



A Shift From Brick-and-Mortar to Digital:

How is the Philippines playing the retail field?



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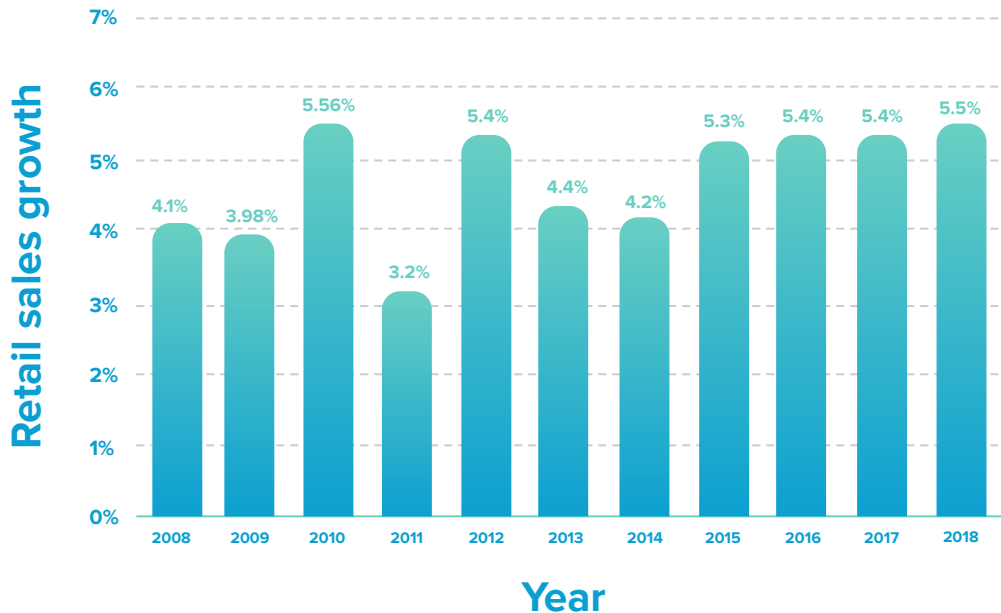
Introduction



The Philippines is one of the smallest internet economies in Southeast Asia and yet, the retail industry has accumulated over **\$4.7 billion on online purchases**¹ last 2018- \$3.5 billion on online travel, \$840 million on consumer goods, \$286 million on video-on-demand services.

From brick-and-mortar stores, Philippine retail has witnessed a **growth sprout in 2019 of 31% through online shopping** and a slow down in traditional business ¹ More and more consumers are looking for digital solutions. As a result, digital transformation is growing in interest and solutions are offered to improve retail businesses in terms of services and customer experience.

Retail in the Philippines



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The retail industry is one of the **largest growth drivers** in the Philippine economy, giving **P1.22 trillion gross value added (GVA)** in 2018.¹

The timeline shows that throughout time, online shoppers have increased and research shows that a great number are willing to spend more by 2022.² Retailers are tapping E-commerce channels to reach these consumers and shift from brick-and-mortar stores to online platforms.



¹ <https://www.philretailers.com/positive-outlook-for-retail-in-2019-neda-dof-nielsen/>

² <https://datareportal.com/reports/digital-2019-e-commerce-in-the-philippines>

Retail in the Philippines



TRADITIONAL

Brick-and-mortar stores offer physical setup like stalls, kiosks, warehouses etc. for consumers to buy goods and products



DIGITAL

Online platforms like Facebook, Instagram, and websites provide a convenient digital space for consumers to buy and brands to sell at a minimal cost



	TRADITIONAL	DIGITAL
Platform	Mall stores, stalls, kiosks	Websites, social media platforms
Costing	> P100,000 or more depending if the business requires a bigger amount of initial funding ¹	< P20,000 depending on the equipment needed ²
Operations	<p>Management of manpower, logistics, finance, products, human resource, delivery, and business space</p> <p>Require physical customer interaction both in the front-end and back-end operations</p>	<p>Social media and website management</p> <p>Software-based solutions to lessen time-consuming tasks and cut costs on manpower</p>
Manpower	> 115 on-ground employees ³	5-10 employees, combination of freelance and digital solutions ³
Marketing Strategy	Use of billboards, TV / radio ads, flyers, and physical	<p>Internet- based efforts</p> <p>Paid media / digital ads</p>
Customer Service Management	<p>Face-to-face interaction with the customer</p> <p>Guest list-type of acquiring customer information</p>	24/7 conversational commerce solutions that will interact with the audience for lead generation



¹ <https://www.imoney.ph/articles/best-ideas-business-opportunities-philippines/>

² <https://www.moneymax.ph/personal-finance/articles/small-business-ideas-philippines>

³ <https://www.slideshare.net/jobitonio/philippine-smes-8939004>

E-Commerce in Southeast Asia

Top Players in the Online Economy

20%

annual increase of

\$50 Billion
In 2018



Singapore



Thailand



Philippines



Malaysia



Indonesia



Vietnam



Philippine local shoppers have found convenience and are growing due to higher smartphone usage. Philippine E-commerce market may be small, but penetration of online economy has increased double digit and is believed to have the fastest growth among the neighboring countries in 2018.



Demographics

Age, Gender, Location

70%

Online Shoppers
from the Philippines
71.4 million internet
users



...even if fewer
women have
credit cards



More women
(12 per cent) shop
online than men
(8 per cent) do...



They are **tech-savvy**
and prolific social
media users

18-30

Age of majority of
Filipinos **who shop**
online



Middle-range
Income of most Filipino
online shoppers

PH's Online shoppers at a glance



E-Commerce Activities

Percentage of internet users who report performing each activity in the past month [Survey based]

Searched online
for a product or
service to buy



90%

Visited an online
retail store on the
web (any device)



92%

Purchased a
product or service
online (any device)



70%

Made an online
purchase via laptop or
desktop computer



38%

Made an online
purchase via a
mobile device



57%

68.61% Favor traditional
shopping

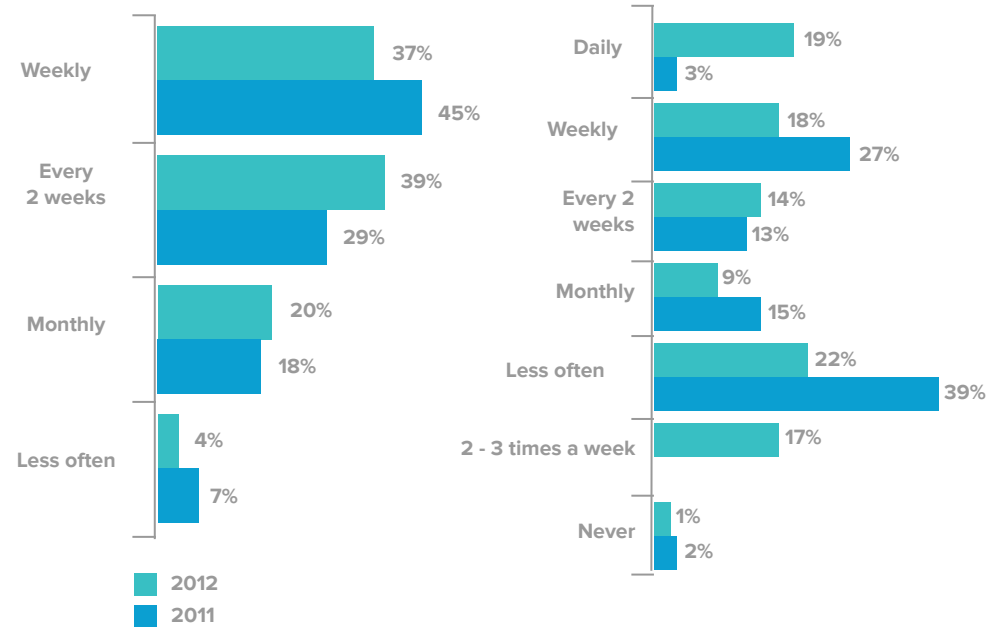


Demographics

Shopping Frequency



2 Frequency of Grocery Shopping: 2012 vs 2011



Trends in 2020



Direct-to-Consumer brands will go mainstream

Brands are starting to realign themselves with the market's demand and reconstruct effective strategies where brands have control over customer's buying experience, pricing, and promotions.



Shoppable Video and Voice Technology will grow

Social media platforms have been expanding in bringing in “shoppertainment” to draw more consumers in.



Digital Installment Plans will become more popular in this tight economy

Consumers are more cognizant in their spending habits, breaking the amount in smaller chunks and paying staggered amounts have been convenient for the consumers.



The rise of recommerce

Ukay-ukay or thrift stores are all over and more consignment stores resale or rent goods which makes the market's revenue skyrocket.



The battle for faster delivery will accelerate E-commerce

On-demand shopping relies on quick and reliable delivery services through efficient digital tracking and automation of logistics.



Success Stories

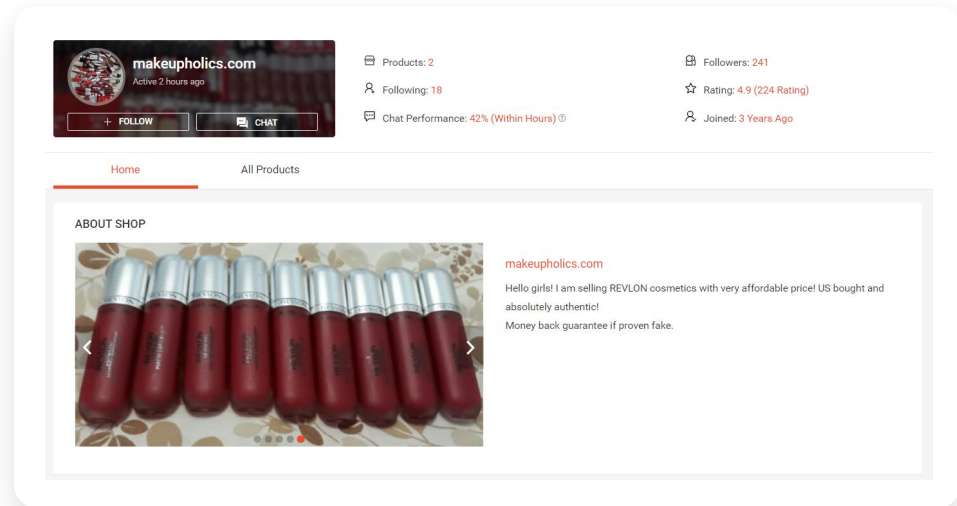
Success Stories :

Shopee

Launched in Singapore in 2015 to provide a platform that serves as a bridge to tie buyers and sellers together. Later on, the company expanded to nearby Southeast Asian countries Malaysia, Thailand, Taiwan, Indonesia, and Philippines.

Makeupholics.com was established by Melanie Sta. Maria to create a space and resell goods from abroad. Choosing the e-Commerce **Shopee** helped her start-up business using in-app logistics that easily manage her inventory and marketing campaigns.

With over 1,200 orders every day, the online shop grew.

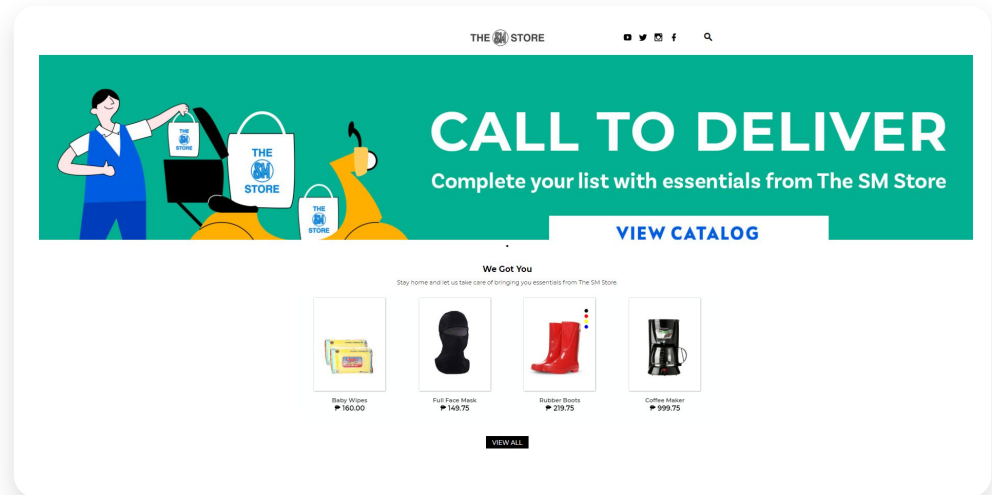


Success Stories :

The SM Store

Brainchild of Henry Sy Sr. back in 1960, this used to be little shoe store started in Manila City and now expanded to 70 malls across the country. Innovation in the local retail landscape is what drove SM to succeed from traditional to digital.¹

Spearheaded by Sy's eldest daughter, a shift in the digital commerce and operations was made in 2017 as the rise in demand for online shopping rise in the country. Believing that the fusion between brick-and-mortar stores and digital should have a balance since Filipinos are known for socializing.



Key Takeaway

- ❖ The Philippines has one of the slowest growth in terms of digital advancement in the Southeast Asia region, and yet, the country has proven to **have adapted internet-based solutions quickly for the retail industry.**
- ❖ **18-30 years old, middle class, and mostly women** are mainly the frequent shoppers given the increase in spending power.
- ❖ Top players of the country have shifted to E-commerce and **still maintain the brick-and-mortar stores to cater to all markets.**
- ❖ **Many SMEs have successfully used E-commerce sites** as their means of livelihood. This gave them the opportunity to tap the audience without emptying their pockets.
- ❖ In this day and age, **digital solutions that will hasten the work processes for retail and give better customer experience 24/7** are keys to success.



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