Retailers also said that they are seeing an increase in customers visiting their store more often in an attempt to manage their spending more carefully through the week by spreading out their spending and visits. Close to two thirds of retailers said that they are responding to customer demand by discounting more items. However despite some of the most difficult trading conditions in decades retailers remain optimistic.

These findings are according to research carried out by Amárach Research on behalf of AIB. The research forms part of a series of outlook reports for the SME sector being launched today by AIB. The first report, in association with retailers' representative organisation, RGDATA focuses on the retail convenience sector. This report, was launched by AIB Director of Personal, Business and Corporate Banking Bernard Byrne and Director General of RGDATA, Tara Buckley. The report highlights the importance of the independent retail sector to local economies around the country, pointing out that the sector is often the largest employer in many local communities.

The planned series of outlook reports will help to inform AIB of the issues facing businesses around Ireland and the bank will use these findings to work with customers in the future.

Many retailers are testing new ways of keeping and growing their customer bases, according to the report, which also found that engaging customers through social media and loyalty schemes are being considered more frequently by a majority of retailers. Many retailers pointed out however that reducing staff levels and product ranges risks undermining the shopper experience to the point where they don't come back, no matter how low the prices.

Retailers indicated that they are keen to switch from survival mode to thriving mode and they say in the report that they "can't just keep on doing the same things". Retailers said they are experimenting with new ways of engaging with customers and suppliers by combining the best of the 'new' (e.g. social media) and the 'old' (helpful customer service).

More than half of retailers surveyed said they are planning to expand their operations in the next three years while more than one in five said that they expect their business to eventually be taken over by a family member. Despite the challenging economic environment retailers remain optimistic with almost half of retailers surveyed around the country expect their business to recover with the next one to three years. The survey also found that less than 5% of retailers surveyed expect a

recovery in the Irish economy in the next year while 65% said it would take at least five years for a recovery.

More than half (57%) of retailers said they saw their turnover decrease between 2011 and 2012 while 16% reported an increase. The reduction in profit margin was the main concern facing most retailers (23%) followed by wage costs (22%) and competition from larger outlets like the larger supermarket chains (17%).

Head of Business Banking at AIB, Ken Burke said: "There are clear messages in this report for retailers, the Government and the wider banking industry in Ireland. Like retailers AIB is also rebuilding its business and for its part, the bank is committed to helping address some of the key findings, strengthening its relationships with retail customers and working with customers to ensure that the Irish economy returns to growth again."

Director General of RGDATA, Tara Buckley said: "This report highlights the traumatic trading experience that many family owned shops have suffered since the economic downturn began. Independent retailers are a resilient group of entrepreneurs and continue to make every effort to maintain and grow their businesses, keeping people in employment and serving their communities. There is a stark message in the report that there is no fat left to cut from any retail operation and it is vital that the Government and key stakeholders, including the banking sector take note."

Note for editors:

The research was carried out by Amarach on behalf of AIB in February 2013. A total of 167 retailers around the country participated in the survey.

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