

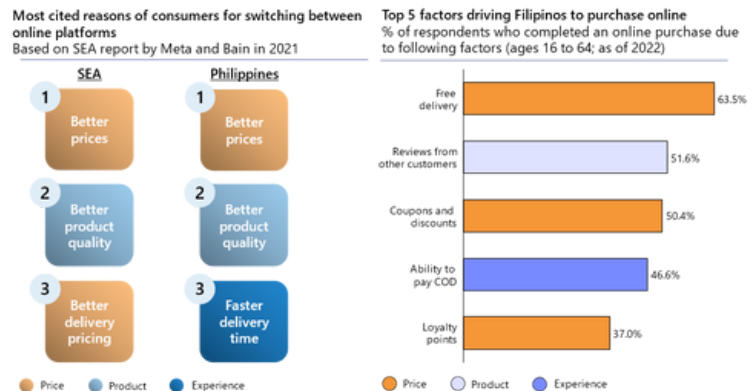
E-Commerce in the Post-Pandemic Philippines Part 2: How can businesses capture more Filipino shoppers online?

We know from the previous article that e-commerce is here to stay and will form a larger part in our economy in the coming years. Despite the reopening of traditional channels, Filipino consumers still depend on e-commerce and maintain spending online. As more Filipinos go online to shop, competition in the e-commerce space will only become tougher and winning for business may mean employing multiple strategies and forging partnerships through the value chain.

In this article, we have come up with key questions and analyzed four (4) potential schemes that businesses can adopt to better navigate the increasingly competitive retail e-commerce field.

Price: How to deliver more value (for money) to consumers?

According to research by Meta and Bain, shoppers in Southeast Asia prioritize (1) price, (2) product quality, and (3) delivery pricing in order when choosing between marketplace platforms, while Filipinos prioritize (1) price, (2) product quality, and (3) delivery time. DataReportal also reported free delivery as top factor driving Filipinos to buy online. As with our average neighbors, Filipinos prioritize better value for money particularly fast and low-cost (free) deliveries.



Source: Meta & Bain, DataReportal

Online sellers in the Philippines, whether large businesses or casual sellers, typically have three (3) options to start their business online: (1) through marketplace (e.g., Shopee and Lazada), (2) through social media (e.g., Facebook and Instagram), and (3) own/independent site that is either independently developed or developed through third-party services such as Shopify and WooCommerce.

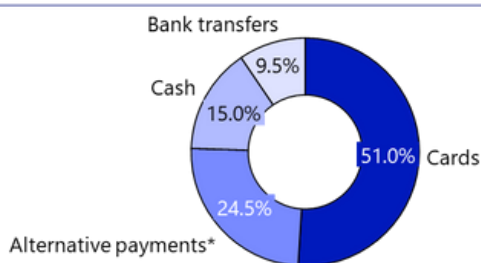
For sellers in the marketplace, deliveries is not a major issue. Most marketplaces have their own internal and external delivery partners, and shoppers can often choose between couriers and decide on trade-off between cost and delivery time. For example, Lazada has LEX Express (LEX) as their internal integrated delivery partner and also have partnerships with Flash Express, Ximex Delivery Express, and J&T Express to name a few.

For businesses selling through social media sites and independent websites, fostering good relationships with logistics and delivery partners is a must given the high importance of delivery cost and time for Filipinos.

Sellers on these platforms should also consider locations of their central warehouses or fulfillment centers when looking delivery partners.

Aside from low-cost or fast deliveries, Filipinos also have an increasing penchant for cashless payments and alternative installment. Motivated (or forced) by the pandemic, cashless payments are steadily dominating B2C transactions online. In 2022, card payments comprise 51% of e-commerce transactions according to PPRO whereas the same only comprise 27% of e-commerce transactions in 2021. Also, as prices went up during the pandemic, Filipinos look to debt to finance their spending hence the popularity of buy-now, pay-later scheme (BNPL).

Payment preferences for online shopping
% of e-commerce transactions value per payment method (as of 2022)

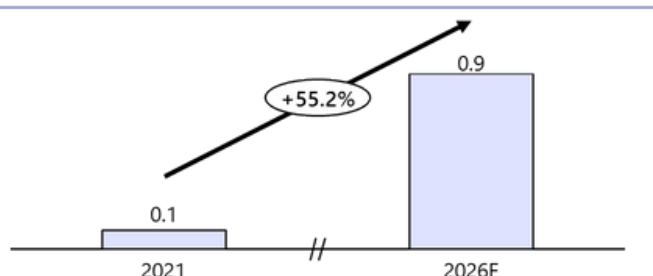


Source: DataReportal, PPRO

According to Unacash’s survey, 42% of average monthly income were spent on BNPL purchases. 16.4% of surveyed Filipinos were also encouraged to buy online because of availability of interest-free payments (DataReportal, 2023). This increasing trend of BNPL has led marketplace operators to invest in pay later features. Locally, BNPL services such as Billease and Tendopay have also found partnerships with e-commerce sellers, while international companies such as the SG-based Atome have expanded to the Philippines.

BNPL spending in e-commerce is forecasted to grow annually by 55.2% from 2021 to 2026.

Forecasted BNPL spending in e-commerce in the Philippines
(in USD billion)

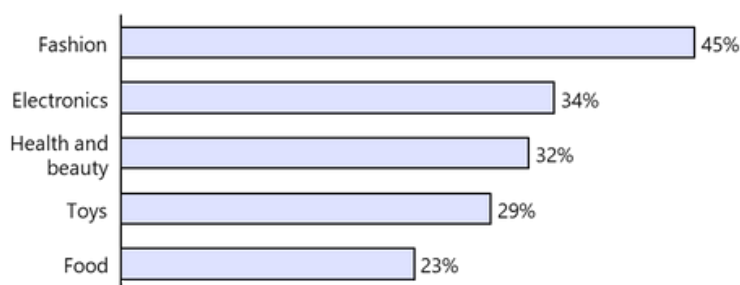


Source: Statista

Product: How to differentiate products offered online from offline?

With the reopening of traditional channels, sellers should continue to highlight convenience and unique products to attract more Filipinos to shop online. One way to do this is through importing products or cross-border shopping. As per Meta and PPRO, 48% of online shoppers in the Philippines have shopped cross-border and 51% have purchased products abroad during the holiday season. Fashion (45%) is the number one category that is bought by Filipinos from abroad, followed by electronics (34%), and health and beauty (32%). Appealing to Filipino’s inclination to imported products, online sellers should look beyond the Philippines for potential product offerings or partnerships.

Categories Filipinos consider getting from abroad
(Meta, 2021)



Source: Meta

Imported products sold through cross-border e-commerce typically come from China, United States, and South Korea. The Philippine government has also seen the potential of cross-border e-commerce in the Philippines and has recently signed MOU with China to further partnership on e-commerce exchanges. The previous administration has also ratified UN's treaty on the Use of Electronic Communication in International Contracts (UNECC), which aims to remove legal barriers on the use of electronic communication or document in cross-border negotiations.

Sellers can also get inspiration from marketplace success stories of other businesses that have leveraged on unique customer behaviors of Filipinos. An example include the availability of financial services and insurances online. As per Meta, 42% of Filipinos were able to discover products or service they did not know about through e-commerce. With many Filipinos still unbanked, BPI has opened its store in Lazada in February 2023 to reach and let more Filipinos know about their products through online (ABS-CBN, 2023). Google study also reported that more Filipinos are willing to pay more for sustainable products and this is leveraged by launching of Earth Day or green sale in common marketplaces. Sustainable packaging has also been adopted by some marketplace and sellers.

Promotion: How can consumers know about us?

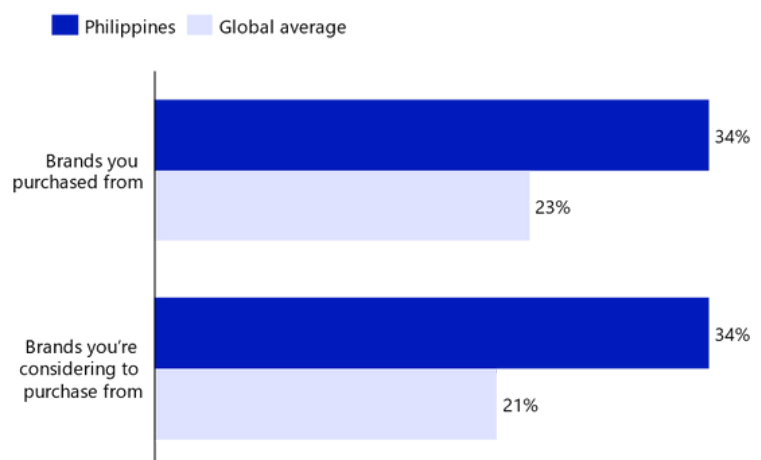
Starting a business online does not online end in posting products in the marketplace. Online sellers should also consider how to be on top of marketplace listings and connect to more shoppers through social media. Social media marketing is not new to the e-commerce space.

With younger population that has been introduced to the internet at an early age now entering the working class, sellers should be more creative in their promotions online.

According to recent study, nearly half (40%) of younger people (ages 18 to 24) look to Tiktok and Instagram instead of traditional search engines such as Google for discovery purposes. What this means is they rely more on social media posts and videos in discovering products as they appreciate visual contents more than text results. 81.2% of Filipino internet users also visit social media sites to discover more information about brands. Filipinos also have higher percentage of users following brands online than the global average.

Aside from online contents, sellers should also consider partnering with influencers to further market their products. According to GWI, 55.6% of Filipino internet users (ages 16 to 64) watch influencer videos and vlogs on a weekly basis.

Accounts followed on social media
% of respondents who follow brands/companies they purchased or plan to purchase from



Source: GWI

Place: How to bring traditional shopping experience to online?

With new technology, online selling is no longer confined to common marketplaces. Alternative e-commerce such as live selling is emerging as more Filipinos appreciate “seeing” products in “real life” before purchasing.

Live streaming started in early 2000s, but only became popular for vlogging and gaming purposes. In 2010s, social media sites such as Facebook added live streaming features in their applications to enable users to update friends and take live coverage of events. Since then, the use of live streaming has evolved and reached the e-commerce space.

Based on survey by Meta, 58% of Filipinos have watched live shopping events while shopping online and 89% agreed that live selling are influential to their purchasing decisions. Acknowledging the importance of live selling, Shopee and Lazada have integrated live selling features in their apps. Live selling systems, such as UpMesh and CommentSold, have also emerged to help social media sellers to monitor bids and assist buyers in checking out items shown in the live selling event.

Aside from live selling, online sellers can also tap augmented reality (AR) to bring more of traditional shopping experience to online. With AR, sellers can show to potential shoppers how their products look which is typically the advantage of shopping offline. For example, shoppers buying cosmetics online can try on different shades of lipsticks and foundation through AR filters. Beauty stores, such as Dior and Sephora, already use AR in their website and apps.

IKEA has also integrated AR features to enable shoppers to see how furniture would look like in their homes.

Top 3 reasons for interest to use of augmented reality while online shopping | Based on survey by Meta in 2021



Source: Meta

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Ayra is a Senior Consultant under Business Strategy Sector of Nomura Research Institute (NRI) Singapore – Manila Branch. She specializes in business analysis and steering, management reporting, and forecasting.

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A Certified Public Accountant (Top 13), Ayra graduated with a degree in Accountancy (Cum Laude) from De La Salle University.