HOW GLOBAL BRANDS ARE SHAPING

THE METRO MANILA RETAILER LANDSCAPE

JANUARY 2020

CUSHMAN & WAKEFIELD

CONTENTS

INTRODUCTION

As we deliberate on how the Philippines' retailer scene is faring amidst the ever evolving market trends and consumer preferences, Cushman & Wakefield is pleased to present the latest issue of *How Global Brands Are Shaping the Metro Manila Retailer Landscape*. This retailer publication, which is preceded by the 2017 report, confers on the current circumstances of global retailers and the overall Philippine retail sector.

Let us look into the latest market trends and their implications on the country's retail scene as we deliver insights that could be of use to your future undertakings.

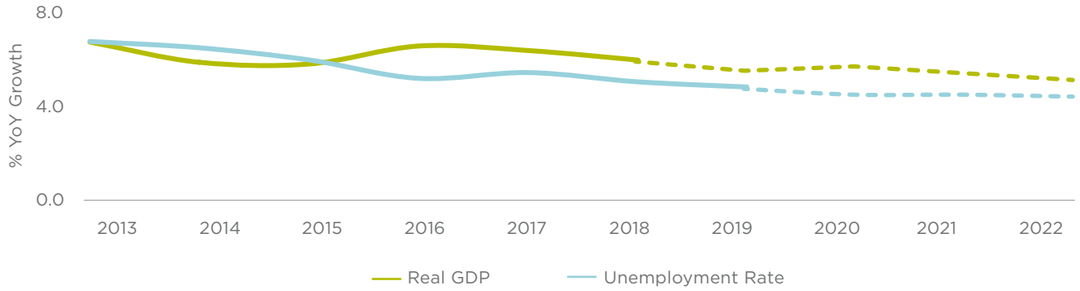
RETAILING IN THE PHILIPPINES' 'GOLDEN AGE' OF ECONOMIC GROWTH

Strong macroeconomic fundamentals buoy the country's economic expansion in the face of lingering global headwinds.

Over the past seven years, the Philippines has been exhibiting a buoyant economic expansion at a rate above 6%. In 2018, the Gross Domestic Product's (GDP) year-on-year (YoY) growth was recorded at 6.2%, trailing the other top performers in Asia Pacific including India, China, and Vietnam. The first half of 2019, however, was not as smooth sailing as the previous year as the economy experienced sharp downturn. GDP growth for the first and second quarters of 2019 were registered at only 5.6% and 5.5%, respectively, mainly due to government underspending as the result of the delayed passing of the 2019 budget. The Philippines' growth bounces back in 3Q 2019 to 6.2% when government expenditure finally normalizes in addition to robust household spending. Moreover, the unemployment rate remained manageable at 5.1% in 2019, a drop from 5.3% recorded in 2018. While the country remains susceptible to various domestic and global challenges that could significantly erode purchasing power, the strong macroeconomic fundamentals are keeping the economy afloat.

After lagging in infrastructure developments for many years, the country has finally entered an era dubbed as "the golden age of infrastructure", which prioritizes this critical need through various road, railway, and airport development projects. The effort seeks to close the long standing infrastructure gaps that limit investment opportunities while further contributing to the country's growing affluence in attracting global investments.

GDP AND UNEMPLOYMENT



Sources: Oxford Economics, Philippine Statistics Authority

GDP YoY Growth
VALUE 6.2% | PERIOD Sep 2019

Annual GDP Per Capita
VALUE 3,104 USD | PERIOD Jan-Dec 2018

Unemployment Rate
VALUE 5.1% | PERIOD Annual 2019

Number of Households
VALUE 23 million | PERIOD as of Aug 2015

Visitor Arrivals to the Philippines
VALUE 7.1 million | PERIOD Jan-Dec 2018

Sources: Oxford Economics, Philippine Statistics Authority

SUSTAINABLE GROWTH AMIDST GLOBAL HEADWINDS

One of the segments that is directly benefiting from the sustained growth of the Philippine economy is the retail sector. Evidently, amidst slowdown in retail activities in other parts of the world, especially in the United States where the retail apocalypse has claimed 5,864 store closures in 2018[1], foreign retailers continue to venture and thrive in the local retail scene. Over the past three years, around 102 new foreign brands had entered the country of which 68 brands opened between 2017 to 2018 and 34 additional brands opened from January to November of 2019. Meanwhile, the existing foreign retailers took advantage of the upbeat retail sector by actively expanding their local operations. Concurrently, the retail market remains accommodating with the supply of shopping malls expanding at an average rate of 5% over the last five years and rental rates that are pegged at competitive levels.

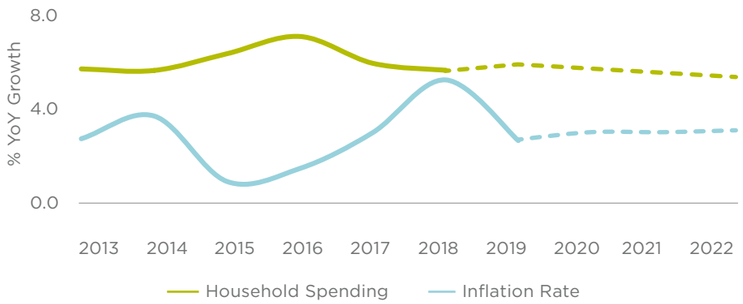
[1] Coresight Research. (2019). Weekly US and UK Store Openings and Closures Tracker: 12 April 2019. Retrieved from https://coresight.com/weekly-store-trackers/

CONSUMER SPENDING AND IDEAL DEMOGRAPHICS BOOSTS

Consumer spending has been the pillar of economic progress in the Philippines and a key driver of the soundness of the retail industry. Accounting roughly 68% of the total GDP, the consumer-driven characteristic of the economy is a major factor in counterweighing the effects of the on-going trade disputes among the world's largest markets. While inflationary pressures challenged the economy and took its toll on private spending, leading to a dismal growth of 5.6% in 2018, price increases have normalized within the 2%-4% target range set by the Bangko Sentral ng Pilipinas (BSP) beginning in the first quarter of 2019. Inflation rate settled at 2.5% for the full year of 2019 after rising to 2.5% in December from the recorded 1.3% in November due to seasonal price increases brought about by the holiday season. Meanwhile, private spending also improved to a YoY growth of 5.9% in 3Q 2019 from 5.3% in the same period last year.

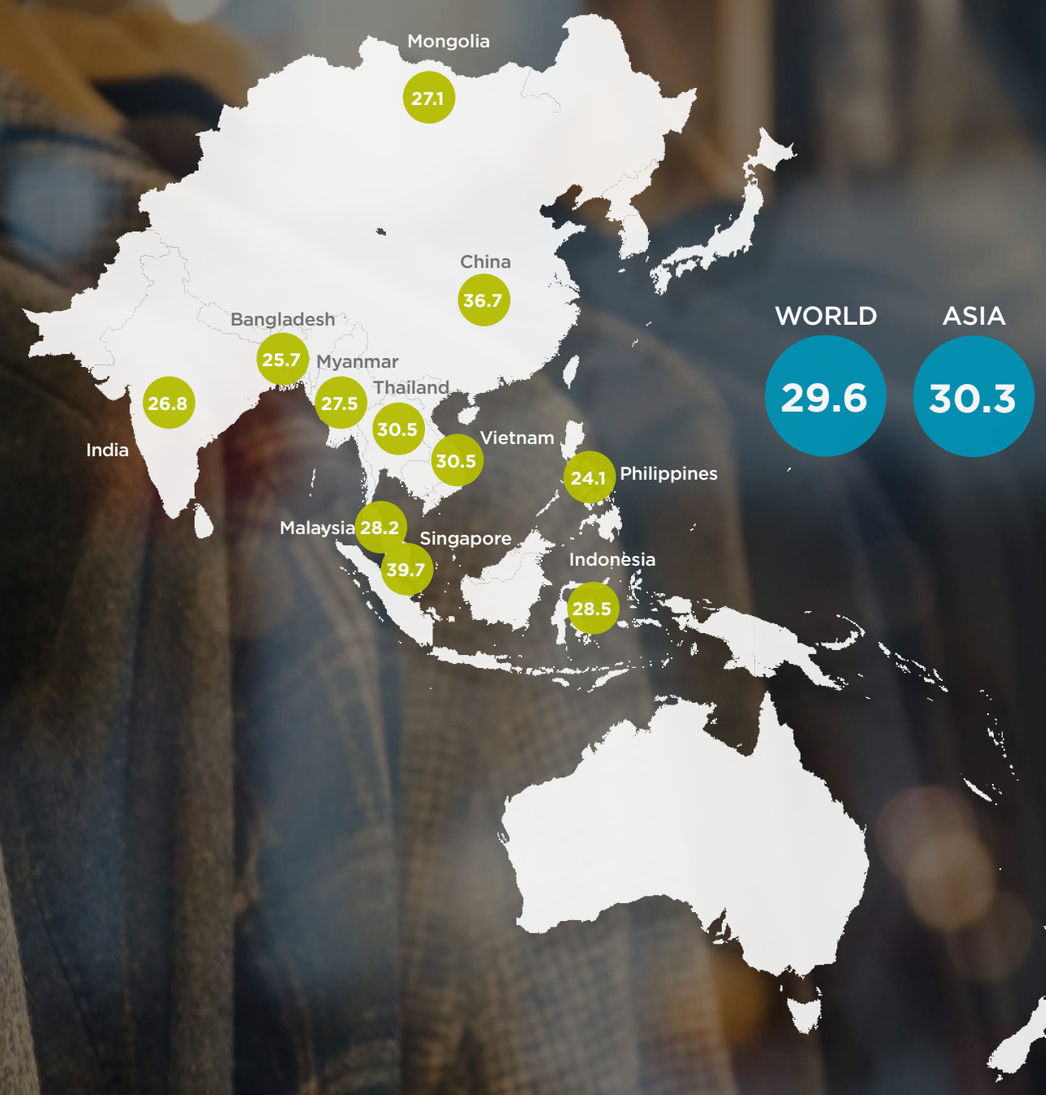
Considering the Philippines' position as the second most populous country in Southeast Asia—having an estimated overall population of 107 million in 2018[2], half of which are ages below 24.1 years[3] coupled with a growing middle class population with more income to spend, these underpin the advancement of the country's consumer market.

HOUSEHOLD SPENDING AND INFLATION



Sources: Oxford Economics, Philippine Statistics Authority

MEDIAN AGE



WORLD	ASIA
29.6	30.3

Sources: United Nations, Department of Economic and Social Affairs

[2] United Nations, Department of Economic and Social Affairs, Population Division. (2019). *Total Population Both Sexes [Data file]*. Retrieved September 24, 2019 from https://population.un.org/wpp/Download/Standard/Population/

[3] United Nations, Department of Economic and Social Affairs, Population Division. (2019). *Median Age of Population [Data file]*. Retrieved September 24, 2019 from https://population.un.org/wpp/Download/Standard/Population/

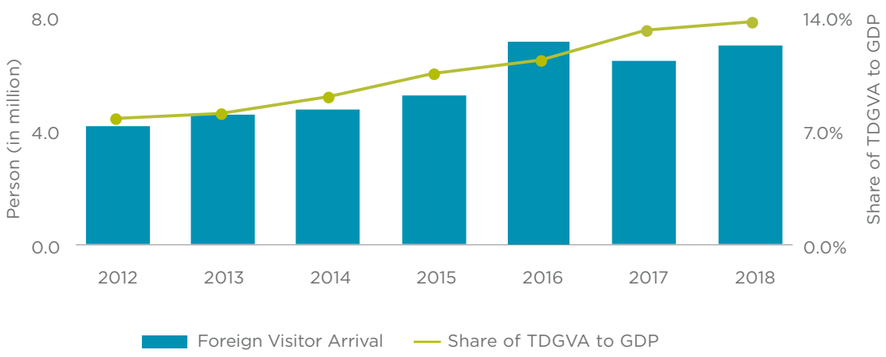
GAINS FROM IT-BPM AND OVERSEAS FILIPINO REMITTANCES

Overseas remittances, which also boost consumer spending reached another record high of USD 32.21 billion in 2018[4], making the country the fourth biggest recipient of remittances from migrant workers. The other top foreign exchange earner, Information Technology and Business Process Management (IT-BPM) sector, is still in highs with the Philippines cementing its rank as the country with the most call centers in the world.[5] The sector generated a revenue of nearly USD 24.8 billion in 2018[6], which translates to a 5% increase from 2017.

FOSTERING RETAIL THROUGH TOURISM

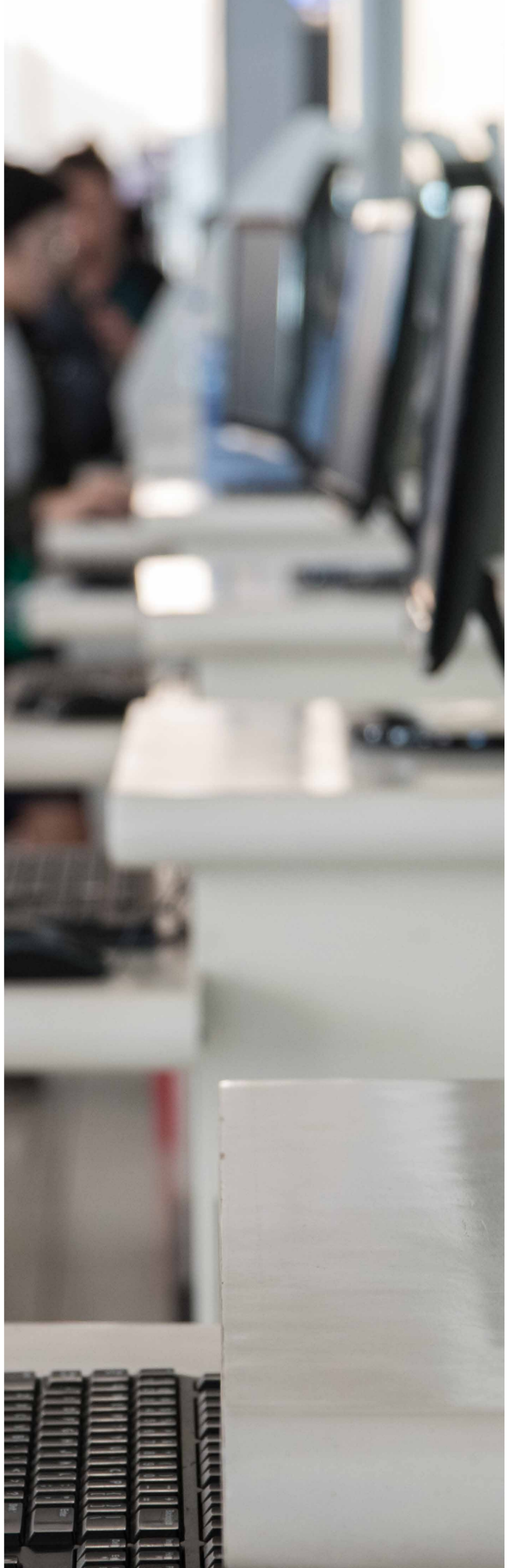
The significance of the booming tourism industry to the Philippine economy is incontestable with its 13% share of employment to total employment and the immense share of tourism related revenue to the GDP. In 2018, the revenue contribution of tourism industries as measured by Tourism Direct Gross Value Added (TDGVA) is at 12.7% of GDP. The TDGVA, which measures the expenditures of both foreign visitors and resident visitors within the country had grown by 14.3% from the recorded value in 2017. At the same time, the influx of foreign visitors reached a record high of 7.2 million in 2018, an increase of 12.7% from the count in 2017 which is at 6.6 million. As the benefits of booming tourism spread across different sectors, the retail segment also banks on the influx of high-spending foreign arrivals and long-staying visitors, which are seen to further boost retail activities. This was manifested by Duty Free Philippines Corp., a state-owned retail company, which cemented a partnership with global payment brand, UnionPay, for a new rewards program as they target the growing number of Chinese tourists in increasing Duty Free Philippines' market share.[7]

FOREIGN VISITOR ARRIVALS AND THE SHARE OF TDGVA TO GDP



Sources: Department of Tourism, Philippine Statistics Authority

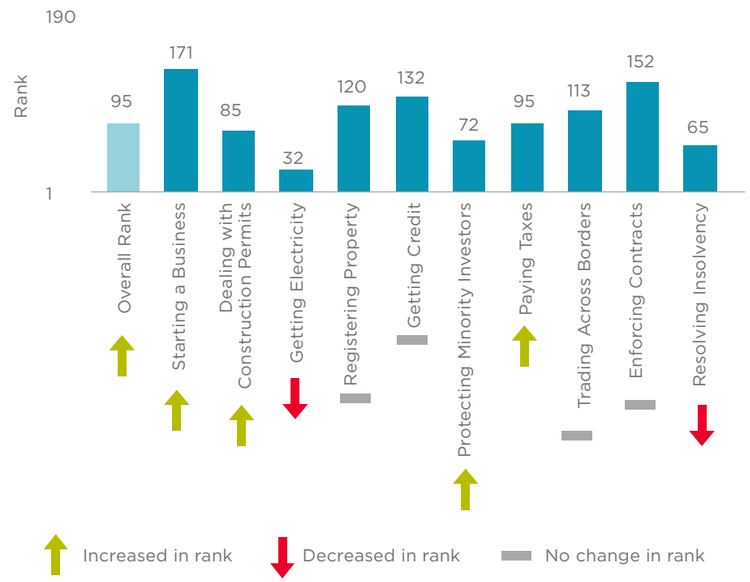
[4] Bangko Sentral ng Pilipinas. (2019). Personal and Cash Remittances [Data file]. Retrieved from http://www.bsp.gov.ph/statistics/keystat/ofw.htm
[5] Contact Center Association of the Philippines. (2018). Philippines remains world's call center capital — CCAP. Retrieved from https://ccap.ph/2018/06/19/philippines-remains-worlds-call-center-capital-ccap/
[6] BusinessWorld. (2019, September 04). IBPAP recalibrating industry growth targets. Retrieved from https://www.bworldonline.com/
[7] Philippine News Agency. (2019 Nosvember 29). Duty Free, UnionPay ink MOA for customer rewards. Retrieved from https://www.pna.gov.ph/



DOING BUSINESS IN THE PHILIPPINES MADE EASIER

The Philippines' improving business climate is backed by World Bank's Doing Business 2020 report, which noted that the country has moved 29 notches to the 95th position from being the 124th in the previous edition.[8] The report that provides objective measures of business regulations and their enforcement based on 11 indicators shows that the country has improved in the areas of starting a business, dealing with construction permits, protecting minority investors, and paying taxes. Improvements in the country's ranking highlights the following: starting a domestic enterprise made easier due to the abolishment of minimum capital requirement, improvements in coordination and streamlining the processes for obtaining occupancy certificate that made dealing with construction permits made easier, and reinforced minority investors protections through increased disclosures of transactions and enhanced director liability for transactions with interested parties. The Philippines retained its scores in the areas of registering property, getting credit, trading across borders, and enforcing contracts. Meanwhile, the country weakened in the areas of getting electricity and resolving insolvency. The publication also considers the "employing workers" indicator although the country rankings in this aspect were not presented in the report.

DOING BUSINESS 2020
PHILIPPINE PERFORMANCE RANKING ON DOING BUSINESS



Source: The World Bank

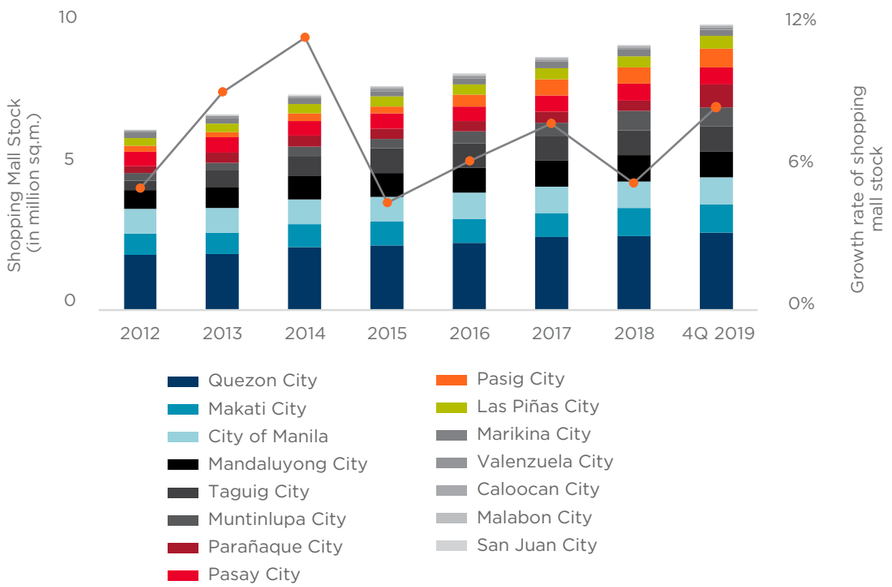
[8] The World bank. (2019). Doing Business 2020. Retrieved from https://www.doingbusiness.org/

SHOPPING MALL SPACES' INCESSANT EXPANSION UP TO 2022

The supply of mid- to high-end shopping malls in Metro Manila has reached 8.9 million square meters (sq.m) as of 4Q 2019. Quezon City, with a population of 2.9 million, which is roughly 23% of Metro Manila's[9], has the largest share of the existing supply, owing to the presence of some of the country's largest malls in the area, as well as the emergence of new community centers and regional malls like the Ayala Malls Vertis North and Ayala Malls Cloverleaf, both completed in 2017. Shopping mall space in Metro Manila is expected to reach 9.8 million sq.m in 2022, with major expansions happening in Bay Area, which covers the cities of Manila, Pasay and Parañaque. The expansion of shopping mall developments in Bay Area is also in response to the vibrant real estate activities brought about by the rapid growth of real estate demand coming from the Philippine Offshore Gaming Operations (POGO) and the IT-BPM sectors.

Supply of shopping malls in Metro Manila to reach 9.8 million sq.m in 2022.

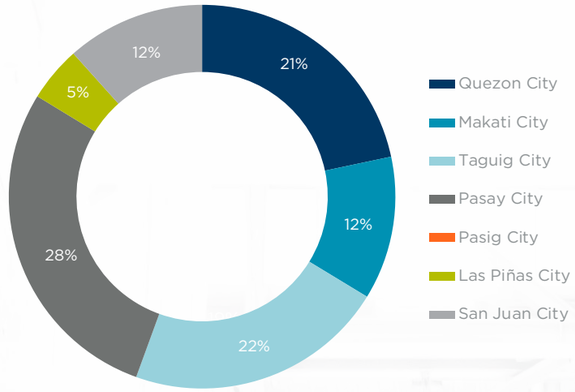
METRO MANILA SHOPPING MALL SPACE



Source: Cushman & Wakefield Research

[8] The World bank. (2019). Doing Business 2020. Retrieved from https://www.doingbusiness.org/
[9] Philippine Statistics Authority. (2019). *Urban Population in the Philippines (Results of the 2015 Census of Population) [Data file].* Retrieved from https://psa.gov.ph/population-and-housing/statistical-tables

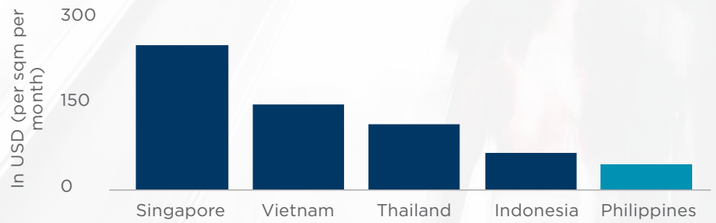
DISTRIBUTION OF UPCOMING MALL SPACE UP TO 2022



Source: Cushman & Wakefield Research

The base rental rate[10] in shopping malls is currently averaging at USD 35 per sq.m per month (/sq.m./mo). Despite the stable demand for retail space, rental rate increases are constrained due to the continuous expansions of shopping malls, particularly in the areas near or outside the central business districts. The Philippines' competitiveness in terms of retail space rental is deemed significant compared to the neighboring markets. According to the "2019 Main Streets Across the World" report published by Cushman & Wakefield, rental rates in key retail areas are registered at USD 48/sq.m./mo for the Philippines, USD 70/sq.m./mo for Indonesia, USD 127/sq.m./mo for Thailand, and USD 165/sq.m./mo for Vietnam.

ASKING RENT OF RETAIL SPACE IN KEY RETAIL AREAS



Source: Cushman & Wakefield Research

[10] Base rent refers to net rent, excluding any management fees and any agreed percentage lease based on the sales volume of the retailer/merchant.

METRO MANILA INTERNATIONAL RETAILER LANDSCAPE

For the years 2017 and 2018, the number of new foreign retailers that entered Metro Manila totaled to 68 brands. The latest figure fell short of the recorded 116 foreign brand entries between 2015 and 2016. Nevertheless, considering the disruptions and ongoing struggles of the global retail scene—the retail apocalypse that resulted in widespread store closures, particularly in United States—the retailer landscape in the Philippines is still on a positive growth trajectory. This is manifested by the recorded 34 new foreign brands that have opened their primary branch in the country from January to November of 2019.

While struggling parent companies coupled with the shift in investment strategies of retailers directed towards more digital models are the major contributing factors to the dwindling entry of foreign brands, this is also exacerbated by the weak global expansion, which is registered at only 3.6% annual growth in 2018.[11]

[11] International Monetary Fund. (2019). *World Economic Outlook, April 2019 Growth Slowdown, Precarious Recovery.* Retrieved from https://www.imf.org/en/Publications/WEO/Issues/2019/03/28/world-economic-outlook-april-2019

THE PHILIPPINES IS GEARING TOWARDS A MID-TIER SHOPPING DESTINATION

The local retail scene is still emergent for luxury retailers, with only few high-end brands having recently entered the Philippines over the past two years. Apart from Off-White, John Lobb Bootmaker, and Wagyumafia that cater to more upscale consumers, the rest of new foreign brands are of mid-tier categories. Stefano Ricci, Tiffany & Co, Loewe, Hogan, and Tommy Jeans are the luxury retailers that joined the cluster in 2019.

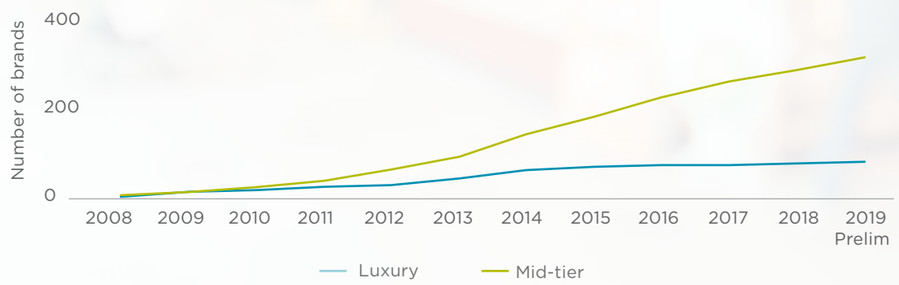
Unsurprisingly, the influx of new brands is still dominated by the Food and Beverage (F&B) segment, which accounts for 63% of the total retail types. This is particularly interesting given that out of 67 F&B retail types that entered between 2015 and 2016, 13 brands including Peperoni Pizzeria, Annam Noodle Bar, BB Brand Bakery Bistro, Mr. Pizza, Applebee's Grill & Bar, among others, struggled in maintaining their positions that led to them pulling away from the local retail market.

With competition, reinforced by the advent of stronger concepts, that resulted in rate of closure nearly as high as the rate of entry, the food services market remains attractive to international brands attributable to the country's ideal demographic make-up. New foreign F&B retailers in 2017 and 2018 include but are not limited to Little Caesars, M Bakery, Wing Zone, Kam's Roast, Tim Hortons, PastaMania, Red Lobster, Hawker Chan, Gen Korean BBQ, and Hello Kitty Café.

Majority of the recorded new brand entries are mid-tier F&B retailers.

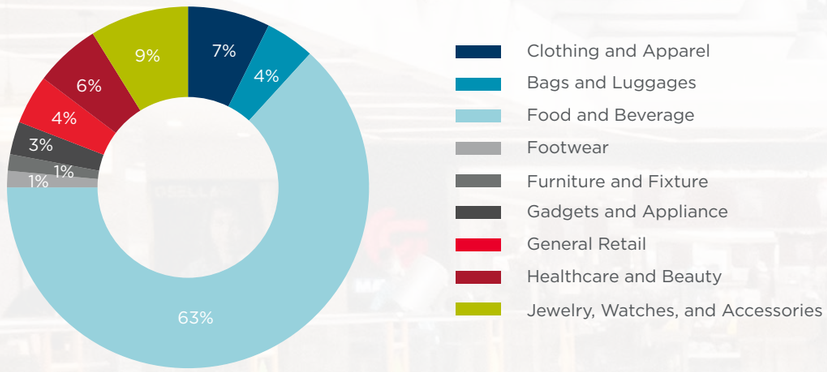
Other F&B retailers that entered the Philippine market in 2019 include Shake Shack, Popeyes Louisiana Kitchen, and Panda Express from United States; Menya Kokoro, FRNK, Shari Shari Kakigori House, and Beard Papa from Japan; Jim's Recipe from Malaysia; Elephant Grounds, Honolulu Café, and Hui Lau Shan from Hong Kong; Ministry of Crab from Sri Lanka; and The Alley, Presotea, Original Cake, OneZo Tapioca, JLD Dragon, Grand Castella Cake, Xing Fu Tang, and Puffy's Soufflé from Taiwan.

HISTORICAL GROWTH OF NEW FOREIGN BRANDS BY SEGMENT



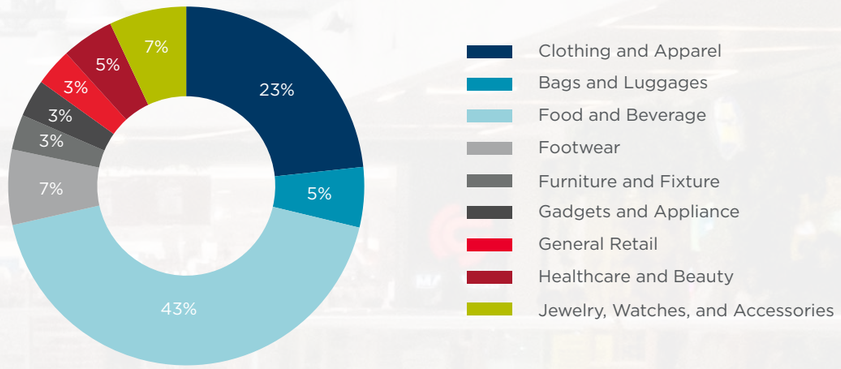
Source: Cushman & Wakefield Research

DISTRIBUTION OF NEW BRANDS BY RETAIL TYPE (2017 TO 2018)



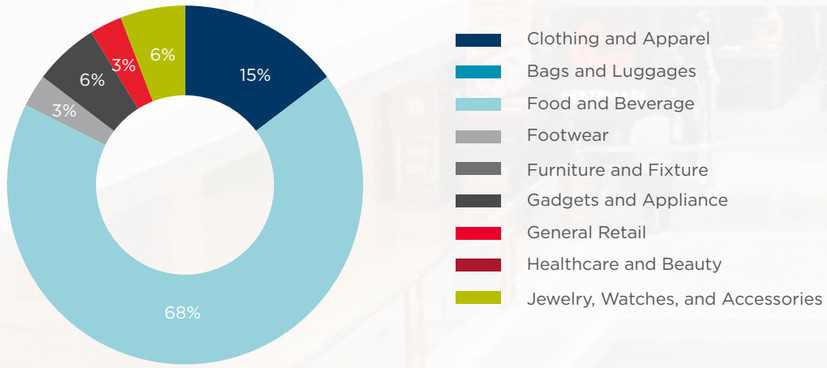
Source: Cushman & Wakefield Research

DISTRIBUTION OF FOREIGN BRANDS BY RETAIL TYPE (AS OF NOVEMBER 2019)



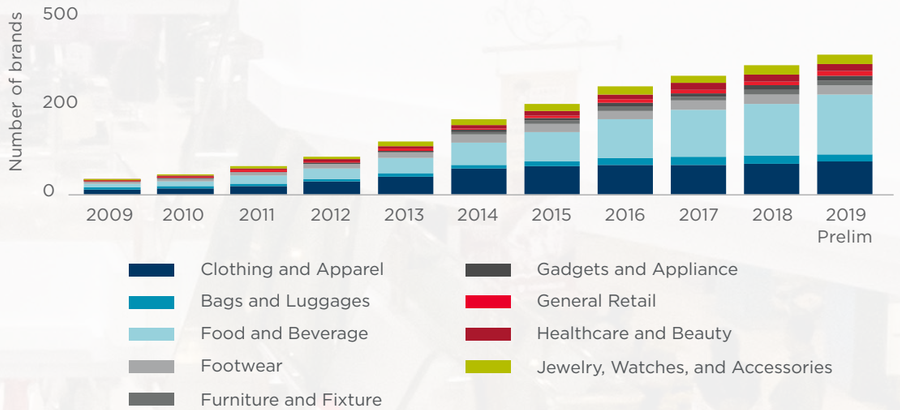
Source: Cushman & Wakefield Research

DISTRIBUTION OF NEW BRANDS BY RETAIL TYPE (JAN-NOV 2019)



Source: Cushman & Wakefield Research

HISTORICAL GROWTH OF NEW FOREIGN BRANDS BY SEGMENT



Source: Cushman & Wakefield Research

The Clothing and Apparel segment that took the biggest setback in the series of brick-and-mortar store closures has also stagnated in growth in the Philippines, where new entrants are limited since 2014. After all NBA stores in the Philippines were closed in 2018, select sporting goods retailers are making new waves with the opening of Intersport and Decathlon, the latter of which after having two branches in Metro Manila, also expanded outside the metro with the opening of the 4,800 sq.m Decathlon store in Dasmariñas City and the 8,900 sq.m store in Antipolo City. Other new Clothing and Apparel retailers include In Good Company, Puma Select, Popcorn General, and Beyond The Vines.

Albeit at a much slower pace, new global players under other retail types are also locating in the country. In Healthcare and Beauty, Elizabeth Arden opened its first Asian store in the Philippines together with beauty retailers from South Korea, Innisfree, and Club Clio. Travelon, a Chicago-based travel product retailer, has chosen Philippines for its first standalone store, and Anello, after opening its first branch in 2017, has since then multiplied to more than 20 stores in Metro Manila. Subsequently, Mujosh, Rudy Project, and Jins have joined the country's international eyewear brands while Les Nereides Paris, Luk Fook, and Chow Tai Fook are the new jewelry retailers.

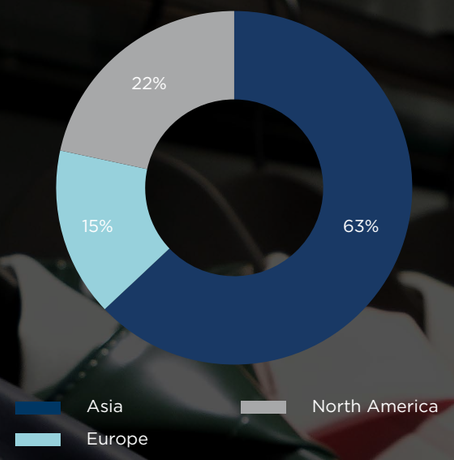
A HARBOR FOR ASIAN BRANDS

The strong economic ties between the Philippines and its neighboring countries in the Asia Pacific region are fueling the proliferation of Asian brands in the country. Sixty-four (64) out of the total 102 brands, or 63% of the total new foreign retailers, are coming from the region, with the majority coming from Japan (17 brands) and Singapore (12 brands). Asian brands are strengthening their grip in the food services industry as they focus on bringing F&B concepts in the market. Since 2017, 44 out of the 64 Asian brands are with F&B concepts, increasing the region's share in F&B segment to 64%, while F&B brands from US and Europe have 31% share.

Retailers from Japan and Singapore take lead in the number of new foreign brands entries.

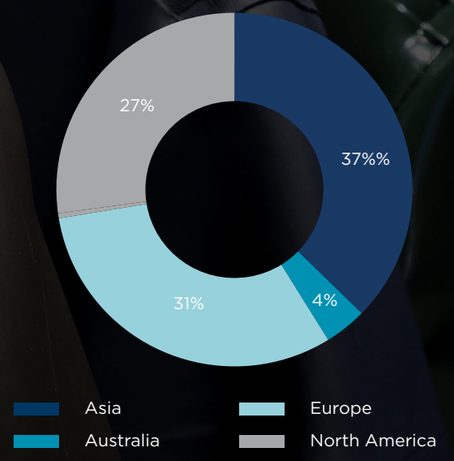
Currently, retailers from Asia and Europe are taking tractions in the Philippines in terms of brand count, having 37% and 31% share respectively, of the total number of brands that are still in operation in the country. While brands from Asia are more on F&B concepts, retailers from Europe dominate the Clothing and Apparel retail type, particularly in fast-fashion and luxury segments, with 61 Clothing and Apparel brands in total upon the addition of Off-White, Puma Select, and Loewe to name a few.

BRAND COUNT DISTRIBUTION OF NEW FOREIGN BRANDS BY MAJOR AREA



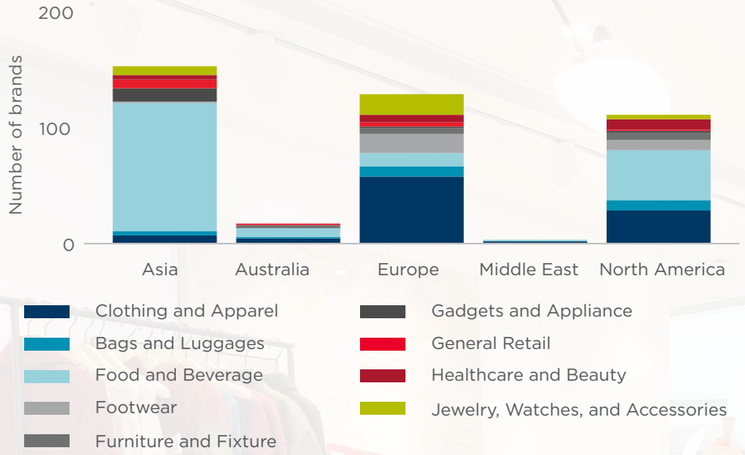
Source: Cushman & Wakefield Research

BRAND COUNT DISTRIBUTION OF TOTAL FOREIGN BRANDS BY MAJOR AREA AS OF NOVEMBER 2019



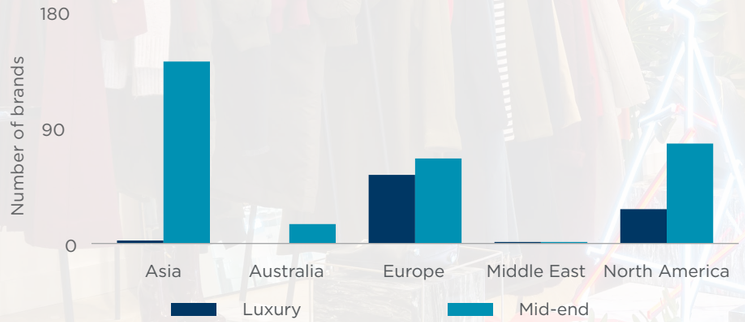
Source: Cushman & Wakefield Research

BRAND COUNT BY TYPE AND MAJOR AREA AS OF NOVEMBER 2019



Source: Cushman & Wakefield Research

BRAND COUNT BY SEGMENT AND MAJOR AREA AS OF NOVEMBER 2019

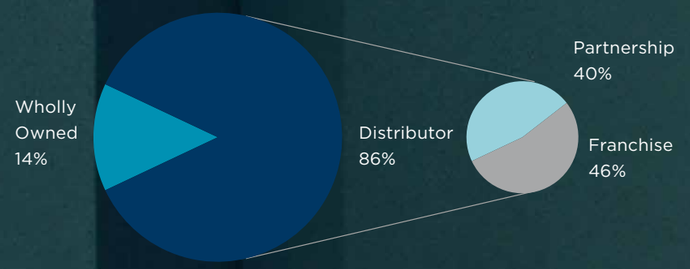


Source: Cushman & Wakefield Research

DISTRIBUTION OF NEW FOREIGN BRANDS BY MODE OF ENTRY

Foreign retailers still opt to tie-up with local partners upon their entry to the Philippines. Around 86% of new brands initially came to the local market through local distributors, either through partnership or master franchise license agreement.

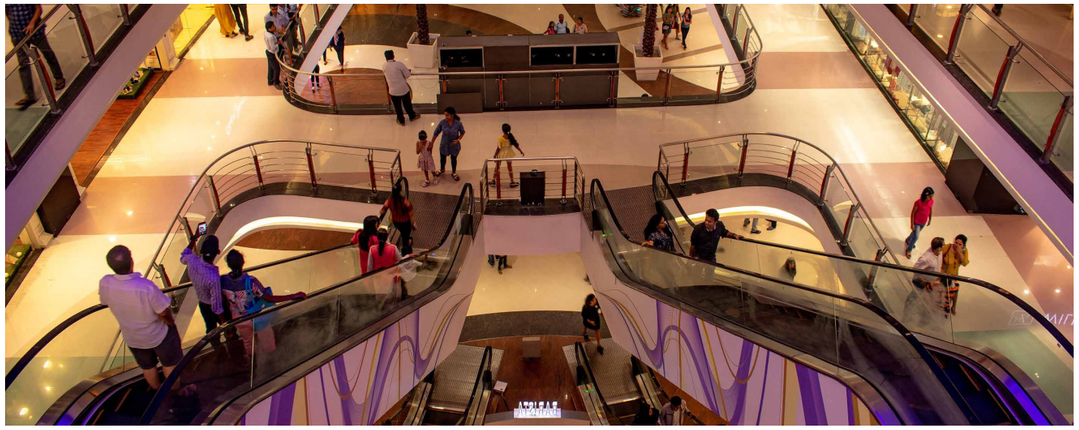
BRAND COUNT DISTRIBUTION OF NEW FOREIGN BRANDS BY MODE OF ENTRY



Source: Cushman & Wakefield Research

NEW RETAILERS THROUGH LOCAL SUBSIDIARY	
Select Brands	Subsidiary
Decathlon	Decathlon Philippines
Hello Kitty Café	Sanrio Group Philippines
Innisfree	Amorepacific Philippines

NEW RETAILERS THROUGH LOCAL PARTNERS	
Select Brands	Distributor
Anello	Crossmerchant Inc.
Arcova	Robinsons Retail
Baker & Cook	Bistro Group
Club Clio	Robinsons Retail
Elizabeth Arden	Robinsons Retail
Hawker Chan	Foodee Global Concepts
In Good Company	SM Premium Fashion Retail Designs Inc.
Intersport	Planet Sports, Inc
Jins	Suyen Corporation (Bench)
Kam's Roast	Foodee Global Concepts
Kiss the Tiramisu	Foodeology, Inc
Kushikatsu Daruma	The Tasteless Food Group
Little Caesars	Palmtree PH Foods Corp.
Macao Imperial Tea	Fredley Food & Beverages Inc.
Off-White	H&F Retail Concepts Inc.
Panda Express	Jollibee Foods Corporation (JFC)
Pet Lovers Centre	Robinsons Retail
Pizza Express	The Tasteless Food Group
Red Lobster	Bistro Group
Shake Shack	Stores Specialists, Inc.
The Alley	Aslan Quality 77 Trading Inc.
Tim Hortons	TH Coffee Services Philippines
Tommy Jeans	Stores Specialists, Inc.
Tsuta Ramen	Foodee Global Concepts
Wing Zone	Viva International Foods & Restaurants, Inc. (VIFRI)



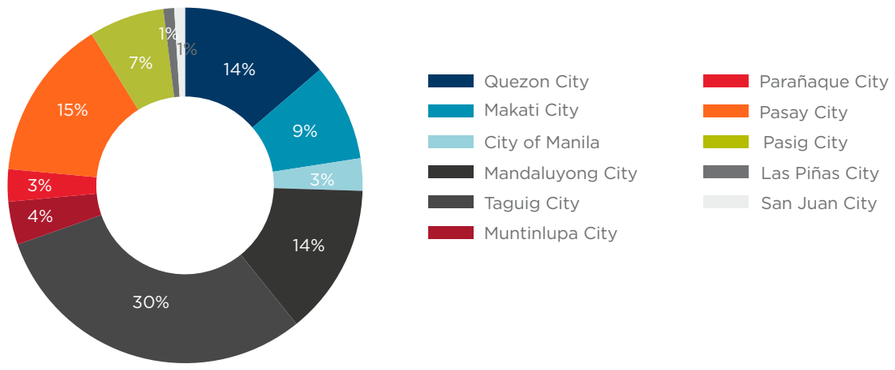
RETAILER DEMAND IN CORE MARKETS

Foreign brands are drawn towards the bustling Bonifacio Global City (BGC) in Taguig City that is rapidly becoming a center of business and financial activities apart from Makati CBD. Thirty-one (31) new foreign retailers chose the business district as a flagship store location mainly due to it becoming a main investment destination for several business locators, including foreign-based and multinational companies. Moreover, its ideal blend of business and residential communities supplies a large concentration of working population and upper income consumers. The second largest cluster of new brands is headed towards Pasay City due to its ample supply of retail space owing to new shopping mall developments, particularly with the completion of S Maison in 2017 that ultimately catered to the flagship stores of Mazendo, Tsujiri, Baker & Cook, and Red Lobster, among others.

The key shopping districts in the cities of Makati, Mandaluyong, and Quezon still hold the largest count of foreign brand entries. Nonetheless, market saturation and limited supply of retail space hampered the aforementioned areas in accommodating new brands.

A good mix of business and residential communities draws international retailers to Bonifacio Global City.

NEW FOREIGN BRANDS IN METRO MANILA (FIRST STORE LOCATIONS)



Source: Cushman & Wakefield Research

FIRST STORE LOCATIONS OF FOREIGN BRANDS BY TOP RETAIL TYPE AND SEGMENT

CITY OF MANILA
13 brands — 3 | 6 | 2

Luxury	3	Mid-end	10

SAN JUAN CITY
6 brands — 6

Mid-end	6

MAKATI CITY
101 brands — 24 | 34 | 11

Luxury	32	Mid-end	69

PASAY CITY
39 brands — 2 | 27 | 3

Luxury	5	Mid-end	34

LAS PIÑAS CITY
1 brands — 1

Mid-end	1

PARAÑAQUE CITY
4 brands — 1 | 1 | 2

Luxury	1	Mid-end	3

MANDALUYONG CITY
90 brands — 33 | 7 | 30

Luxury	26	Mid-end	64

TAGUIG CITY
111 brands — 24 | 53 | 13

Luxury	22	Mid-end	89

PASIG CITY
17 brands — 3 | 1 | 10

Mid-end	17

QUEZON CITY
42 brands — 8 | 18 | 6

Luxury	2	Mid-end	40

MUNTINLUPA CITY
18 brands — 5 | 3 | 4

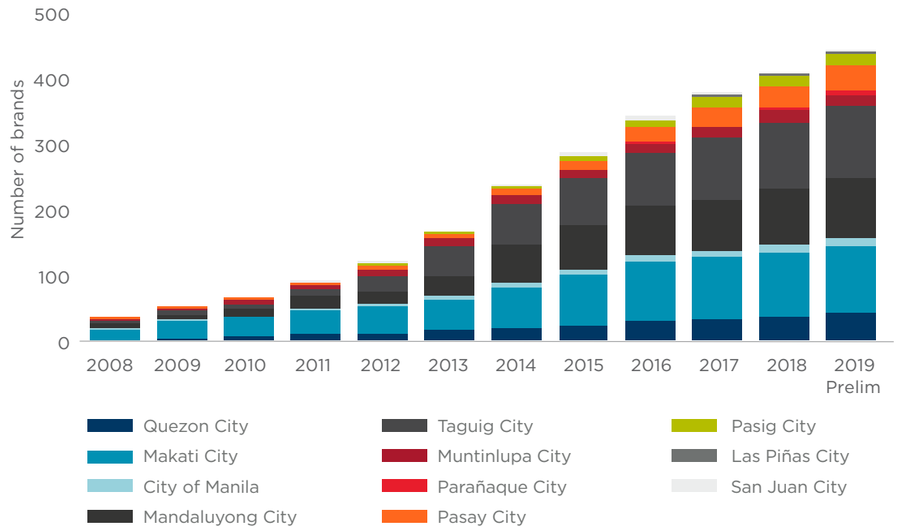
Luxury	5	Mid-end	13

LEGEND:

- Food and beverage
- Clothing and apparel
- Footwear
- Bags and luggages
- Gadgets and appliances
- General retail
- General retail
- Healthcare and beauty
- Jewelry, watches, and accessories

Fast fashion retailers help sustain the demand for retail space with the establishments of large flagship stores.

HISTORICAL GROWTH OF BRANDS BY MAJOR MARKETS (FIRST STORE LOCATIONS)

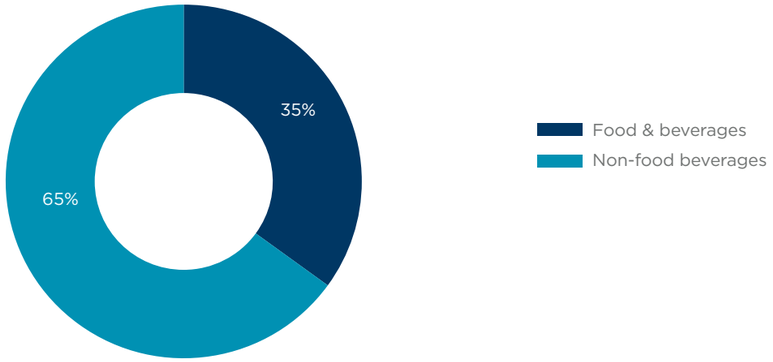


Source: Cushman & Wakefield Research

THE UPSHOTS OF FOREIGN RETAILERS

The Philippines' overall retail structure continuously benefits and adjusts to the profile of foreign retailers coming into the country. The increasing count of foreign brands with food and beverages concepts contributed to the large inclination of retail establishments towards F&B. On average, 35% of the total brand count in shopping centers are F&B retailers. Furthermore, fast fashion brands help sustain the demand for retail space upon their establishments of several massive flagship stores spread throughout the cities of Metro Manila.

BRAND MIX OF SELECT SHOPPING CENTERS



Source: Cushman & Wakefield Research

THE FUTURE OF PHILIPPINE RETAILER MARKET

IMMENSE OPPORTUNITIES IN THE PHILIPPINE E-COMMERCE

Filipinos still prefer shopping in brick-and-mortar stores wherein they can experience the products firsthand before purchase decisions. Nonetheless, the escalation in the number of smartphones and widespread digital penetration continue to increase the prominence of e-commerce in the country. According to the Digital 2019 report of Hootsuite and We are Social, the Philippines is recognized as the heaviest internet user in the world, spending an average of 10:02 hours a day using the internet. Moreover, internet penetration in the Philippines is at 71% of the total population, which is up by 13% from the figure in the Digital 2018 report.[12] It was also noted that there are 76 million active social media users from the country.

Cash-based transactions still dominate the country although there has been a remarkable shift towards digital payments over the past years. As presented in the digital payment diagnostics conducted by Better Than Cash Alliance (BTCA) in partnership with BSP, the volume of digital payment transactions increased from 1% in 2013 to 8-11% in 2018.[13] Initially, the BSP aimed to increase the figures to at least 20% by 2020 upon the launched of the National Retail Payment System (NRPS) in 2015. In November 2019, the initial target was revised, citing that total payments coursed through digital and electronic platforms could reach up to 30% by 2020. Moreover, while credit card ownership is still low at only 2% in 2017[14], Filipinos are now more open to e-money transactions. According to the 4th Visa Consumer Payment Attitudes Survey, 69% percent of respondents in the Philippines shopped on mobile at least once a month.[15] The survey also stresses the increasing preference towards cashless payments wherein 75% of the respondents plan on using cards instead of cash, and that the card spending had grown 19% YoY.[16]

[12] Hootsuite and We Are Social. (2019). *Digital 2019: The Philippines*. Retrieved from https://datareportal.com/reports/digital-2019-philippines
[13] Better Than Cash Alliance. (2019). *The State of Digital Payments in the Philippines*. Retrieved from https://www.betterthancash.org/tools-research/case-studies/country-diagnostic-the-philippines-2019-edition
[14] The World Bank. (2018). *The Global Findex Database 2017 [Data file]*. Retrieved from https://globalfindex.worldbank.org/sites/globalfindex/files/2018-08/Global%20Findex%20Database.xlsx
[15] Visa. (2018). *Rise of the Digitally Engaged Consumers*. Retrieved from https://www.visa.com.sg/dam/VCOM/regional/ap/documents/rise-of-the-digitally-engaged-consumer-sg-my-th.pdf
[16] BusinessWorld. (2019, August 30). *Filipinos starting to go cashless — Visa*. Retrieved from https://www.bworldonline.com/

WHERE DO THE FILIPINO CONSUMERS SHOPS ONLINE?

TOP 5 E-COMMERCE PLATFORMS IN THE PHILIPPINES

Platform	Estimated Monthly Traffic
Lazada	25.0 million
Shopee	14.4 million
Zalora	1.3 million
Carousell	0.9 million
eBay	0.9 million

Source: ASEAN UP

In 2018, the Philippines' internet economy is valued at USD 5 billion from USD 2 billion in 2015. The e-commerce segment is still at a very early stage with a lot of room to grow as it is projected to reach USD 21 billion in 2025.[17] With statistics showing the country's high online participation, proper e-commerce strategies could lead to enormous opportunities to prosper. As the success of brick-and-mortar stores are heavily associated to consumer trust, e-commerce players can find ways to increase consumer satisfaction and build trust along the way. With credit card ownership also at a very low level, although it has been notably growing, retailers can skip credit card and proceed with other online payment channels.

LEVERAGING IN OMNI-CHANNEL RETAILING STRATEGIES TO MAXIMIZE CONSUMER EXPERIENCE

While brick-and-mortar retail is far from disappearance in the years to come, retailers are also adapting to the digital retail transformations. To complement their physical stores, many brands are also strengthening their online presence by launching their own retail websites and cooperating with other retail platforms. Best known as multi-channel retailing, which means having presence on websites, marketplaces, social media, and physical stores,[18] this strategy is widely utilized by most brands to keep at pace with the growing completion. Still, while having presence

[17] e- Google and Temasek. (2018). e-Conomy SEA 2018. Retrieved from https://www.thinkwithgoogle.com/_qs/documents/6870/Report_e-Conomy_SEA_2018_by_Google_Temasek_121418_cpsLjlQ.pdf
[18] Wallace, T. (2019). Omni-Channel Retail Report [Web log post]. Retrieved September 22, 2019 from https://www.bigcommerce.com/blog/omni-channel-retail/#loyalty-trumps-data-collection-for-younger-shoppers

in multiple offline and online platforms seems to be a superior strategy as it enhances brand exposure that sends a clear brand message to all possible channels, this does not offer a seamless experience to customers as each channel offers separate purchase opportunities. This is where we introduce omni-channel retailing, which basically integrates both physical and digital presence. While multi-channel retailing focuses on creating as many channels as possible, omni-channel retailing aims to integrate multiple sales channels, if not all, into one platform.[19]

Omni-channel retailing works on the idea that consumers browse and compare products before making a purchase. Whereas its main goal is to improve physical store experience with the digital exposure, it starts even before the customers visit the store. Omni-channel retailing is triggered when the customers reach the brand's website. Based on the customers' interaction on the website, their digital footprints are immediately being evaluated. The customers are then retargeted after leaving the website and upon their transition from one channel to another, even though they have not made any purchase yet. The customers will then be shown with personalized content through pop-ups, ads, and promotions whatever platform they are in, thus, tearing off the barriers in each channel. Re-targeted customers will primarily be provided with more product information. The strategy also offers other options, categories, and alternatives and eventually refers customers to nearby brick-and-mortar stores.

SINGLE CHANNEL VS. MULTI-CHANNEL VS. OMNI CHANNEL[20]

Single Channel
The historic model of buying through one channel.
A buyer walks into a store, discusses their options with a salesperson, and then buys their preferred item.

Multi-Channel
Consumers have numerous options available to learn about products and services, including stores, websites, direct mail, email and social media. They research and purchase from their preferred channel. In a multi-channel approach, each channel is essentially working in their own best interest rather than focusing on the consumer.

Omni-Channel
A consumer first approach where all of the brand's communications work together to educate and empower the consumer rather than working against each other to get "credit" for the sale. Direct Mail, in-store, email and social messaging are designed to optimize the consumer experience based on the consumer's preferences rather than the brand's preferred method of communication.

Source: Paldesk.com

[19] Ribera, L. (2017). Why Omni-channel retail is the future of e-commerce [Web log post]. Retrieved December 11, 2019 from https:// www.ecommerce-nation.com/omni-channel-retail-future-ecommerce/#comments
[20] Maškarić, N. (2019). *Omnichannel Retailing: What Is It and Why Is It Important? [Web log post].* Retrieved December 11, 2019 from https://www.paldesk.com/omnichannel-retailing-what-is-it-and-why-is-it-important/

As unified as this strategy may look and how it seems to provide leverage in the Philippine retail sector, wherein a visit in the brand's website does not necessarily equate to a purchase, this requires serious investment in sophisticated and centralized data management. For the process to work effectively, advanced technological infrastructure is needed to safeguard accuracy in inventory and order administration in various channels.

FOREIGN RETAILERS' STRATEGIES AMIDST NEW TRENDS

With the ever-evolving consumer demands and preferences, foreign retailers are reinventing physical stores from the traditional brick-and-mortar formats into something that brings more lifestyle experience. Flagship stores are now designed to be retail destinations that present unique visual and experiential concepts. In 2018, when Uniqlo unfolded its largest Southeast Asian flagship store in Makati City, it showcased large visual displays that draw consumers into an immersive shopping experience while showcasing a full line-up of UNIQLO's global offering. Recently, Samsung's flagship store was reopened to feature interactive zones that allow customers to artistically access the brand's products and upgrade physical store experience. The store's new features include smartphone information cards replaced with digital screens, well-lit "Accessory Walls" holding different accessories and cases that customers can view and touch, a team of in-house customer representatives, and experience lounges, among others.

Moreover, multi-channel retailing is becoming the new norm as most foreign brands that entered the Philippines launched their online channels and physical stores almost simultaneously. Social media platforms are also being utilized to serve as a marketing channel and at the same time, as an effective way of gathering customer feedbacks.

BRANDS TO WATCH OUT FOR

The Philippines is anticipating the opening of IKEA, the world's largest furniture retailer, which is estimated to be completed by the end of 2020. The flagship store of IKEA in the country will be in the SM Bay City development, adjacent to the SM Mall of Asia in Pasay City. The store complex will cover around 65,000 sq.m (the brand's largest store globally) and will feature an e-commerce facility, integrated global customer service support, and a large warehouse.

OUTLOOK

The strong economic fundamentals of the Philippine economy are seen to sustain the growth trajectory of the major demand drivers of the retail sector. The local retail scene will also continue to defy the global retail headwinds of declining retail footfall and store closures as the Filipinos see retail establishments to be more than a place to shop. Shopping centers in the country had become essential structures also for socialization, leisure, and entertainment. However, the challenge would be on how the retailers will be able keep up with the increasing competition with new concepts incessantly being introduced in the market and how they can satisfy the increasing complexity of consumer preferences.

CUSHMAN & WAKEFIELD

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