



The Philippines: Accessing the Consumer Market

Driven by robust economic growth, the Philippines presents promising consumer market opportunities to both local and overseas businesses. The previous article [The Philippines: Consumer Market Opportunities](#) gives an overview highlighting the retail landscape of the country. This article examines the preferences of Filipino consumers and the practical approaches to tapping into the Philippine market.

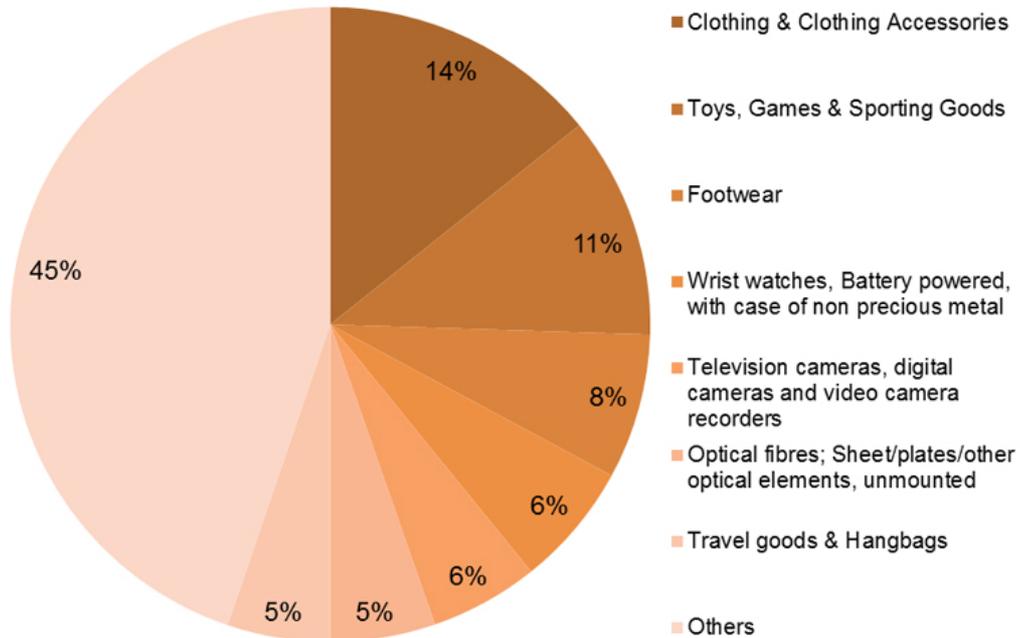
Housing Boom and Expanding Middle-Class Bode Well for Electronics and Lifestyle Products

With the country's income gradually improving, growing numbers of Filipino consumers have been able to spend more on both products and services to improve their living standards. The major cities and metropolitans are experiencing a housing boom, especially in Metro Manila and Calabarzon. Families are moving into modern housing units equipped with home electronics. White goods such as fridges, washing machines and air conditioning units are in demand. Furthermore, urban middle-class consumers are gradually developing a more distinct lifestyle, paying more attention to the design and quality of products. Japanese home electronics brands, which are well-established in the Philippines, have started introducing more premium product lines to cater for this expanding consumption segment.

The fact that the Philippines has a young, tech-savvy population indicates that there should be good market potential for products like smartphones, electronic tablets, and related peripherals such as selfie lenses, cases and earphones. There is also a demand for lifestyle products, including clothing, footwear and accessories. All this ties in well with Hong Kong businesses' interests. Based on official trade statistics, clothing & clothing accessories, toys, games & sporting goods and footwear are the major Hong Kong products exported to the Philippines. Compared with products from other [ASEAN](#) countries and the Chinese mainland, Hong Kong products are known for their good design and quality rather than low price. This "Hong Kong" badge is still valued by Filipino consumers, and Hong Kong businesses can further tap into the Philippine market by providing more product choices to consumers there.



Hong Kong Consumer Goods Exports to the Philippines 2016



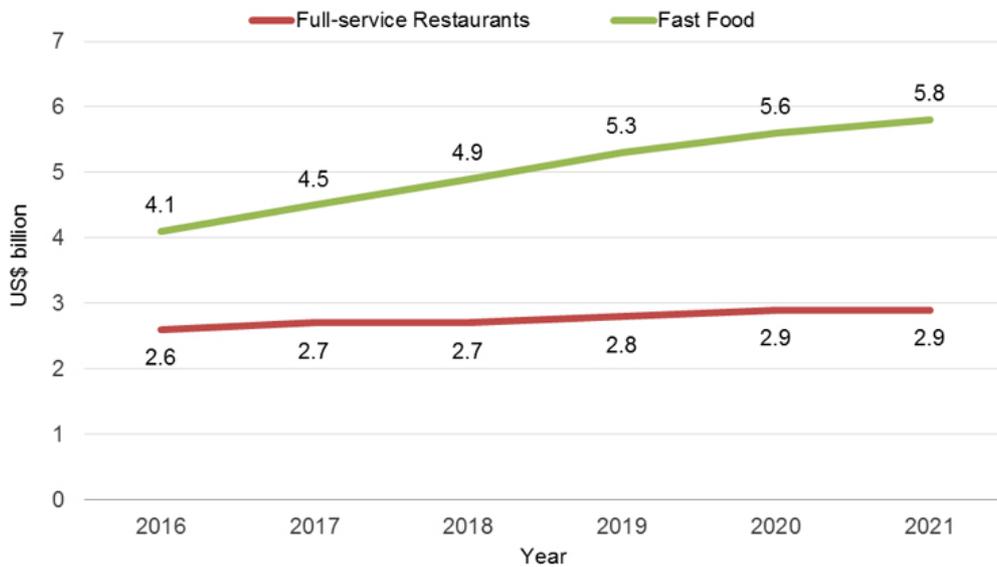
Source: Census and Statistics Department

Aside from lifestyle products, the Philippines is also a good market for food and beverage (F&B) business. Unlike other ASEAN countries with a large Muslim population, where F&B choices are affected by religious considerations, the Philippines is the second most-populous country in ASEAN with a large proportion of Catholics, who are not subject to stringent F&B limitations. Filipinos generally have no special dietary preferences and are open to international cuisines.

In the Philippines, food and dining is often the first item that consumers increase spending on in response to rising household disposable income. Fast food restaurants are especially popular as they provide affordable dine-out options for Filipino consumers. As discussed below, the Philippine's F&B market is vibrant and relatively easy for foreigner operators to enter to capitalise on the growing dine-out culture in the cities.



Food and Beverage Market of the Philippines



Note: Projected figures for 2017-2020
Source: Euromonitor

Entering the Philippine Retail Market

The retail sector in the Philippines is not fully liberalised for foreign direct investment (FDI). There is a general local foreign ownership ratio of 6:4 for any FDI commitment of under US\$2.5 million. Partnering with local businesses is the easiest way to enter the Philippine retail market for two main reasons. Firstly, it makes it easy to comply with the equity rules and local registration; secondly, a local partnership through a joint venture enables the foreign player to obtain invaluable on-the-ground understanding of the local business culture and environment, which is especially useful in a country where making relationships is seen as pivotal in doing business.

In comparison with the retail sector, 100% foreign ownership is allowed in F&B franchise. Foreign-franchised restaurants, from fast food to fine dining, are plentiful in shopping malls in the Philippines. Under the *Trade in Good Agreement* of the *China-ASEAN Free Trade Area (CAFTA)* arrangements, most tariffs for imports from China are zero-rated. Nonetheless, certain food products like meat and poultry imported from China are subject to duties. However, F&B operators can make use of the Philippines' rich supply of marine products and agricultural produces, while food imports from other ASEAN countries incur virtually no tariff, as per the common liberalisation measures adopted in the creation of the *ASEAN Economic Community (AEC)*.



Foreign franchised F&B outlets are common in Metro Manila.



Japanese cuisine is popular in the Philippines.

There are various well-established business associations in the Philippines open to exploring potential partnerships with foreign investors, such as the *Federation of Filipino Chinese Chambers of Commerce & Industry (FFCCII)* and the *Makati Business Club*. Hong Kong companies already established in the Philippines are closely connected with one another through the *Hong Kong Chamber of Commerce of the Philippines (HKCCPI)*. Networking with these associations can allow prospective investors from Hong Kong to obtain first-hand market updates and locate potential business partners in the country.

On the e-commerce side, the Philippine market is gradually developing, and major platform operators such as *Lazada* and *Zalora*, which have penetrated different ASEAN markets, offer handy and relatively low-cost options for overseas suppliers to sell their products to the Philippines.

Value-for-Money Important to Mass-Market Consumers

In contemplating an inroad into the Philippine market, Hong Kong companies should align their products or services with their specific consumer segments to yield the best results. On the one hand, there is a small, yet sophisticated consumer class, eager to buy high end, imported luxury items. On the other, there remains a mass market of consumers who are highly price-sensitive and fond of looking for daily bargain deals. The largest potential for Hong Kong companies lies in the middle-class urbanites, most of whom are increasing their consumption spending and undergoing consumption upgrade. A positive development is that the number of these middle-class consumers is growing rapidly in major cities, thanks to rising incomes and the [BPO](#) boom. However, it's worth noting that many of them still regard value for-money as their guiding purchasing consideration, in a similar fashion to mass market consumers.

International brands that advertise good value for money have a strong following among middle-class urbanites in the Philippines. The success of Hong Kong's fashion brand *Giordano* and Japan's *Uniqlo* illustrate this. Urban middle-class consumers in Philippines regard these brands as selling affordable, quality clothing in versatile styles and diverse choices.

In the smartphone market, budget brands advertising all-rounded functions like *Xiaomi* and *Oppe* are also taking market share from the traditional premium brands. Price points of these phones are more catered to the purchasing power of the urban middle class consumers.



OEM brands in the electronics and electrical appliance sectors are becoming popular too, as they offer versatile functions at lower price points compared with international brands. OEM brands are especially attractive in rural areas, where households often have limited budgets compared to urban households.

Young Filipino consumers are highly influenced by trends in Japan, Korea and the US. Fast-fashion international brands such as *Forever 21* and *H&M* are popular among young Filipino consumers for the brands' international appeal and up-to-trend merchandise. They also like to locate independent brands through social media and online shopping platforms.

Shopping As a Lifestyle

The shopping experience is important to Filipino consumers. They visit malls not only to make purchases, but also as a family or social activity. Shopping represents an aspiring metropolitan lifestyle. Festive shopping, such as at Christmas time or for Valentine's Day, is also becoming more popular. Filipino consumers cherish the in-store experience they get from mall shopping. To take advantage of this consumer preference, effective branding is essential so that products can maximise their appeal to Filipino consumers. Effective product differentiation can portray a strong brand image or identity, which is useful when tapping into this market.



Merchandise for Valentine's Day.



Malls are paying increasing attention to creating a good ambiance for shopping.

Although online shopping is becoming more popular among young Filipinos, Philippine consumers generally enjoy visits to brick-and-mortar stores, in which they are able to touch and feel the product, and value the services throughout the whole shopping process. Not surprisingly, some successful online retailers are now also moving offline and operating physical stores in order to entice more customers with an enhanced shopping experience.

Providing a consumer experience is also important to the F&B industry. Dining out is an important social activity for Filipinos. Fast food restaurants remain dominant and account for around 80% of all F&B outlets. Serviced fast food restaurants serving burgers and pancakes are common and are frequented by youngsters and families as a leisure pastime. There is also a growing F&B segment offering a more sophisticated dining experience, providing not only high-quality dishes but also good ambience and service, to Filipinos with higher purchasing power, especially young professionals.



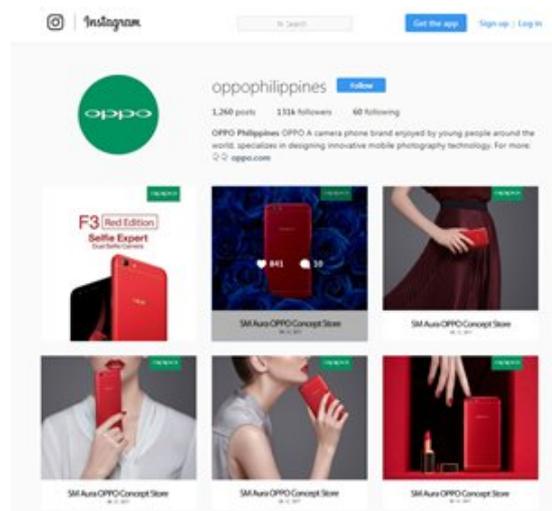
Marketing to Young Consumers through Social Media

The Philippines has one of the youngest demographics in Asia. The tech-savvy young working class is the largest consumption group in the country. Filipino social media users spend an average of 4.3 hours on social media every day, a higher figure than anywhere else in the world. They are highly exposed to international social media trends and closely follow popular local and international social pages on *Facebook*, *Instagram* and *Twitter*. The most followed *Facebook* brand pages are *Filipino Vines*, *Happy Man by Starmobile* and online shopping site *Lazada*. *SM Malls* is the most popular page on *Facebook* with over 4 million Filipino followers[1]. This demonstrates the wide reach of social media among the Filipino audience.

Chinese smartphone brand *Opvo* is a good example of marketing to young consumers through reinforcing brand identity and social media leverage. *Opvo* projects itself as a young, stylish brand specialising in photography technology. The advertisements always highlight features targeted toward young people such as special selfie functions and stylish product design.



Leveraging social media such as Twitter to market to young Filipino consumers.



Stylish appeal of Opvo phones on its Instagram page.



Regarding F&B, Filipino consumers will typically conduct online research on restaurants before dining out. Dining websites and mobile apps are very popular in the Philippines, especially in Metro Manila and Cebu. *LooLoo*, *Booky* and *Zomato* are the most popular. These websites provide diners' reviews, booking services and editorials. F&B operators in the Philippines can link up with these sites to provide online booking services to diners. Marketing through editorial contents and offering discounts via these sites can also help to promote restaurants.

Summary

The Philippines is a youthful and vibrant consumer market with strong growth potential. Aspiring Filipino middle-class consumers see shopping in modern retail as a representation of urban lifestyle. Appropriate branding and marketing through social media platforms are effective ways to gain access to the Philippine consumer market.



An in-store marketing campaign encouraging diners to post on social media.

[1] Socialbakers, retrieved in August 2017

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