The State of Competition in Ireland

Barriers to Entry Report

December 2025

Coimisiún um Iomaíocht agus Cosaint Tomhaltóirí

Competition and Consumer Protection Commission

Executive Summary

This report provides a detailed examination of the barriers to entry facing Irish businesses and their implications for competition, market dynamism and economic growth. Drawing on survey[1] responses from over 500 commercial decision-makers across sectors and regions, the analysis reveals nuanced and evolving perceptions of the competitive landscape in Ireland.

Survey findings:

- **Competition perceptions:** Nearly half of Irish businesses perceive competition in their sector as high, but this varies by sector and business size. *Retail and Wholesale* report the highest competitive intensity, while *Hotels & Restaurants* report the lowest. Larger businesses are more likely to perceive high competition as a barrier, suggesting that scale influences both exposure to and awareness of competitive pressures.
- **Barriers to entry:** At a basic level, the top four most significant barriers identified are (i) achieving profitability, (ii) raising sufficient capital, (iii) cost disadvantages compared to established businesses, and (iv) complying with industry-specific regulations. Perceptions of these challenges are not uniform; they differ by sector, region, business size and age. For example, businesses in Connacht and Ulster see accessing capital as a greater challenge, while regulatory compliance is considered a more significant barrier by older businesses.
- **Sectoral and size differences:** *Wholesale & Retail*, *Manufacturing*, and *Hotels & Restaurants* report the most severe barriers, particularly around funding, costs and profitability. Larger businesses report greater challenges with legal fees and processes, while smaller[2] businesses struggle more with finance and regulatory compliance.

Advanced analysis findings:

Basic survey results, as set out above, only show individual challenges in isolation and can miss how barriers are connected. That's why we use advanced analysis to reveal the deeper patterns and relationships between these issues.

[1] Fieldwork conducted by Ipsos MRBI in 2025. Analysis conducted by the CCPC.
[2] With 5 or less employees

- **Factor and cluster analysis**: Principal Component Factor (PCF) analysis reveals that barriers to entry in Ireland can be characterised as four main factors: (i) *incumbency advantages, (ii) legal framework (i.e. administrative, legal and regulatory burdens), (iii) financial capacity*, and *(iv) supply chain access*. The combined effects of these factors shape the competitive environment for new businesses.

  Businesses in Ireland can be grouped into four clusters based on their relative strengths and weaknesses across these factors:

  1. <u>Weak across all factors:</u> Typically new entrants or small businesses that are disadvantaged in finance, supply chain access, incumbency, and legal framework. This cluster group has a higher association with *Hospitality & Retail*.

  2. <u>Strong in legal framework and incumbency, weak in financial capacity and supply chain access:</u> More established businesses with regulatory strength but limited financial and expansion capacity. This group has a higher association with *Manufacturing*.

  3. <u>Strong across all four factors:</u> Large incumbents or dominant players, financially robust and well connected. This group has a higher association with both A*dministrative, Financial & Support services* and *Professional, Scientific and Technical Services.*

  4. <u>Strong in finance, neutral across other factors:</u> Businesses with financial strength to grow but lack strategic, managerial or innovative edge to enhance competitiveness. This group has a higher association with P*rofessional, Scientific and Technical services*.

Recommended priority areas for government:

The priority areas outlined below are strategically anchored in the four decisive factors representing barriers to entry for Irish businesses. Addressing these challenges is essential for unlocking Ireland's full economic potential and ensuring a fair, dynamic marketplace. This targeted approach ensures that responses are both evidence-based and impactful, directly supporting the competitiveness and resilience of Irish enterprises in a rapidly evolving market environment. The identification of key clusters and sectors further enables tailored solutions, maximizing the effectiveness of measures and fostering sustainable economic progress.

Barriers to Entry in Ireland
Incumbency Advantages, barriers include: • *price agreements and other anti-competitive strategies by established businesses* • *wide range of products/services offered by established businesses* • *spare or excess capacity allowing established businesses to lower prices* • *extensive advertising and promotional campaigns by established businesses* • *difficulty determining the optimal scale of production* More likely to affect businesses in the *Hotel & Restaurant, Wholesale & Retail* and *Manufacturing* sectors. Targets cluster group 1.
Legal Framework, barriers include: • *legal fees and processes associated with running a business* • *difficulty accessing specific technologies (e.g. those protected by patent)* • *complying with industry-specific regulations* More likely to affect businesses in the *Hotel & Restaurant, Wholesale & Retail* and *Professional, Scientific & Technical* sectors. Targets cluster groups 1 and 4.
Financial Capacity, barriers include: • *achieving profitability* • *cost disadvantages compared to established businesses* • *raising sufficient capital/funding (including access to loans and credit)* More likely to affect businesses in the *Hotel & Restaurant, Wholesale & Retail* and *Manufacturing* sectors. Targets cluster groups 1 and 2.
Supply Chain Access, barriers include:

- *established businesses controlling access to raw materials and intermediate products*
- *accessing distribution and sales channels*

More likely to affect businesses in the *Hotel & Restaurant, Wholesale & Retail*, *Manufacturing* and *Professional, Scientific & Technical* sectors. Targets cluster groups 1, 2 and 4.

Addressing barriers to entry is essential for sustaining Ireland's economic competitiveness. By understanding the varied experiences of businesses and targeting interventions accordingly, policymakers can create a more level playing field, stimulate innovation and ensure that markets remain open and dynamic for all participants.

1. Business perceptions of competition in Ireland

Barriers to entry are not just obstacles for individual businesses—they are central to Ireland's overall economic competitiveness. These barriers, which can vary in nature, directly influence the ease with which new businesses can enter an industry. When barriers are high, incumbent businesses are shielded from competition, allowing them to sustain market power and set higher prices.

Nearly half of Irish businesses (48%) perceive the intensity of competition in their sector as "high", with only 22% rating it as "low". The perception of high competition is not uniform across all sectors: it is most prevalent in the *Wholesale & Retail* sector, where a majority (53%) report high competition, compared to just 35% in *Hotels & Restaurants*. Business size also plays a role – businesses with 6+ employees are significantly more likely to perceive high competition (59%) than self-employed businesses (33%). This suggests that scale may provide greater exposure to competitive pressures, or that larger businesses are more attuned to shifts in the competitive landscape.

When asked about changes over time, 34% of businesses report that competition has increased over the past five years, while 38% say it has stayed the same and 24% report a decrease. Again, sectoral differences are evident: *Wholesale & Retail* businesses are most likely to report an increase (39%), while *Hotels & Restaurants* are most likely to report a decrease (43%). Looking ahead, expectations are mixed: 24% of businesses anticipate further increases in competition over the next five years, while 27% expect a decrease and 42% expect it to remain stable. These findings highlight a dynamic and evolving competitive environment, with significant variation across sector and business size.

In terms of the most important factor in influencing consumer choice, businesses report that customer service (38%) and quality (21%) are more important than price (7%). This suggests that, in many sectors, non-price factors such as reputation, reliability and product/service differentiation are considered key battlegrounds for businesses. Market leaders are twice as likely (22%) as competitors and niche players (11% and 12%) to cite brand reputation/word of mouth as the most important factor for attracting customers.

2. Barriers to entry

2.1 Survey analysis

Table 1: Top four most and least challenging barriers to entry	
Most important barriers to entry	
Achieving profitability	2.33
Raising sufficient capital/funding	2.53
Cost disadvantages compared to established businesses	2.59
Complying with industry-specific regulations	2.61
Least important barriers to entry	
High switching costs for consumers	3.35
Established businesses controlling access to raw materials and intermediate products	3.38
Issues resolving business-to-business transaction disputes	3.50
Difficulty accessing specific technologies e.g. those protected by patent	3.57
Mean of all barriers to entry	**2.98**

Note: Businesses were asked to rank challenges they had faced on entering the market or within the first three years of operating in the market. A scale where 1 was a major challenge and 5 was not a challenge at all was applied.

As can be seen in Table 1, achieving profitability is perceived as the most significant challenge for new entrants in Ireland's business landscape. It is important to consider these results in the context of how businesses self-identified when responding to the survey (i.e. niche vs competitor vs market leader; age; location) as these aspects could influence responses. Businesses who identify as niche players (36%) are more likely to report achieving profitability as a major barrier than those who consider themselves market leaders (28%) and established competitors (26%).

The challenge of raising sufficient capital or funding was also identified as a key barrier. Businesses in existence for more than 10 years (26%) were more likely to report accessing finance as a major barrier than newer businesses (18%) which could point to improvements in this area in recent years or lack of experience on the part of newer businesses in comparison to older businesses in attempting to access finance through various mechanisms. Additionally, older businesses are more likely to report cost disadvantages as a major barrier when competing against established businesses.

Regulatory compliance was identified as the fourth most substantial barrier for Irish businesses. Those operating for more than 10 years are significantly more likely to view regulatory requirements as a major barrier to entry (29%) compared to newer businesses (18%).

Regional disparities further compound these challenges: businesses located in Connacht and Ulster are more than twice as likely to identify raising significant capital as a major obstacle compared to their counterparts in Dublin. This suggests that access to finance could be a function of geographic location, with rural and regional businesses potentially facing steeper challenges in this regard. Businesses in Connacht and Ulster are also twice as likely to report that regulatory requirements are not a challenge compared to those in Munster (16% vs 8%), suggesting that local regulatory environments and support structures may influence how businesses perceive and manage compliance.

The sector in which a business operates, in addition to the size of the business, can also influence perceptions around barriers to entry. This is examined in detail in Tables 2 and 3 below, where the lower the mean score the more challenging an entry barrier is perceived to be.

Table 2: Perceptions of barriers to entry by sector (mean score)

	Administrative, financial & support	Other	Hotels & restaurants	Manufacturing	Professional scientific & technical	Wholesale & retail
Raising sufficient capital/funding	2.75	2.14	2.23	2.18	2.99	2.52
Cost disadvantages compared to established businesses	2.70	2.17	2.50	2.27	3.37	2.38
Achieving profitability	2.27	2.26	2.37	2.21	2.56	2.26
Accessing distribution and sales channels	3.05	2.84	3.10	2.43	3.26	2.92
Established businesses controlling access to raw materials and intermediate products	3.39	3.64	3.48	3.03	3.93	3.19
Difficulty accessing specific technologies e.g. those protected by patent	3.55	3.49	3.63	3.68	3.81	3.42
High innovation costs/investment	2.89	2.81	2.30	2.85	2.91	2.80

Complying with industry-specific regulations	2.70	2.59	2.53	2.54	2.46	2.69
High switching costs for consumers	3.28	3.74	2.87	3.37	3.80	3.25
Extensive advertising and promotional campaigns by established businesses	3.20	3.33	3.05	3.21	3.08	2.85
Wide range of products/services offered by established businesses	3.26	2.97	3.08	3.23	3.24	2.76
Price agreements and other anti-competitive strategies by established businesses	3.17	2.91	3.28	2.80	3.46	2.83
Spare or excess capacity allowing established businesses to lower prices	3.07	2.78	2.68	3.22	3.28	2.75
Difficulty determining the optimal scale of production	3.04	2.93	2.94	2.59	3.20	3.05
Issues resolving business-to-business transaction disputes	3.35	3.49	3.55	3.27	3.48	3.57
Legal fees and processes associated with running a business in this market	2.92	3.07	2.74	3.29	3.39	2.87
Total mean by sector	**3.04**	**2.95**	**2.89**	**2.89**	**3.26**	**2.88**

Note: Heat map should be interpreted horizontally

Table 3: Perceptions of barriers to entry by business size (mean score)

	1 (self-employed)	2 to 5	6 to 10	11 to 50	51 to 100	101+
Raising sufficient capital/funding	2.66	2.58	2.42	2.39	2.36	2.70
Cost disadvantages compared to established businesses	2.80	2.64	2.50	2.26	4.72	2.41
Achieving profitability	2.26	2.43	2.37	2.07	2.45	2.46
Accessing distribution and sales channels	2.84	2.92	3.13	3.19	4.57	2.67
Established businesses controlling access to raw materials and intermediate products	3.28	3.29	3.66	3.46	5.00	3.17

Difficulty accessing specific technologies e.g. those protected by patent	3.40	3.49	3.77	3.67	5.00	3.55
High innovation costs/investment	2.98	2.74	2.76	2.61	2.57	2.62
Complying with industry-specific regulations	2.59	2.60	2.79	2.44	2.00	2.74
High switching costs for consumers	3.39	3.18	3.56	3.36	4.14	3.36
Extensive advertising and promotional campaigns by established businesses	3.22	2.85	2.96	3.23	3.19	3.16
Wide range of products/services offered by established businesses	3.38	2.91	2.97	2.91	2.45	3.79
Price agreements and other anti-competitive strategies by established businesses	3.29	2.96	3.08	2.99	4.00	3.15
Spare or excess capacity allowing established businesses to lower prices	3.00	2.89	3.02	2.83	2.86	2.96
Difficulty determining the optimal scale of production	3.16	2.94	2.75	3.12	5.00	3.73
Issues resolving business-to-business transaction disputes	3.39	3.53	3.50	3.52	4.00	3.02
Legal fees and processes associated with running a business in this market	3.04	2.89	3.13	3.10	2.71	2.64
Total mean by business size	**3.04**	**2.93**	**3.02**	**2.95**	**3.56**	**3.01**

Note: Heat map should be interpreted horizontally

Tables 2 and 3 above demonstrate how barriers to entry are perceived across different sectors and business sizes. Table 2 outlines that sectors such as *Wholesale & Retail*; *Manufacturing*; and *Hotels & Restaurants* report the lowest mean scores and therefore experience barriers to entry most severely. This is particularly so when it comes to barriers including raising capital, cost disadvantages and achieving profitability. We see some differences in the way entry barriers are perceived by different sectors. For instance, high innovation costs are identified as a particularly challenging barrier for *hotels & restaurants* to overcome, whereas for *manufacturing* businesses, accessing distribution & sales channels is an acute barrier.

Table 3 highlights the common perceptions among businesses of different sizes on the difficulties in raising capital and achieving profitability. Similarly, businesses of all sizes find complying with industry-specific regulations to be particularly challenging, especially for businesses of between 51 to 100 employees. Most notably, legal fees and processes are perceived as a more significant barrier to entry by larger businesses when compared with those of fewer employees.

2.2 Principal component factor analysis

A common problem with basic survey analysis when applied to a complex topic like barriers to entry is that it looks at each issue – like profitability, funding or costs – as if they are completely separate. In reality, these challenges are often closely linked. For example, a business struggling to make a profit may also have trouble raising money and face higher costs, all of which are part of the same financial capacity barrier.

When surveys treat these connected problems as unrelated, it can make the results confusing and less useful. It may also exaggerate the importance of some issues or hide which barriers are truly the most significant.

To make the findings clearer and more helpful, we used a method called Principal Component Factor (PCF) analysis. This technique helps group related survey responses together, showing which underlying challenges are most important. By doing this, we can better understand the main barriers businesses face.

Table 4: Factors describing the underlying dimensions of barriers to entry

Barriers to entry	**Factor 1** ***Incumbency Advantages***	**Factor 2** ***Legal Framework***	**Factor 3** ***Financial Capacity***	**Factor 4** **Supply Chain Access**
Raising sufficient capital/funding[3]	0.06	0.20	***0.70***	0.25
Cost disadvantages compared to established businesses	0.22	0.06	***0.77***	0.03
Achieving profitability	0.18	0.00	***0.78***	0.02
Accessing distribution and sales channels	0.18	-0.05	0.33	***0.71***
Established businesses controlling access to raw materials and intermediate products	0.25	0.21	0.05	***0.74***
Difficulty accessing specific technologies e.g. those protected by patent	0.10	***0.65***	-0.03	0.46
High innovation costs/investment	0.20	0.56	0.52	0.10
Complying with industry-specific regulations	-0.05	***0.64***	0.32	0.01
High switching costs for consumers	0.31	0.52	-0.09	0.48
Extensive advertising and promotional campaigns by established businesses	**0.61**	0.11	-0.01	0.20

[3] This included loans/credit

Wide range of products/services offered by established businesses	**0.66**	-0.09	0.21	0.17
Price agreements and other anti-competitive strategies by established businesses	***0.73***	0.25	0.16	0.05
Spare or excess capacity allowing established businesses to lower prices	***0.66***	0.16	0.26	0.04
Difficulty determining the optimal scale of production	***0.60***	0.22	0.18	0.23
Issues resolving business-to-business transaction disputes	0.48	0.55	-0.13	0.16
Legal fees and processes associated with running a business in this market	0.27	***0.73***	0.09	-0.02
% of variance explained	17.1	15.6	14.8	10.8
Cronbach's alpha	0.7397	0.7375	0.6857	0.4875

Notes: Extraction method: Principal component factor analysis. Number of retained factors: 4 factors. Rotation method: Varimax with Kaiser normalisation. Values in bold indicate the barriers included in each factor (≥0.60)

As set out in Table 4 above, barriers to entry in Ireland are best understood across four factors – *incumbency advantages, legal framework, financial capacity*, and *supply chain access challenges*. Any barrier with a score of greater than or equal to 0.60 is considered to be a significant influence and is used, along with the other barriers highlighted, to identify that factor's theme/title. These factors, identified through robust PCF analysis, together account for 58% of the variance in the data—demonstrating their central role in shaping the competitive environment. The reliability of these factors is supported by strong Cronbach alpha scores[4] for both incumbency advantages and legal framework, confirming that the grouped barriers genuinely reflect distinct and meaningful challenges for businesses. While the financial capacity factor narrowly misses the conventional reliability threshold (i.e. Cronbach Alpha ≥0.70), it remains a critical dimension, capturing the persistent difficulties businesses face in securing capital, overcoming cost disadvantages, and achieving profitability. The supply chain access factor, though less statistically robust due to a smaller set of items, highlights unique barriers—such as access to distribution channels and control over raw materials—that are not fully captured elsewhere. Its inclusion ensures that the analysis does not overlook obstacles that, while less common, can be decisive for new entrants.

[4] A Cronbach's alpha score is a measure of a test's internal consistency, indicating how closely related a set of items are.

The first factor, which largely relates to advantages held by incumbents, primarily comprises the following entry barriers: *extensive advertising and promotional campaigns by established businesses; wide range of products/services offered by established businesses*; *price agreements and other anti-competitive strategies by established businesses; spare or excess capacity allowing established businesses to lower prices;* and *difficulty determining the optimal scale of production.* This factor is referred to as *incumbency advantages*.

The second factor, referred to as legal framework, is characterised by: *difficulty accessing specific technologies (e.g. those protected by patent); complying with industry-specific regulations;* and *legal fees and processes associated with running a business in this market.* These challenges fall under administrative, legal and regulatory compliance issues (i.e. the legal framework in which a business must operate).

Our third factor, termed financial capacity, includes: *raising sufficient capital/funding; cost disadvantages compared to established businesses;* and *achieving profitability.*

The final factor, referred to as supply chain access, encompasses two barriers: *accessing distribution and sales channels* and *established businesses controlling access to raw materials and intermediate products*.

2.3 Cluster analysis

Cluster analysis allows us to find hidden groupings in our data. Each cluster group contains businesses who provided similar responses about their perceptions of barriers to entry. By identifying clusters in this way, we can better understand patterns in how businesses differ in their ability to overcome potential barriers to entry. Assessing businesses based on the factors set out in Table 4 above reveals which combinations of factors create the most significant obstacles for new entrants.

The analysis in Table 5 below segments 502 businesses into four distinct clusters based on standardised scores for each of the factors uncovered in the PCF analysis in the previous table. The cluster means represent the average standardised score for each factor within each cluster group:

- Positive mean score: A cluster group has a stronger advantage on a factor than businesses outside of that cluster group.

- Negative mean score: A cluster group has a weaker advantage on a factor than businesses outside of that cluster group.

The greater the magnitude of a score, the further from the mean that a cluster is positioned.

Table 5: Cluster Group Analysis				
Clusters	Incumbency Advantages	Legal Framework	Financial Capacity	Supply Chain Access
Group 1 Means	-0.922	-0.889	-0.676	-0.583
Number of businesses	155	155	155	155
Group 2 Means	0.375	0.453	-0.553	-0.396
Number of businesses	118	118	118	118
Group 3 Means	0.924	0.975	0.544	1.344
Number of businesses	94	94	94	94
Group 4 Means	0.087	-0.053	0.881	0.080
Number of businesses	135	135	135	135

Our results identify the following cluster profiles:

Group 1: All factors score negatively, suggesting a group of businesses with low advantages across *incumbency, legal framework, financial capacity* and *supply chain access* factors.

Group 2: Positive mean scores for *incumbency* and *legal framework* factors, with negative mean scores on *financial capacity* and *supply chain access*. This split points to businesses with relative legal framework strength and some ability to overcome the advantages held by incumbents, but which are constrained when it comes to their financial capacity and face barriers to expanding supply chain access.

Group 3: All factors score positively, particularly on *supply chain access*, meaning these businesses are: i) financially strong; ii) well positioned in markets (e.g. strong supply chain access); iii) incumbent (i.e. established, with brand or scale advantages) and, iv) adept at legal framework aspects (i.e. administrative, legal, regulatory). Where businesses enjoy advantages across all four factors there is a risk that these businesses entrench their dominance allowing them to reduce opportunities for new entrants, stifle innovation, and/or exercise their market power (e.g. set prices above competitive levels, restrict supply). Concerns therefore shift from supporting business growth to preserving fair competition, innovation and market dynamism.

Group 4: Positive mean score for the *financial capacity* factor, but near zero for all other factors. Although these businesses hold financial strength when compared to their peers, weaker scores on the supply chain access and incumbency factors indicate that these businesses are not deeply entrenched. Nonetheless, these businesses may have the financial means to enhance their brand awareness and develop improved regulatory capabilities.

Further detailed analysis (see Appendix) confirms that the sector in which a business operates is a significant differentiator among cluster groups, where:

- Cluster 1 has a higher association with *Hotels & Restaurants* and *Wholesale & Retail* , highlighting the challenges these sectors face across all key factors.
- Cluster 2 has a higher association with manufacturing businesses, highlighting the financial and supply chain access constraints that characterise this sector.
- Cluster 3 has a higher association with both administrative, financial & support services and professional, scientific and technical services, highlighting their broad strengths across all factors.
- Cluster 4 has a higher association with professional, scientific and technical services, highlighting businesses in this sector that differ from those identified in Cluster 3 with strong financial capacity but more neutral positioning in other factors.

It is important to note that these results do not mean that the barriers highlighted in each cluster are not important for other sectors also, just that the sectors above tend to feature more prominently.

Appendix

Barriers to entry: Additional cluster analysis

The expected frequency in the chi-square table is calculated under the assumption that two variables are independent – i.e. *If cluster and sector were unrelated, how many businesses would we expect in this cell.* The chi-square (χ^2) test assesses whether the distribution of businesses across clusters is significantly associated with sector, age, size and regional scope.

For any cell the expected count is: Row total x Column total / Grand Total

If **Observed > Expected**, a variable is disproportionately common in that cluster.

If **Observed < Expected**, a variable is less common than we would predict.

Table 1: Expected frequency: Clusters by sector (effect size)

(k=4)	Administrative, financial & support	Other	Hotels & restaurants	Manufacturing	Professional scientific & technical	Wholesale & Retail	Totals	
1	19	15	29	11	16	65	155	frequency
	18.5	*14.5*	*23.8*	*8.6*	*28.7*	*60.8*	*155*	*expected frequency*
2	16	15	14	11	17	45	118	frequency
	14.1	*11*	*18.1*	*6.6*	*21.9*	*46.3*	*118*	*expected frequency*
3	16	6	15	2	22	33	94	frequency
	11.2	*8.8*	*14.4*	*5.2*	*17.4*	*36.9*	*94*	*expected frequency*
4	9	11	19	4	38	54	135	frequency
	16.1	*12.6*	*20.7*	*7.5*	*25*	*53*	*135*	*expected frequency*
Pearson chi2(15) = 32.9051 Pr = 0.005								
Cramer's V = .1478153								

Significant association (p=0.005, Cramér’s V≈0.15) - sector meaningfully differentiates clusters.

Cluster 1: Tilted towards hospitality, retail and manufacturing

Over representation of hotels & restaurants, wholesale & retail and manufacturing

Under representation of professional, scientific & technical services

Cluster 2: Tilted toward manufacturing

Over representation of manufacturing and other

Under representation of hotels & restaurants and professional, scientific & technical services

Cluster 3: Mix of administrative and professional businesses

Over representation of administrative, financial & support services and professional, scientific & technical services

Under representation of manufacturing

Cluster 4: Professional services slanted

Over representation of professional, scientific & technical services

Under representation of administrative, financial & support services