

Accelerated Growth in Philippine eCommerce

Michael Contreras

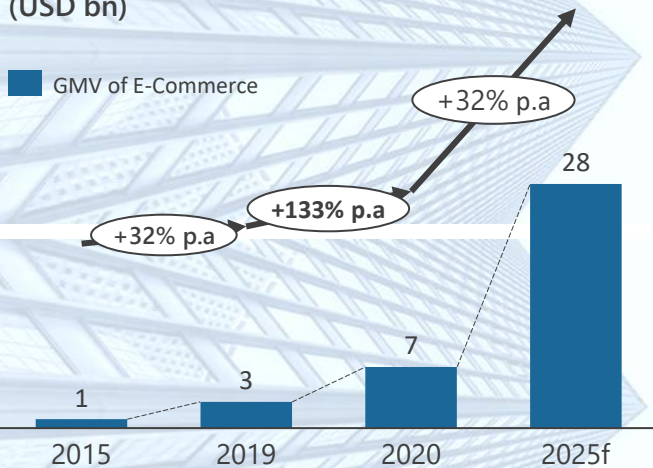
Accelerated Growth

Though, steadily growing pre-2020, Philippine eCommerce has seen accelerated development to facilitate retail transactions during pandemic. eCommerce has become an integral part of the new normal.

Thus, the sector is expected to significantly contribute to economic recovery and growth of the Philippines.

Figure 1 shows the historical and forecasted Gross Merchandise Value (GMV) of retail eCommerce from 2015 to 2025f. From 2015 to 2019, 32% compounded annual growth rate indicates retail the significant development of eCommerce in a span of four years.

Figure 1. Gross Merchandise Value of Retail eCommerce in the Philippines, 2015 to 2025f (USD bn)



This growth was mainly driven by an increased acceptance of consumers and merchants to use eCommerce due to its convenience and broader reach, respectively. As a result of the COVID 19 pandemic, year-on-year growth of GMV more than doubled from USD 3 billion to USD 7 billion, enabling the unprecedented acceleration eCommerce development.

A growing eCommerce consumer base is one the primary drivers for this growth. Per e-Economy SEA 2020 report, 37% of internet users in the Philippines are new eCommerce users in 2020, indicating shifting consumer behavior favoring online stores and marketplaces over physical stores.

Merchants have also seen an increased acceptance of eCommerce. From January to November 2020, the Department of Trade and Industry (DTI) notes that of the 840,000 new business registrations, 82,000, or a little under 10%, are online businesses. Given its important and necessary role in the new normal, coupled with an increasing acceptance of its utilization from both consumers and merchants, eCommerce, particularly retail eCommerce, is expected to grow at 32% by 2025.

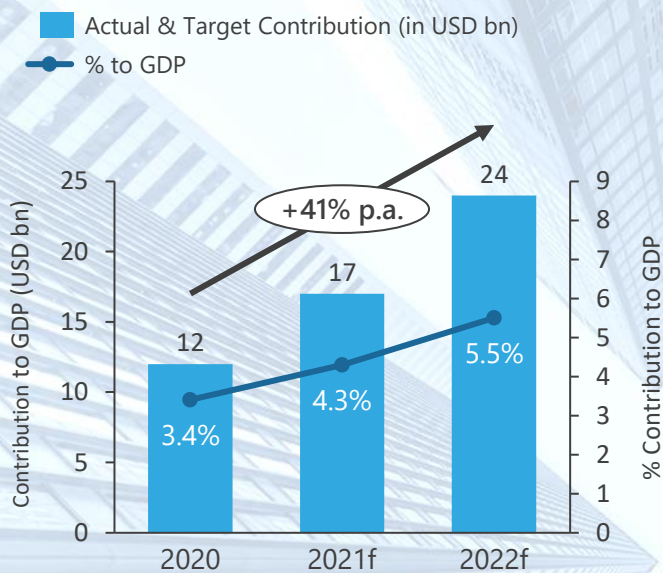
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Seeing its unprecedented growth and acknowledging its importance in the new normal, the Philippine government is expecting eCommerce to play a significant role in the Philippine economy's recovery and growth.

Figure 2. Actual and Target GDP Contribution of eCommerce



Source: "eCommerce hikes share in GDP..." Manila Bulletin, Jan 2021, PH eCommerce Roadmap 2021

Using this as baseline, DTI targets eCommerce contribution to GDP to increase by 41% by 2021. This would translate to actual targets of USD 17 billion (4.3%) and USD 24 billion (5.5%) in 2021 and 2022, respectively. Similarly, the DTI aims to have more businesses, especially Small and Medium Enterprises (SME), participate in eCommerce. With current eCommerce enterprises estimated at 500,000, DTI targets to increase these numbers to 750,000 and 1 million enterprises in 2021 and 2022, respectively. To achieve this end, DTI published an eCommerce Roadmap that highlights the how government plans to further assist development of eCommerce by addressing challenges such as internet stability, data security and systems connectivity.

In order to ride the momentum of the growth eCommerce will experience in the coming years, improvements must be done to at least three things, namely: overall digital infrastructure (particularly internet stability), credibility of eCommerce systems and, most importantly, digital literacy of non-eCommerce merchants and potential customers. While both public and private sectors have done various initiatives to improve infrastructure and eCommerce credibility, addressing digital literacy will allow more consumers and merchants to fully appreciate the benefits and value of at least incorporating eCommerce into buying habits and business models, respectively.

As shown in Figure 2, DTI estimates entire eCommerce sector—which includes retail and other support services such as logistics, warehousing, payments, and the like—contribution to total Philippine GDP at USD 12 billion in 2020, or around 3.4% of GDP.

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Bio

Mike has been with NRI Manila Branch since 2016. He has been leading Market and Industry Research and Feasibility Study projects for various industries, particularly the Philippine Automotive and Oil & Energy industries. He has a Bachelor's Degree in Management and Master's Degree in Environmental Management from the Ateneo de Manila University

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