MARKET POTENTIAL IN THE PHILIPPINES

Atty. Paul A. Santos
Chairman, Philippine Retailers Association
OVERVIEW:

✦ Consumer Behavior and Trends in Philippines
✦ Profile of Filipino Consumers
✦ Consumer Landscape in the Philippines
Ph Retail Trade Growth has been Robust

5.9%  
2018 Growth

GROSS VALUE ADDED  
In Billion Euro

Source: PSA
HOUSEHOLD SPENDING IN 2018

• Accounts 68.5% of total expenditure
• €109.42 billion in 2018
• 5.6% year-on-year increase in 2018
### Consumer Confidence

<table>
<thead>
<tr>
<th></th>
<th>Consumer Confidence</th>
<th>Business Confidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3</td>
<td>4.6%</td>
<td>37.3%</td>
</tr>
<tr>
<td>Q2</td>
<td>-1.3%</td>
<td>40.5%</td>
</tr>
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</table>

**Consumers expect:**

(a) improvements in the peace and order situation  
(b) availability of more jobs  
(c) additional and high income, and  
(d) good governance
PROFILE OF THE FILIPINO CONSUMERS

Total Population (2015)

- 49.9 million women
- 51.1 million men

100.98 M

MEDIAN AGE
24.3 Y/O

MILLENNIALS
* Want fast response and instant gratification
* Embrace limited time-only products, flash sales, pop-ups, and self service checkouts

GEN Zs
* Difficult to impress
* Heavy users of social media

2015 DATA FROM PSA | NIELSEN
Shifting Gender Roles

15 MILLION FEMALE WORKERS OR 39% OF THE TOTAL WORKFORCE
53.7% OF OFWS ARE FEMALE

MORE WORK = LESS TIME WITH THE FAMILY
MORE WOMEN IN THE WORKFORCE = LESS QUALITY FAMILY TIME WITH KIDS
There will be 8.4 million middle class by 2030.

Middle Class

- Better educational attainment
- Higher purchasing power
- Willing to spend for better quality products & services
### The Rise of the Middle Class

<table>
<thead>
<tr>
<th>Threshold</th>
<th>GNI/Capita (current US$)</th>
<th>Philippines GNI/Capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-income</td>
<td>&lt; 995 (€891.73)</td>
<td></td>
</tr>
<tr>
<td><strong>Lower-middle income</strong></td>
<td><strong>996 - 3,895 (€892-3,491)</strong></td>
<td><strong>$3,660 (€3,280)</strong></td>
</tr>
<tr>
<td>Upper-middle income</td>
<td>3,896 - 12,055 (€3492-10,804)</td>
<td></td>
</tr>
<tr>
<td>High-income</td>
<td>&gt; 12,055 (€10,804)</td>
<td></td>
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</tbody>
</table>
OFW REMITTANCES

Contributes to nearly 70% of country’s GDP.

CASH REMITTANCES
€8.69 BILLION
April 2019

O Pond

OFWs POPULATION
2.3 MILLION
2018
Small Households in Fast-paced Urban Areas

- 56% urban population
- 44% rural population

100.98 M Total Population (2015)
44.4 M Urban dwellers
RETAIL STORE FORMATS
2016-2017 GROWTH

<table>
<thead>
<tr>
<th>Store Format</th>
<th>2016-2017 Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supermarkets</td>
<td>8%</td>
</tr>
<tr>
<td>Grocery Stores</td>
<td>8%</td>
</tr>
<tr>
<td>Convenience Stores</td>
<td>15%</td>
</tr>
<tr>
<td>Sari-Sari Stores</td>
<td>20%</td>
</tr>
<tr>
<td>Drugstores</td>
<td>0%</td>
</tr>
<tr>
<td>Dept. Stores</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Nielsen 2017 Wave 1 Retail Establishment Survey
No. of convenience stores in the country

2013: 1,620
2018 Q1: 4,300
METRO MANILA RESIDENTS EAT OUT $2X$ A DAY
—*Nielsen Report*

Top 5 Out-of-Home Dining Channels

- Quick service restaurants
- Convenience stores
- Neighborhood bakeries
- Neighborhood eateries
- Donut shops

*Accessibility   Convenience   Value For Money*

*Source: Nielsen, Rappler*
E-COMMERCE IN THE PHILIPPINES

76 M
People connected to the internet

37.7 million
E-commerce users

10 Hrs. 2 Mins.
Ave. internet usage

4 Hrs. and 12 Mins.
Ave. social media use

€753 million
E-commerce market revenue

3 main reasons why Filipinos like to go online:
Convenience, Deals, and Choices
Online shopping comprises just about 2% of the total retail sales.
- Expected to grow by 5-7% in the next few years.

**TOP E-COMMERCE SEGMENTS IN THE PHILIPPINES**

- **Travel & Accommodation**: €3.17 billion
- **Electronics & Physical Media**: €209.71 million
- **Fashion & Beauty**: €182 million
- **Furniture & Appliances**: €133 million
Filipinos love to get together with their friends and malls are not only a place to make purchases, but a place to socialize, eat and get some entertainment.

**TOP 3 largest mall developers in PH:**

- SM Supermalls = 76 malls
- Robinsons Malls = 51 malls
- Ayala Malls = 47 malls.
RETAIL SPACE PERCENTAGE

- **HEALTH & BEAUTY**
  - Local Brand: 49%
  - Foreign Brand: 51%

- **SPORTING GOODS**
  - Local Brand: 45%
  - Foreign Brand: 55%

- **APPAREL**
  - Local Brand: 49%
  - Foreign Brand: 51%

- **SHOES**
  - Local Brand: 33%
  - Foreign Brand: 67%
OPPORTUNITIES IN THE PHILIPPINE CONSUMER MARKET

- Strong Retail Industry
- Young workforce with disposable income
- Consumption-driven economy
- Women’s purchasing power
- Love for Online, but strong attachment to Physical stores
PHILIPPINE RETAILERS ASSOCIATION

- Is the country’s recognized national trade organization of retailers and suppliers whose primary objective is to promote the growth and development of the retail industry and become a driving force of Philippine economy, as well as to help the Filipino retailers become globally-competitive.

- Represents over 400 member companies, covering the gamut of the distribution chain, in its fold — from retailers, mall and shopping center operators to traders/suppliers, manufacturers, distributors, and wholesalers, among others.
PHILIPPINE RETAILERS ASSOCIATION

• For the last 40 years, it continues to provide **significant programs and initiatives** such as seminars and workshops, regional roadshows, international study tours and business missions, national retail conference and expo, newsletter and other publications.

• As the “**Pulse and Voice of the Philippine Retail Industry,**” the PRA has also been in the forefront of major issues and concerns that impact the retail sector.
Thank you!
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