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A sense of proportion in cross-border shopping: what the most recent statistics show

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Since late 2008 the issue of cross-border shopping has been a favourite topic of media interest and speculation. Stories emerged around Christmas 2008 about ASDA in Enniskillen being the sixth top performing store in the global Wal-Mart chain worldwide.[1] Around the same time Irish Minister of Finance, Brian Lenihan, made the comment that 'people should do their patriotic duty' and shop locally rather than across the border.[2] The response from the retail industry lobby groups, North and South, has fed the story. One claim was that every 150 cross-border trips costs one retail job in Ireland. Contestable, headline grabbing statements such as 'British shops' war on Irish', and 'Shoppers going North are not traitors' fuelled misguided perceptions.[3] Unfortunately, much of what has been written is based on an imprecise extrapolation from small sample-based surveys and anecdotal evidence from shop owners. In the absence of robust statistics, a sense of perspective on cross-border shopping was in danger of being lost.

In February 2009 the Office of the Revenue Commissioners and the Central Statistics Office (CSO) in the Republic published a report entitled *The Implications of Cross Border Shopping for the Irish Exchequer.* The report highlighted the 'significant difficulties associated with quantifying the extent of cross-border shopping and estimating the implications for the Irish exchequer' and recommended that the best way to measure the loss in Irish tax revenue would be a survey of cross-border shoppers.

As a result, a module on cross-border shopping was included on the Quarterly National Household Survey (QNHS) in



the second quarter (April to June) of 2009.[4] One member of each household in the Republic answered questions on behalf of the household about travel to Northern Ireland in the previous 12 months and specifically about shopping in Northern Ireland. The questions on shopping in Northern Ireland focussed on how much households spent, the frequency of shopping trips and whether this had changed in the previous year. The survey also asked about intentions for shopping in Northern Ireland in the following year. As a result, we are now in a position to take a more informed view of cross-border shopping from Ireland into Northern Ireland.

Key Findings

How many and how often?

According to the Quarterly National Household Survey, 16% of the Republic of Ireland's households made at least one shopping trip to Northern Ireland in the 12 months before the second quarter of 2009. Looking only at the 16% of households who shopped in Northern Ireland, the average number of trips was 6.7 (equivalent to just over one for every household in the Republic of Ireland).

The highest proportion of households who shopped in Northern Ireland was, as might be expected, recorded in the Border region (41%). There was then a gap to the next nearest regions: the Mid-East (22%), Dublin (21%), the Midlands (18%) and the West (14%).

Unsurprisingly, below a line from Wicklow to Galway the costs of travelling or lack of market knowledge became an inhibitor, with a significant drop to fewer than 5% going to shop in the North. In individual regions this figure was even lower: 4% in the South East; 3% in the Mid-West and 2% in the South-West. It is noteworthy that results from the Household Travel Survey identify the same pattern, with most tourism traffic into Northern Ireland from counties north of the Wicklow-Galway axis.

In terms of whether or not there has been a sudden upsurge in cross-border shopping activity from the Republic to Northern Ireland, the QNHS tells us that in 2008-2009 only one in ten households did more cross-border shopping than in previous years.
In terms of intentions for the year 2009-2010, 78% of respondents did not intend to cross the border to shop, while 14% would occasionally go for 'once-off' purchases and 7% more regularly. Regular cross-border shoppers tended, again not surprisingly, to be from the Border region, with almost one quarter (23%) of households from the Border region intending to shop regularly in Northern Ireland.

There is a similar regional variation in the frequency of trips. Of those households who shopped in Northern Ireland, those in the Border region travelled more than once a month (14.4 trips in the 12 months). None of the other regions recorded frequencies of higher than five trips, with travellers from the far south crossing the border only twice to shop.

How much?

The Quarterly National Household Survey estimates that the total Irish



A Dublin woman loads her car outside a Newry shopping centre.

household expenditure on shopping in Northern Ireland in the year up to April 2009 was €435 million. Estimated expenditure on shopping was based on all trips to Northern Ireland, including €331 million in trips specifically for shopping and €104 million on trips where shopping was not the main purpose but shopping expenditure was incurred. The highest total expenditure on shopping was recorded in the Border region (€181 million) and in the Dublin region (€119 million). The lowest total expenditure on shopping was in the Mid-West (€8 million), South-West (€13 million) and South-East regions (€11 million). Most people (51%) spent between €100 and €299 per trip, with only 4% spending more than €1,000 on their most recent trip.

Again the regional variations hold strongly, with people who travelled furthest (and least number of times) tending to spend more. Those households from the far south spent more than three times on their most recent trip than their counterparts in the Border region (€492 compared to €150, or a ratio of 3.1). This is also reflected in the expenditure bands, with 88% of those from the Border region spending less than €299 and none above €1,000.

For what?

The Quarterly National Household Survey goes on to provide some details on what Irish households bought in Northern Ireland. On their most recent trip, 79% of households bought groceries, 44% bought alcohol, 42% bought clothing and durables, 26% cosmetics and 19% 'other'.

However, the idea that cheaper alcohol is the key reason for cross-border shopping is not supported by the figures



for what people spent on different categories. Those questioned said that on their most recent trip, groceries accounted for 40% of expenditure, clothing and durables for 27%, 'other' for 18%, alcohol for 11% and cosmetics for 4%.

Again, there are regional and household variations in what people bought on their most recent cross-border shopping trips. The exception to this rule is the alcohol category, with all regions around the 11% average. Significant variations include households in the Border region spending almost two thirds on groceries, while those from Dublin and the far south spent significantly above the average on clothing and durables.

Table 1 uses the overall figure of €435 million in expenditure in the year up to April 2009 to give figures for each of the categories.

In terms of seasonality, or the important 'Christmas effect' on retail, this overall expenditure estimate is based on the 12 month period from the second quarter of 2008 on and thus includes the 2008 Christmas period.

Some conclusions

The first point about the Quarterly National Household Survey is it shows that cross-border shopping has increased but remains a minority pursuit. Of all households in the South, 84% did not shop in the North in the 12 months before the second quarter of 2009. Of those that did, one in three either did the same amount of shopping or less than in previous years. In the 12 months after the second quarter of 2009 only 7% of households said they intended to cross the border regularly to shop.

Secondly, geography matters, with the attraction of cross-border shopping lessening with distance from the border. Curiosity may take some shoppers from Munster to Northern Ireland, but this appears to be outweighed by the

Table 1: Total cross-border shopping expenditures by category

Type of goods purchased	% of average expenditure on most recent shopping trip	Total amount of expenditure in previous 12 months (€m)
Groceries*	39.8	173.1
Clothing & Durables**	26.8	116.6
Other	18.5	80.5
Alcohol	11.2	48.7
Cosmetics	3.7	16.1

Source: Calculations based on QNHS (December 2009)
*Notes: *Includes tobacco **Includes TVs, furniture etc*



transport costs and time involved.[5] Indeed, the slightly higher proportions of cross-border shoppers in eastern counties may reflect the better road and public transport infrastructure serving that corridor into Northern Ireland. Also, given the amounts spent and on what by shoppers from the far south, it is hard to escape the conclusion that people travelled longer distances for 'once-off' purchases rather than for savings on food and drink. This 'mental distance' is also reflected in tourism patterns, where people from Munster rarely travel to the border counties, let alone to Northern Ireland. There is, of course, the more rational cost-benefit issue: to compensate for the time and cost of travelling to the North from Munster, the expenditure must be high. This is comparable to the unusually high level of shopping expenditure evident from tourists travelling to New York in recent years.

Thirdly, the Southern Border counties are critical to cross-border shopping, though even in this region a majority (59%) are 'domestic in-shoppers'. More than one in ten shoppers from this region travel across the border more than once a month, making a cross-border trip a normal part of shopping patterns. However this may have been the case long before the current trend. In the Southern Border region there is almost an equal split among cross-border shoppers between those who have shopped more across the border in the previous 12 months and those who have done the same or less. In every other region, the split is more like two to one between those who have shopped more and those who have done the same or less. This supports the idea that the Border counties have a more established pattern of shopping and to some degree act as a functional shopping unit.[6]

Fourthly, despite the anecdotal evidence and claims of interest groups, alcohol is not the primary expenditure category for Southern shoppers. Although almost half of households bought some alcohol on their most recent shopping trip, it is only the fourth (out of five) largest spending categories with only 11% of expenditure.

Interestingly, the close alignment of cross-border shopping patterns with the private consumption basket used to compile the Republic's Consumer Price Index (CPI) suggests that the bulk of cross-border shopping is straightforward substitute shopping, with people buying cheaper cross-border items in the same proportion as they normally buy them at home. Comparing the Quarterly National Household Survey spending patterns with the CPI basket is necessarily crude, as the CPI provides detailed expenditure breakdowns whereas QNHS respondents are asked to classify their expenditure into five broad categories[7]. Nevertheless, when the CPI basket is adjusted and rescaled to exclude services, motor fuels and consumption of alcohol on licensed premises, the similarity between the two baskets is striking (*see Table 2 on next page*).

This comparison, crude as it is, suggests a number of things. Firstly, it dispels the myth that purchases of alcohol are the primary motivation for cross-border shopping. It also suggests



Table 2: Comparison between Consumer Price Index and QNHS cross-border shopping baskets

Basket Categories	Cross-Border Shopping %	CPI excl Services etc. %
Groceries	39.8	47.8
Clothing & Durables	26.8	29.1
Other	18.5	8.6
Alcohol	11.2	10.3
Cosmetics	3.7	4.2
	100.0	100.0

that, notwithstanding occasional and often considerable once-off purchases, the basket for a typical cross-border shopping excursion is broadly similar to the average basket purchased by households in Republic of Ireland, i.e. the bulk of cross-border shopping is normal day-to-day shopping.

Again caution should be stressed. This comparison is crude and some uncertainty exists as to what the 'other' category in the QNHS includes. It could include misclassified fuel or durables. There may also be some unexplained variations around the classification of 'meals out'. Finally the Quarterly National Household Survey may also include non-consumer durables that will have no comparator in the CPI basket.

Finally, at the macroeconomic level, the Quarterly National Household Survey estimates the total figure for household expenditure in the 12 months up to the second quarter of 2009 at €435 million. This figure sits close to the range of estimates provided by CSO and the Revenue Commissioners in February 2009 (as detailed in Table 3), albeit at the lower end.

Table 3: Estimates and forecast of the value of cross-border shopping

Year	Estimated value of cross-border shopping
2007*	€210-340 million
2008*	€350-550 million
2008/09**	**€435 million**
2009* (forecast)	€450-700 million

Notes:
** Figures from 'The Implications of Cross-Border Shopping for the Irish Exchequer' (February 2009)*
***** Figure from QNHS (December 2009)***



The €435 million figure from the QNHS is likely to provide a more accurate estimate of total household expenditure than the earlier estimate of €450-700 million in the CSO/Revenue Commissioners' report. This larger forecast was based on what Irish shoppers spent in ASDA and Sainsburys (branches of which exist in Northern Ireland only) and on data provided by only some of the supermarket chains that operate in both jurisdictions or in Republic of Ireland only.[8]

Summary

A sense of proportion

The Quarterly National Household Survey results offer the opportunity to bring a sense of proportion into the debate on cross-border shopping that has been missing to date. While the 2009 QNHS (April-June) shows that one in ten households shopped more frequently in Northern Ireland than the previous year, it is also clear that, outside of the Southern Border region, there are only very modest levels of cross-border shopping. For all other regions in Ireland, the average numbers of shopping trips per household was less than or equal to one per year. Indeed, there is almost no cross-border shopping taking place in households in the Mid-West, South-West and South-East regions. Only 7% of households in the Republic said they intended to shop regularly in the North during the 12 months following the second quarter of 2009.

The QNHS estímate of €435 million spent by Southern households in Northern Ireland in the 12 months up to April 2009 would result in an estimated loss to the Irish exchequer of approximately €45 million in VAT receipts and €25 million in excise duty. This amounts to less than 0.5% of total Irish Government VAT and excise revenue and less than 3% of total VAT receipts accrued from retail expenditure.

It's not new…

Moreover this is not a new phenomenon. Back in 1988 an ESRI report estimated that cross-border shopping amounted to 2% of 'national' retail expenditure.[9] Using the Quarterly National Household Survey figures and Republic of Ireland's total household retail consumption for 2009 (€30.7bn excluding alcohol)[10], it appears that cross border shopping accounts for less than 1.4% of total retail expenditure.

Flows in the other direction…

The fact that cross-border shopping is not new should be a reminder that a jurisdictional border is always associated with movements of goods, services and people (both legal and illegal), and that the balance often fluctuates depending on economic issues such as tax, cost of living and currency movements, and on social and political developments which can have impacts on different sectors of the economy. Spending by tourists undoubtedly benefits the South more than the North, at least in absolute terms. The purchasing of cars has been sensitive to both price and tax differences and currently favours Northern sellers and Southern buyers. Then there is the issue of fuel, which



can be traded across the border both legally and illegally. The tax differences here have benefited Southern retailers for most of the past decade, with an estimate in 2005 (by the Northern Ireland Affairs Committee at Westminster) that up to £20 million per year in UK excise duty was being lost to fuel purchases in the South, a figure that is not far removed from the excise currently being lost to the Irish Exchequer from cross-border shopping.

Longer-term benefits

The level of and interest in cross-border shopping indicates a new level of transparency that will ultimately benefit the sector. Increased availability of information and the removal of barriers (which the improved cross-border road infrastructure has contributed to) stimulate market competition which ultimately leads to cost and price reductions. We have already seen some supermarket giants taking steps to reduce prices on the southern side of the border.

The inclusion by the Central Statistics Office of a module on cross-border shopping in the Quarterly National Household Survey has brought a sense of perspective to the sometimes emotive subject of cross-border shopping. This will allow for a more informed and reasoned debate on the issue, which can only help cross-border cooperation and policy development to further mutual benefit.

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1. 'Tills ring out in Enniskillen as cross-border trade soars', *Belfast News-Letter,* 16 December 2008.

2. This was widely reported at the time and resulted in some sharp responses: see 'Apology sought from Lenihan over "unpatriotic" shopping in Newry', *Irish Times*, 9 December 2008. The charge was laid again last year by the Tánaiste, Mary Coughlan: see 'Minister urges people to shop locally', *Irish Times*, 16 November 2009.

3. See 'One job lost for every 150 trips across the Border', *Irish Independent*, 30 November 2009; 'British shops' war on Irish', *Irish Mail,* 12 November 2009; and 'Shoppers going North are not traitors', *Irish Independent*,



26 November 2009. These headlines capture something of the tone of media coverage. However there has been more nuanced analysis from the economist Jim O'Leary, 'Going North to shop may prevent economy going south', *Irish Times*, 12 December 2008, and in a recent discussion on Irish Economy blog: see http://www.irisheconomy.ie/index.php/2009/12/11/cso-on-cross-border-shopping/#comments

4. For full results see http://www.cso.ie/releasespublications/documents/labour_market/current/qnhs_xborder.pdf

5. One interesting point is that 15% of shoppers from the South-West used the plane to travel to Northern Ireland (i.e from Cork to Belfast). The 'time involved' point comes from a survey of 500 cross-border shoppers carried out in June 2009 which found that 87% of these shoppers would only travel for up to one hour to 'save a quarter on their grocery bill'. See Mintel, *The Impact of Cross-border Shopping* (Irish Series, August 2009).

6. A topic for further research is the degree to which a cross-border shopping hinterland on the island of Ireland may be different from other European regions. The 'Reviving the Border Region Economy in a new era of peace and devolved government' research project, being carried out for the Centre for Cross Border Studies by a team led by Professors John Bradley and Michael Best, has a shopping module that will compare the Irish border with the German/Polish one. This will build on previous research: John Fitzgerald, Brendan Whelan and James Williams, *An analysis of cross-border shopping*, ESRI General Research Papers 137 (1988), and Tanja Dmitrovic and Irena Vida, 'An examination of cross-border shopping behaviour in South-East Europe', *European Journal of Marketing*, 41/3 (2007), 382-395.

7. Alcohol, cosmetics, groceries (including tobacco), clothing and durables, and other.

8. The estimated losses of these latter two, apparently to cross-border shopping, were complicated by lost business to the overall economic downturn. Therefore, comparisons were made in relative performance between stores in border regions against those further south.

9. This figure is taken from Fitzgerald, Whelan and Williams, *An analysis of cross-border shopping*.

10. Calculation based on the authors' estimate – using 2007 figures for retail consumption and the Retail Sales Index since that year.

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