

IO1/A1 Country report: Portugal

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Glossary

EU	European Union
PEACOC	Personalised e-Business Coaching for Construction SMEs
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1 Importance of the construction sector in the country economy.

1.1 - What is the weight (in percentage) of SMEs in the construction sector in the country?

SMEs play an important role in Portugal's 'non-financial business economy', for which they account for 68.3% of added value and 77.4% of employment. In the period between 2014 and 2018, employment and added value in SMEs increased by 15.2% and 27.0%, respectively. However, growth slowed between 2017 and 2018, with SME employment rising only 3.4% and SME added value by 4.6%, although this was in line with the overall trends [1].

Of the 1295299 companies existing in Portugal in 2018, 85 311 (6.6%) had their economic activity in the construction sector. In the same year, the construction sector employed around 328 053 people, which corresponds to approximately 8% of the total number of workers serving Portuguese companies that year [2].

In 2018, each company in the construction sector invoiced an average of 248 649.3 euros, which represents a total turnover in the sector of 21 212.5 million euros, representing about 5% of the total turnover of Portuguese companies in the same year [2].

Of the 85311 companies in the construction sector in Portugal, 99.9% were SMEs [2].

Concerning digitalisation skills, Portugal currently ranks 24th in the EU for both internet user skills and advanced digital skills. The number of businesses that provide ICT training to their employees has been falling since 2014 and remains well below the EU average. Furthermore, Portugal is also well below average (26th in the EU in 2018) regarding the percentage of employees in SMEs that have access to computers with internet [1].

2 State of the digital economy in Portugal.

The international data corporation (IDC), in partnership with the Digital Economy Association in Portugal (ACEPI), have analysed the evolution of the digital economy in Portugal [3], namely in the following areas: Digital transformation; Internet use by consumers; Presence of Companies on the Internet; E-commerce. The main conclusions of the study are presented below.

2.1 Use of internet by consumers

The use of Internet by consumers in Portugal has been growing over the last few years and, in 2019, exceeded 3/4 of the Portuguese population aged between 16 and 74 years. Lisbon is the region where the penetration rate is highest, reaching 86%.

The mobile phone is the equipment most frequently used to access the internet. However, the personal computer remains as one of the main internet accessing equipment and it is

the favourite when it comes to shopping online. The use of SmartTVs to access the internet has also increased in the last two years.

Internet shopping has been growing significantly, and this trend will increase with the impact of the current pandemic. 73% of respondents made on average more than one purchase per month, in 2020.

In fact, Portuguese people buy a lot, but they buy outside of Portugal. This happens because the product on offer may not be available in Portugal, and that it is generally cheaper to buy abroad. The vast majority of the Portuguese buy on foreign websites, with China being the most sought-after country of origin. However, the impact of the pandemic, together with the existence of more Portuguese online stores, is causing a reduction in purchases on foreign websites.

When compared to the EU average, there is a significant difference in the percentage of Portuguese people who buy on the internet, although this has had a remarkable growth in recent years. In 2019, Portugal had these values at 39%, whereas the Post COVID-19 forecasts predicted an increase to 46% in 2020, accelerating the convergence with the European Union in 2025, where it is estimated that 69% of Portuguese shopping will be done online.

2.2 Presence of Companies on the Internet

The study performed by IDC and ACEPI [3] included companies from different sectors. 10% of the companies that participated in the study are from the construction sector.

The study [3] concluded that, around 60% of the surveyed companies have a presence on the internet and in the case of larger companies (> 250 employees), the percentage reaches 100%. When it comes to e-commerce, around 27% of the surveyed companies use this channel to market their products or services in Portugal. The percentage of large companies that sell their products online is approximately 52%.

Companies' investment in online marketing continues to grow, with social media, email and advertising on search engines (Google, Sapo, etc.) being the most used and most appreciated channels.

Of the companies with a presence on the internet, 82% claim to have their own domain and 76% claim to have one or more websites developed. In 2019, the growth of companies with a page on social networks was significant compared with the previous year, representing 76%. Half of the companies are present in Marketplaces, proving to be an interesting approach for small companies, which have less resources to invest in large e-commerce operations.

According to the same study the choice of the ".pt" domain is mainly intended to identify the Portuguese company and the origin of its products or services.

The IDC estimates that the value of e-commerce Business-to-Consumer (B2C) in Portugal exceeded 6 thousand million euros in 2019, currently representing 2.9% of GDP. For 2020, IDC estimates that the effect of the COVID-19 pandemic will jump to 7.4 thousand million

euros. Regarding e-commerce Business-to-Business (B2B), IDC estimates that the value in Portugal reached 90 thousand million euros in 2019. For 2020, IDC estimates that the effect of the COVID-19 pandemic will cause a jump to a little over 103 thousand million euros.

When asked about the prospects for the evolution of electronic commerce, about half of the companies foresee growth. Companies that use e-commerce as a way to export their products and services online, indicated Spain and France as their main markets regarding the volume of e-commerce, with a weight close to 40%, followed by the United Kingdom and PALOPS (Portuguese-speaking African countries).

The vast majority of companies with e-commerce do not yet integrate the physical store with the online store, but about 25% of the companies already have this integration. About 70% of the surveyed companies already use electronic invoices and their use will increase, since many companies intend to implement it in the short term.

Companies linked to electronic commerce normally choose to contract the service of distribution of their products to transportation companies, aiming for the satisfaction and loyalty of their customers. Most transportation companies have in their portfolio exclusive solutions for e-commerce, which guarantee faster delivery, diversified delivery solutions (e.g., home deliveries or pick-up point deliveries), greater cargo flexibility (e.g., small volumes vs. large volumes) and real-time information.

In electronic commerce, logistical management is seen as a differentiating element, a means to obtain a competitive advantage. The logistics management is strongly dependent on the existence of a good integration with the different information systems that support the various processes that mediate the sale of the product up until its delivery to the final consumer. There must be effective integration, and these systems must be fully aligned with the consumer experience that e-commerce companies want to provide to their customers. This capacity should be a factor of choice for the logistics operator.

Another challenge is the mobility policy within urban centres. The number of deliveries has been increasing and large urban centres are defining mobility policies that contribute to the environment. One of the ideas that is currently above the table are the hubs shared by several carriers on the periphery of large urban centres, so that distribution within the city can be done on foot, on bicycles and using electric transport.

3 An overview of the construction sector e-commerce market

3.1 Statistics about internet usage and online sales;

Digital transformation is gaining importance in the construction sector in Portugal. According to a recent study from a digital platform specialized in construction [5], more than half of the Portuguese population (67%) uses internet to get inspiration for the interventions they want to carry out at home, as well as to search and hire professionals to carry them out (55%).

Although the digital transformation has not completely passed by the civil construction sector, there is still a lot to be done in terms of agility, efficiency and digitalization of processes. The proof of this, is that this sector is one of the least digitized in the world, according to data from the McKinsey Global Institute.

3.2 E-commerce Regulation in each partner country (Data Protection policies, Consumer Rights...)

In terms of the legal framework that regulates electronic commerce, there has been a continuous effort of convergence between Community regulation and national regulation. Table 1 highlights the main legal instruments that make up the legal framework for electronic commerce in the EU and Portugal.

In Portugal, the National Communications Authority (ANACOM) is the central supervisory entity for electronic commerce and information society services, assuming an important role in the field of electronic commerce regulation, performing, among other tasks, functions at the level of regulation, supervision, litigation and information.

Some of the legal documents currently in force in Portugal, related to electronic commerce are:

- Decree-Law no. 7/2004, of 7 January, which transposes Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market ("Directive on electronic commerce"). Amended by Decree-Law no. 62/2009, of 10 March and by Law no. 46/2012, of 29 August.
- Law no. 24/2014, of 14 February, which came into force on June 13 with the changes made by Law no. 47/2014 of July 28. Transposes Directive 2011/83/EU of the European Parliament and of the Council, of 25 October, on consumer rights, in contracts concluded at a distance and outside the commercial establishment, with applications to electronic commerce.
- Law no. 58/2019, of 8 August, which ensures the national implementation of the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data. (Ensures the execution of the General Data Protection Regulation (GDPR) in Portugal).
- Decree-Law no. 91/2018, of 12 December, which approves the new Legal Regime for Payment Services and Electronic Currency, transposing the Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market.

3.3 How do most companies use e-commerce and for what kind of services?

Most of the SMES in the construction sector do not use e-commerce. Few companies have an online store, and these are mainly in the area of construction materials trade.

Many companies in the construction sector in Portugal choose to join digital platforms [4] instead of having their own website.

3.4 what services do they sell online? (products, services for construction/rehabilitation such as local work, design, consulting and diagnostic services...)

The following table shows the type of products, contents and services that the Portuguese most bought online in 2020 [3]. It is possible to see that the e-commerce of products and services in the construction sector in Portugal is practically non-existent. The majority of products sold online in Portugal is clothing and accessories (59%), followed by mobile equipment (47%) and computer and electronic equipment (40%). Meals delivered at home was the type of product with the highest growth in terms of e-commerce, due to the change of behaviour of the Portuguese population caused by COVID-19. For the same reason, online training also increased significantly in the last year, representing 21% of the electronic content acquired. Regarding the services category, hosting services continues to lead e-commerce in Portugal (44%).

Therefore, it can be concluded that there is a high growth potential for e-commerce in the construction sector, and there must be a focus on training and other measures to support companies in this field.

Table 1: Type of products, contents and services that the Portuguese most bought online in 2020 [3].

Physical Distribution Products	
Clothing and accessories	59%
Mobile equipment and accessories	47%
Informatic and electronic equipment	40%
Meals delivered at home	39%
Books	37%
Perfumery and cosmetics	31%
Home and other decorative items	27%
Household appliances	24%
Sports and outdoor activities equipment	24%
Food products or drinks	24%
Food and other products for animals	17%
Toys and other products for babies	17%
Medicines	10%

Films CD's Software	6%
Newspapers Magazines	4%
Services	
Accommodation	44%
Telecommunication services	36%
Transport tickets	33%
Public services	32%
Financial services	25%
Taxi or Uber services	24%
Health services	22%
Concert and other show tickets	22%
Parking payment	20%
Education services	10%
Electronic contents for download or subscription	
Movies and series	28%
Online games	21%
Online training	21%
Mobile apps	17%
Digital music	14%
Software	12%
Newspapers Magazines Others	9%
Digital Books	9%

3.5 - How dynamic and interactive are the websites from most companies? (Try to give a perspective of the best and the worst that you can find at the moment)

The websites of most companies in the construction sector are informative and usually do not interact with the user. Some companies do not have website and are represented in social media, such as Facebook, LinkedIn, etc.

Greater technological innovation also results in different challenges in the relationship between employees and customers, which is why the technologies of social media and mobility are the most implemented technologies in companies, followed by Cybersecurity, which reflects the concern of organizations with the safety of their employee and customer data.

Many websites are not optimised for smartphones or prepared to accept payments via a mobile device.

3.6 - What kind of software and technology is mostly used?

There are two large families of E-commerce solutions in Portugal: those whose website hosting we can manage (e.g. Prestashop, WooCommerce) and those in which the hosting is included in the offer (e.g. Shopify). There are also companies that choose to develop their own e-commerce platform. All these e-commerce platforms allow for the creation, editing, management and publishing of content (Content Management System (CMS)). These platforms normally allow the integration of existing online payment solutions from different companies. PayPal is one of the leaders in online payment solutions in Portugal. Easypay, is a Portuguese company for online payment with more than 4 600 customers in Portugal. Other online payment companies such as 2Checkout, Klil&Pay, Paybox, Payplug, LemonWay, Stripe, PayLine, PayZen and Digital Payments Gateway (DPG) from SIBS are also working in Portugal. These online payment companies integrate different Fraud Detection Solutions such as 3D Secure; PCI-DSS Compliant; etc).

In Portugal, the Finance service requires companies to use certified billing software (e.g. InvoiceExpress).

3.7 - What is the weight of the international sales?

There are no statistics regarding this data for SMEs of the construction sector.

4 E-commerce main barriers for the SMEs of the construction sector

4.1 - What are the reservations or concerns that prevent entrepreneurs from adopting new behaviours and using new tools regarding e-commerce?

The national business structure is mainly composed of SMEs and, according data from 2020, just about 40% has an online presence [2]. In other words, there is still a small investment by SMEs in online platforms. Although digital transformation is in the interest of most organizations, many struggle in carrying out these types of initiatives.

The main barriers to the adoption of e-business in construction SMEs are the small size of the company, the complexity of the technology as well as the price of the technology.

The investment of e-commerce in Portugal does not guarantee a short term return, rendering it inviable to most SMEs.

The digital and technological illiteracy of entrepreneurs, managers and employees are also a barrier to the growth of e-commerce in the SMEs. According to the study performed by ACEPI [3], 26% of the respondents identified the lack of knowledge as one of the main barriers to digital transformation in their companies. 28% of the companies reported not having the necessary people, which is partly due to the lack of qualified human resources in this area.

4.2 - How complex is it to start an e-Business?

An E-Commerce platform is much more complex and requires an entirely different business model than a “read only” site. It has to interact with people, internal and external to the organisation, as a content management system. A good Request for Proposal (RFP) is crucial for the development of an e-Commerce platform. This should take into account several factors such as:

- Business background (description of the type of business and its operation);
- Short-term and long-term billing goals;
- Budget available to invest;
- Project launch date;
- Team to be made available for project management;
- Integration needs with platforms (management platforms (ERP), warehouse management (WMS), Business Intelligence (BI) and customer management (CRM));
- Number of products to be made available;
- Management of product catalogues, prices and stocks - manual or automated;
- Order management - manual or automated;
- Carrier management - manual or automated;
- Languages and currencies;
- Price lists;
- Payment methods (choose intermediary payment partners);
- Customer service management;
- Content management;
- Integration with Marketplaces;
- Marketing and Promotion Tools;
- Analytics, Tracking and Reporting;
- Platform content and navigation.

4.3 - Is there enough information and training available on this topic?

The training courses in e-commerce currently available in Portugal are not specific to professionals of the construction sector. Taking into account the variety of types of products and services offered by companies in the construction sector, the development of specific courses for e-commerce managers from this sector is of great importance.

4.4 - Is the security of online transactions still a concern?

A study, carried out by Ipsos Apeme [5], showed that security remains a matter of concern with regard to online payments, with 46% of the sample expressing insecurity when using a bank card in this type of transaction.

In Europe, Portuguese people are the most withdrawn in online shopping due to concerns about payment security. Portuguese were the ones who bought less due to this reason (Figure 1). According to the Eurostat study [6] in which EU citizens were questioned about trusting the Internet to shop online, one reason why people did not buy or order goods or services over the Internet was payment security or privacy concerns, such as fraudulent

use of payment card details. Concerns about payment security were the second most common barrier reported in 2019. Payment security or privacy concerns prevented 6% of individuals aged 16 to 74 from buying or ordering over the internet in 2019, one percentage point less than in 2017 (7%) and five percentage points less than in 2009 (11%).

Among EU Member States, the percentage of people who considered payment security a concern varied a lot in 2019 - ranging from 1% of individuals in Estonia to 23% in Portugal.

A greater harmonization and knowledge are thus essential for increasing Portuguese confidence in e-commerce.



Figure 1: Share of people who did not shop online because of payment security concerns (% of all individuals aged 16-74, 2019 data) – Source: ec.europa.eu/Eurostat [6].

- What are potential disadvantages of e-commerce in the construction sector when compared to other sectors and how might they be surpassed?

The services provided by a great part of SMEs of the construction sector in Portugal (for example, window manufacturers) require the budget preparation that involves collecting information about the building, namely measurements made by the company on site. This need makes e-commerce unattractive for these companies, who consider face-to-face communication with the client to be essential. The fact that buildings are not standardised and each architectural design is unique contributes to the difficulty of the implementation of e-commerce in some sectors of construction industry.

5 National initiatives and incentives for digitization and more specifically for e-commerce

The digital transformation of the Portuguese companies is one of the pillars of the Digital Transition Action Plan [7] that reflects a defined strategy for a digital transition in Portugal.

This will provide measures and actions that support investment, stimulating the digitalisation of companies by raising awareness and training, in particular SMEs, and the development of competing initiatives to consolidate the business's scientific and technological knowledge. This pillar focuses mainly on Portuguese companies, particularly SMEs.

Regarding this pillar the following initiatives and actions were identified.

One of the initiatives coordinated by IAPMEI (Portuguese Agency for Competitiveness and Innovation) is the **Digital Innovation Hubs for Entrepreneurship**: This measure intends to stimulate a national network of Digital Innovation Hubs to be developed in connection with the recognised competitiveness clusters and technological interface centres, which will be interconnected with the European network of hubs to be promoted by the European Commission in the European framework programs for 2021-2027. Digital Innovation Hubs function as a one-stop-shop that helps SMEs to adopt digital technologies promoting innovation and digital transition of their business processes, in view of their competitiveness. With the support of hubs, SMEs will be able to test new digital technologies, access advanced digital skills and obtain specialised training, advice and access to the necessary financing for their digital transition. This initiative will also promote collaboration with other SMEs, large companies and entities from the research and innovation system.

6 Training courses currently available in the country to support e-commerce in the construction sector

Different training courses in e-commerce are currently available in Portugal, however, they are not specific for professionals of the construction sector. **Some examples of face-to-face and online training courses are:**

e-Commerce (the course aims to provide trainees with the necessary knowledge to implement a strategic e-commerce plan and be able to master the most relevant concepts to enhance the sale of a product and / or service, through the internet) - *training entity: WEBSTUDY*

E-commerce - Sales through Interactive or Digital Media (The course aims to provide trainees with technical knowledge that allows them to use the different digital media for planning, developing and monitoring Marketing strategies and campaigns. The specific objectives of the course are: to acquire the main notions of Digital Marketing; to identify the different digital platforms; to know how to plan, implement and monitor Marketing strategies; to know how to promote brands using digital media; to manage online communities on major social networks; Know the role of digital influencers; to apply

the rules of building e-mail Marketing to elaborate Digital Marketing Plans) - *training entity: TRAININGHOUSE;*

Online Sales Laws (training course about mandatory legal information in online stores; remote contracts (online sales); discounts (balances, promotions and sales); rules for working with influencers; out-of-court settlement of consumer disputes (ADR); online complaints book; issuing invoices; VAT in Portugal and the European Union; transport documents; geographic blocking in online stores; processing of personal data and GDPR; general conditions of Sale) - *training entity: Tudo sobre E-Commerce;*

Legislation for Ecommerce (analysis of the main legal instruments that regulate the activity of online stores and covered topics such as: general identification and information; general sales conditions and terms of use; shipping and payments; returns and refunds; prices and discounts / price reductions (balances, promotions and sales); digital communication; billing. The course also provides models of general conditions of sale and terms of use and the most up-to-date versions of the legislation) - *training entity: Tudo sobre E-Commerce;*

Email Marketing for Ecommerce (the course addresses topics such as: the importance of email marketing for the success of an online business; creation of a database for online store; how to segment a database to improve the performance of email marketing campaigns; types of email sent in ecommerce; analysis of the performance of email marketing campaigns knowing the main performance indicators; what is and how to take advantage of Email Marketing automation) - *training entity: Tudo sobre E-Commerce;*

Facebook Ads for Ecommerce (the course addresses topics such as: the importance of running ads on Facebook; ad account requirements; the importance of using Facebook Business Manager; how to structure campaigns; the different stages of the purchase process; what types of ads and content you should do for the different stages of the purchase process; how to create audiences and what kind of existing audiences; budget distribution for different types of campaigns; image and copy rules; measurement and monitoring processes (metrics and automatic rules) - *training entity: Tudo sobre E-Commerce.*

Some examples of workshops and knowledge programs:

E-Commerce Experience - The E-Commerce Experience is a global program of acceleration and e-commerce solutions. The program was developed for retail and online stores and include with Workshops, Dynamics, Mentoring and Technical Visits. [https://ecommerceexperience.co/;](https://ecommerceexperience.co/)

Tudo sobre E-Commerce Conference - The conference Tudo sobre E-Commerce (Everything on eCommerce) aims to present the best Portuguese and international success stories, in a day of learning, networking and knowledge sharing about ecommerce and digital marketing. The Conference presents professionals from the online business world with proven track record in the market, including examples from various types of

businesses and from various industries and sectors, to talk about a wide range of ecommerce-related topics;

CTT e-Commerce Day - event created by the Correios de Portugal to discuss e-Commerce in Portugal.

7 Aspects to be improved – importance of training

E-Commerce has not been growing too much with relation to the European average. Although the broadband infrastructures in Portugal are quite modern, which allows easy access to the internet, it is imperative to reduce the knowledge gap in Portugal in relation to European performance. The national e-commerce market needs more know-how to gain more experience and to have a fixed strategy from the companies.

Although, the available information is not specific for the construction sector, it gives us a picture of the current state of e-commerce in SMEs in Portugal.

According to the study performed by ACEPI [3], 26% of the respondents identified the lack of knowledge as one of the main barriers to digital transformation in their companies. 28% of the companies reported not having the necessary people, which is partly due to the lack of qualified human resources in this area.

The training courses in e-commerce currently existing in Portugal are not specific for professionals of the construction sector. Taking into account the variety of types of products and services offered by companies in the construction sector, the development of specific courses for e-commerce managers from this sector is of great importance.

Companies deal with a large amount of information on a daily basis, much of which is sensitive or confidential, so ensuring data storage, access and security is crucial. In this context, companies must guarantee the training of their employees so that they adopt preventive behaviours that they must follow to guarantee the company's cybersecurity.

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