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# Report Name: Retail Foods

**Country:** Philippines

**Post:** Manila

**Report Category:** Retail Foods

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**Report Highlights:**

The modernization of the Philippine retail sector continues its acceleration under COVID-19 restrictions, which have greatly shifted consumer buying habits to choose upscale vendors and online solutions. With the continued plight of the food service sector, retail sales are expected to remain strong. In total, the market segment is expected to grow 10 percent in 2021.

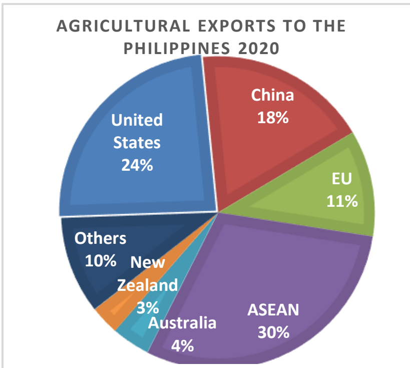
## MARKET FACT SHEET: PHILIPPINES

### MARKET OUTLOOK

The Philippines is an emerging market with a young, growing working-age population. The economy is expected to slightly recover in 2021 with an estimated 5.5 percent GDP growth.

### AGRICULTURAL EXPORTS TO THE PHILIPPINES

The Philippines is the ninth largest export market of U.S. agricultural products, remaining resilient in 2020 and reaching a record $3.2 billion. Meanwhile, the United States remains the largest single-country supplier of agricultural products with a 24 percent market share.



Source: Trade Data Monitor

### FOOD PROCESSING SECTOR

Following a second year of contraction, the food manufacturing sector is expected to remain relatively stagnant with upside potential.

### RETAIL FOOD SECTOR

The modernization of the Philippine retail sector continues its acceleration under COVID-19 restrictions, which have greatly shifted consumer buying habits to choose upscale vendors and online solutions. With the continued plight of the food service sector, retail sales are expected to remain strong. In total, the market segment is expected to grow 10 percent in 2021.

### FOOD SERVICE SECTOR

COVID-19 related measures continued to greatly hurt the foodservice sector, which declined 34 percent in 2020 with still little prospect of recovery in 2021. Food service providers that still remain in operation have generally shifted to online delivery platforms and curbside pickups. Larger chain restaurants have made in-roads selling ready-to-cook meals in retail.

**Philippines: Quick Facts CY 2021**

**Demographics**
110 million population (July 2021 est.)
1.49% population annual growth (July 2021 est.)
52% under 24 years old & median age of 24 years old
47% urbanization rate
13% resides in Metro Manila (capital city)
76% speaks English & 98% literacy rate

**Gross Domestic Product (GDP)**
GDP: $390 billion (est.) GDP per capita: $3,545 (est.)
GDP growth rate: 5.5% (est.) GDP PPP: $1,081billion (est.)

**Agricultural & Related Trade (2020)**
Exports to PH: $12.9 billion PH Exports: $6.8 billion

**Consumer-Oriented Agricultural Products**:

| | |
|---|---|
| - Pork | - Sauces and condiments |
| - Beef | - Food preparations |
| - Poultry | - Fruits |
| - Dairy products | - Vegetables |
| - Beverages | - Biscuits, cookies and baked goods |

**Top Fast Food Chains**
Jollibee, Mc Donald's, Mang Inasal, Chowking, Shakey's, KFC and Burger King

**Top Supermarkets**
SM, Robinson's, Puregold Price Club, Metro, Gaisano, and Landmark

**Top Convenience Stores**
7-Eleven, Alfamart, Ministop, Familymart, All Day , and Lawson

**Top Warehouse Clubs**
S&R and Landers

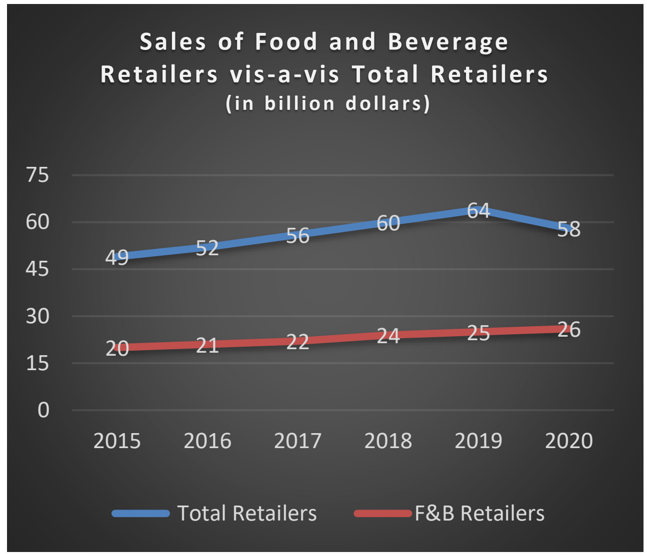
**Sources:** Euromonitor, Global Agricultural Trade System, International Monetary Fund, The World Factbook, Trade Data Monitor, The Economist, World Bank, Philippine Statistics Office, Department of Trade and Industry, and FAS Manila research

| Strengths | Weaknesses |
|---|---|
| Strong preference for U.S. ingredients and perceived higher standard and quality | High cost of shipping freight compared to Asian countries |
| **Opportunities** | **Challenges** |
| With a growing economy and a young and working-age population ensures increase in purchasing power from online shopping and food delivery applications | Government regulations impose restrictions on transportation and logistical concerns |

Contact: USDA-FAS Manila, U.S. Embassy, Philippines

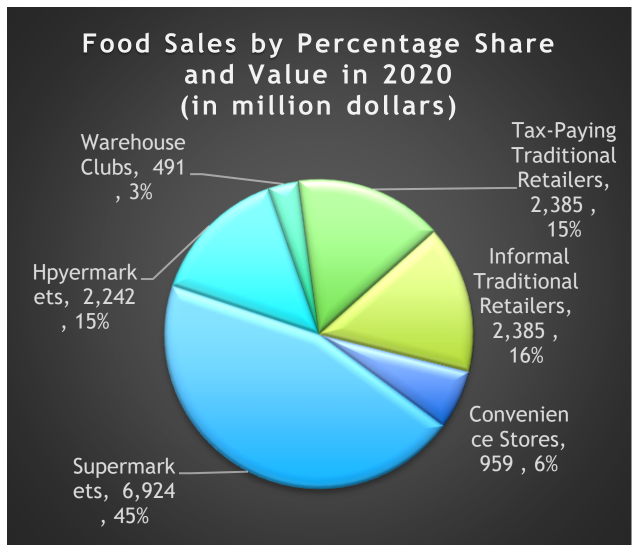
## SECTION I. MARKET SUMMARY

Philippine food and beverage retail sales continue to be strong with FAS Manila estimating 10 percent growth in 2021. However, major market share shifts within the sector have and are continuing to develop and solidify as an ongoing consequence of long-standing COVID-19 countermeasures in the country. Specifically, FAS Manila sees hypermarkets, convenience stores, warehouse clubs, and supermarkets all growing at a double-digit pace and more than offsetting further expected declines in traditional retail.



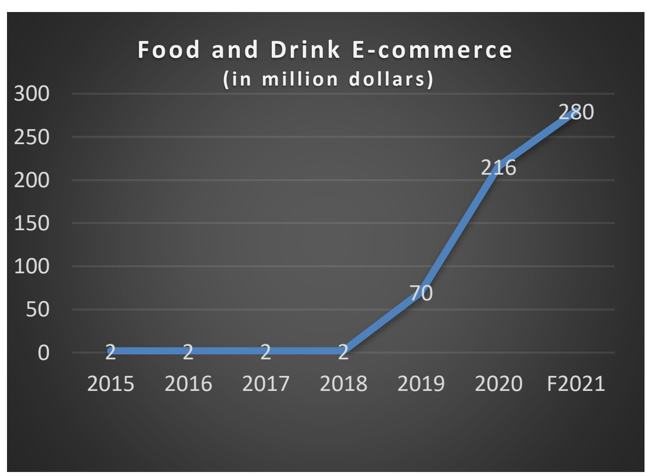

Source: [Euromonitor International]

Companies are increasingly harnessing sales through online services offered from websites and mobile applications, including Lazada, Shopee, GrabMart, and Metromart, as well as marketing in community groups using Viber, Messenger, and Telegram. While consumers initially turned to E-commerce for continued access to products and as a safety measure against COVID-19, it is likely to remain an increasingly preferred option post-pandemic. While still only accounting for a miniscule portion of the market, E-commerce of food and beverages increased 210 percent last year, and Post estimates 30 percent growth in 2021.




Source: [Euromonitor International] and FAS Research

Consumers continue to pantry load to avoid frequent visits to buy groceries while some concerns of supply shortages in particular products persist.




Source: [Euromonitor International] and FAS research

As consumers have continued to avoid and/or be restricted from enjoying food service, food and beverage retailers are increasingly offering premium selections to satisfy consumer demand.

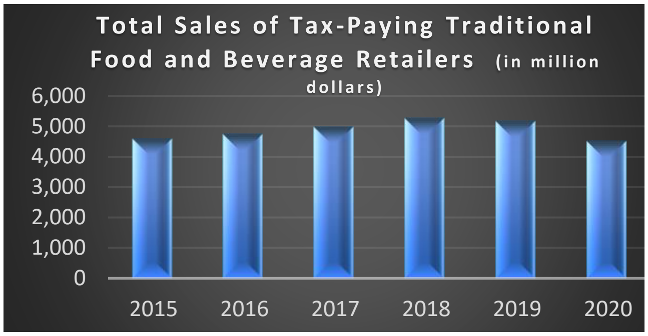
Home cooking and baking remain popular during the pandemic.

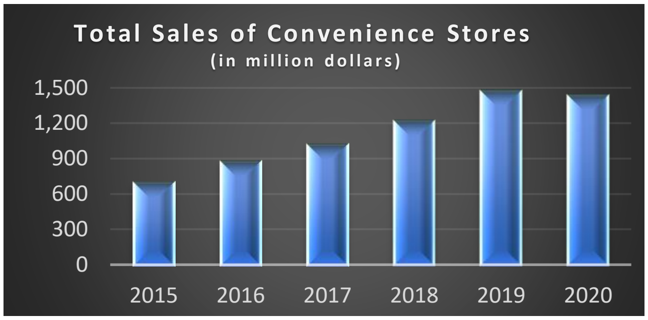
Traditional retailers have struggled mightily under COVID-19. Most all have struggled with their supply chain and given their dependence of foot traffic, sales have suffered. Traditional retailers historically offered an advantage by covering both cities and remote areas, though consumer habits have shifted away from them in favor of options offering more dependable supply, safety, and convenience.

Modern retailers have continued to expand to new areas in cities and provinces as well as extended delivery services, provided personal shoppers, and offering more payment channels (Gcash, Dragon Pay, Pesopay, PayEasy, PayMongo, and PayPal).

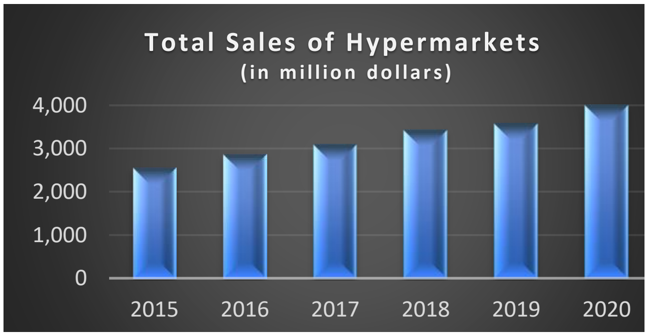
Meanwhile, some retailers, especially convenience stores located nearby offices and schools, have continued to experience a decline in sales from ongoing COVID-19 restrictions.

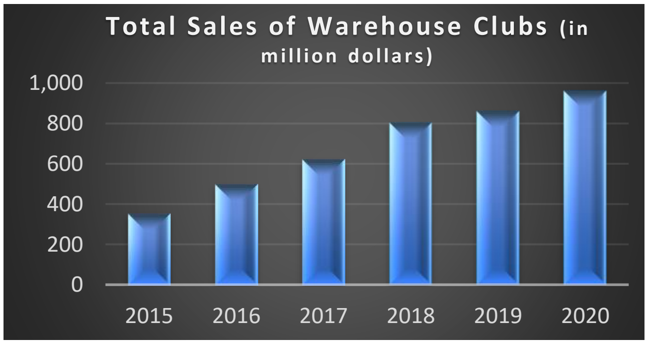
A relatively new market segment – “resellers” and customer-to-customer sales – have also emerged, offering products without a retail store.








Source: [Euromonitor International]

## IMPORT REGULATIONS

For information on the import procedure, please access the following reports:

Philippines: FAIRS Annual Country Report

## ADVANTAGES AND CHALLENGES

### ADVANTAGES / CHALLENGES

| ADVANTAGES | CHALLENGES |
|---|---|
| - Premiumization trends show preference for industrial packaging and imported brands. Imported ingredients offer more product value and healthier options to mostly the upper and middle-class consumers. Unavailability of some popular entry-level selections have also helped introduce consumers to try higher-end products, including imported products. | - COVID-19 restrictions continue to limit opportunities for retailers near schools or offices with some stores reducing hours or closing permanently. |
| - Home cooking or baking and pantry loading continued to support demand for staples as well as premium food ingredients and industrial packages while more frozen ready-to-eat meals and take-home sizes were launched for grab-and-go needs of consumers. | - Restrictions on the sale of alcohol have been intermittent and done on a city-by-city basis |
| - Food and beverage retailers continued operations despite lockdown, initiated rolling stores, and expanded to residential areas and provinces. | - Internal logistic challenges continue to result in supply shortages of some products |
| - With 67 percent of the population using the internet and the government modernizing retail payments, the Central Bank of the Philippines projects 50 percent of retail transactions will be online by 2021 further boosting E-commerce sales. | - Congested ports and limited availability of containers have increased costs and delayed supply chains. |

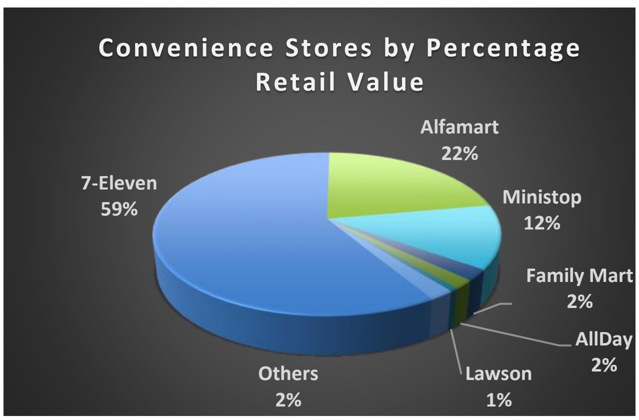
## SECTION II. ROAD MAP FOR MARKET ENTRY

### ENTRY STRATEGY AND MARKET STRUCTURE

Exporters should review the Exporter Guide and the Philippines Country Commercial Guide for guidance on market entry strategy and more information on the country's economic and political environment.  Exporters should also consider participating in key trade events, outlined in Section V.

### CONVENIENCE STORES

U.S. exporters may directly deal with importers to penetrate convenience stores such as 7-Eleven. Convenience stores are spread across the country with headquarter offices in Manila. Food sales contribute roughly two-thirds to total sales, amounting to an estimated $1 billion million in 2020.

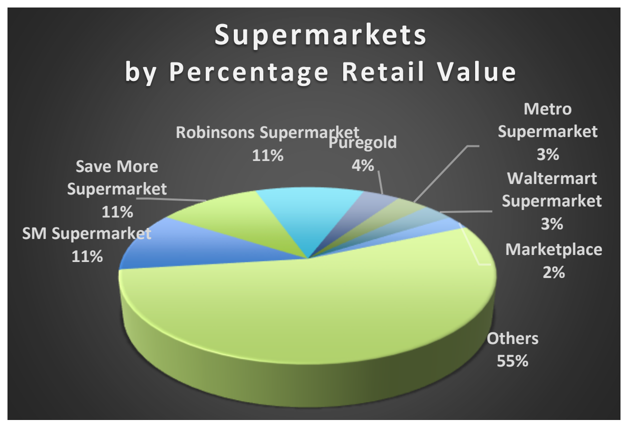



| Top Convenience Stores (by Sales) | Sales in Million Dollars | Number of Stores |
|---|---|---|
| 1 7-Eleven | 882 | 2,940 |
| 2 Alfamart | 329 | 910 |
| 3 Ministop | 189 | 514 |
| 4 Family Mart | 33 | 87 |
| 5 AllDay | 26 | 73 |
| 6 Lawson | 11 | 55 |

Source: Euromonitor International

### SUPERMARKETS

Larger supermarkets, including SM and Robinsons, import directly and sometimes demand exclusivity.  Supermarket chains cover major cities nationwide, while smaller supermarkets penetrate provincial areas. Food sales contribute approximately 60 percent of sales, totaling an estimated $7 billion in 2020.

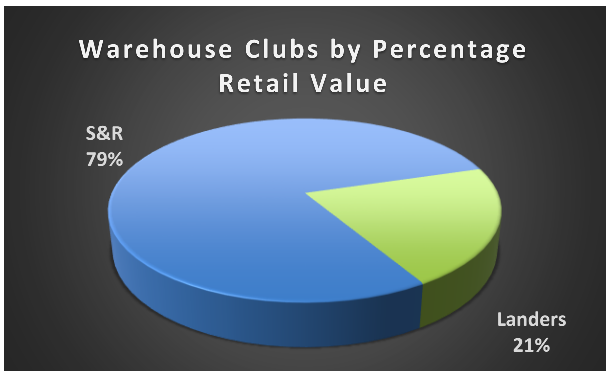



| Top Supermarkets (by Sales) | Sales in Million Dollars | Number of Stores |
|---|---|---|
| 1 Robinsons Supermarket | 1,348 | 144 |
| 2 SM Supermarket | 1,323 | 61 |
| 3 Save More Supermarket | 1,263 | 207 |
| 4 Puregold | 457 | 101 |
| 5 Metro Supermarket | 397 | 32 |
| 6 Waltermart Supermarket | 373 | 65 |
| 7 Marketplace | 300 | 34 |
| 8 Gaisano Grand Mall Supermarket | 253 | 39 |
| 9 NCCC Supermarket | 241 | 22 |
| 10 Gaisano Capital Supermarket | 132 | 34 |

Source: Euromonitor International

## WAREHOUSE CLUBS

Strategically located near high-end neighborhoods and gated communities, warehouse clubs sell goods in bulk exclusively to members for their monthly grocery purchases. Warehouse clubs also offer the most imported selections of any market segment, with imported brands representing 70 percent of sales. They can directly import products, requiring sampling and exclusivity. Food and beverages account for roughly 50 percent of sales, totaling an estimated $0.5 in 2020.

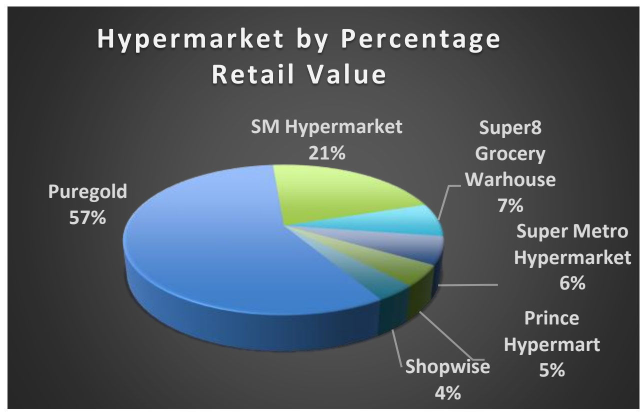



| Top Warehouses (by Sales) | Sales in Million Dollars | Number of Stores |
|---|---|---|
| 1 S&R | 760 | 20 |
| 2 Landers | 202 | 5 |

Source: Euromonitor International

## HYPERMARKETS

Hypermarkets, including Puregold, directly import various products. Located in major cities, stores offer a one-stop-shop for most consumer needs. Food and beverages represent 50 percent of total sales, resulting in an estimated $2 billion in 2020. Food and beverage sales in hypermarkets have taken some consumers away from mall-based supermarkets, in order to gain better access non-grocery items.




| Top Hypermarkets (by Sales) | Sales in Million Dollars | Number of Stores |
|---|---|---|
| 1 Puregold | 2,294 | 240 |
| 2 SM Hypermarket | 856 | 52 |
| 3 Super8 Grocery Warehouse | 288 | 76 |
| 4 Super Metro Supermarket | 240 | 14 |
| 5 Prince Hypermart | 181 | 46 |
| 6 Shopwise | 144 | 17 |

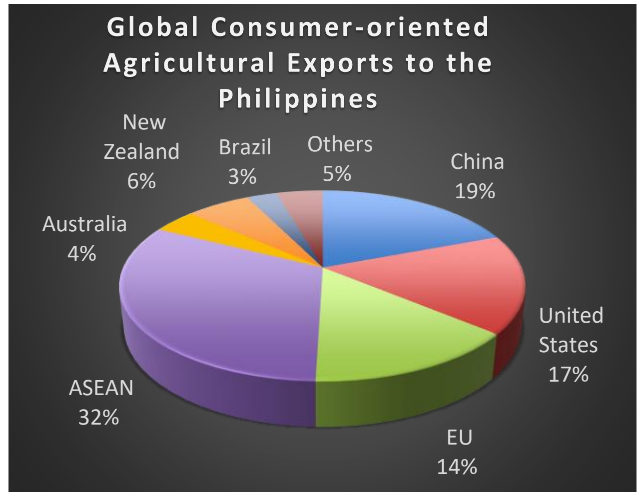
Source: Euromonitor International

## TRADITIONAL FOOD AND BEVERAGE RETAILERS

The Philippines' traditional retailers are made up of mom-and-pop style "sari-saris" and wet markets, and FAS Manila's best understanding is that roughly half operate informally. In all formats, food sales represent approximately 50 percent of total sales, representing a still very significant $5 billion market segment. However, penetration of imported products into this market segment is limited with constraints. Sari-sari retailers primarily sell fast-moving consumer goods, most of which are obtained from warehouse clubs and hypermarkets. Wet markets, usually found in each municipality, sell primarily fresh fruits, vegetables, meat, poultry, and fish and generally lack proper temperature controls.

## SECTION III. COMPETITION

U.S. consumer-oriented agricultural exports rank third amid high competition from ASEAN, China, New Zealand, and Australia. These competitors benefit from preferential market access and favorable proximity to the Philippines. Europe competes for premium products but faces similar constraints as the United States.



Source: [TDM]

Although more than 70 percent of total food is produced locally, food retailers continuously import U.S. food products to provide variety, quality, and healthier options.

Through April 2021, U.S. consumer-oriented agricultural product exports to the Philippines are up 39 percent year-over-year, growing faster than China (19 percent) but slower than the European Union (79 percent).

## SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

### POTENTIAL CONSUMER-ORIENTED PRODUCTS

- confectionary
- snacks
- prepared food
- pasta
- fresh or chilled onions and shallots
- waffles and wafers
- cherries
- eggs

### TOP CONSUMER-ORIENTED PRODUCTS

- food preparations
- cheese, buttermilk, milk, and cream
- meat and poultry
- coffee and tea
- soups and broths
- sauces and preparations
- mixes and doughs
- apples, grapes, pears, and oranges
- sugar confectionary
- dog and cat food
- chocolate and cocoa preparations
- waffles and wafers
- pasta
- bread, pastry, biscuits, and cookies
- peanuts and nuts
- yogurt and ice cream

### U.S. CONSUMER-ORIENTED PRODUCTS

- cheese, milk and cream
- meat and poultry
- sausages and hams
- food preparations
- sauces and condiments
- fresh and dried fruits and vegetables
- dog and cat food
- biscuits, cookies and baked products
- mixes and doughs
- peanuts and nuts
- chocolate and other cocoa prepartions
- non-alcoholic beverages and other beverages

# SECTION V. KEY CONTACTS AND FURTHER INFORMATION

## EVENTS

| | | |
|---|---|---|
| World Food Expo Autumn<br>Virtual Exhibition<br>August 4-7, 2021 | National Retail Conference and Stores Asia Expo<br>Virtual Exhibition<br>August 12-13, 201 | Asia Food Expo<br>World Trade Center, Manila<br>September 8-11, 2021 |
| Virtual Franchise Asia Philippines 2021<br>Virtual Exhibition<br>September 8-11, 2021 | Cold Chain Philippines 2021<br>SMX Convention Center, Manila<br>November 25-27, 2021 | Manila Food and Beverage Expo<br>Virtual Exhibition<br>To be confirmed |
| Food and Drinks Asia<br>To be confirmed | International Food Exhibition (IFEX) Philippines Next Food Asia<br>To be confirmed | |

## KEY CONTACTS AND INFORMATION

| | | |
|---|---|---|
| USDA Manila<br>E-mail: AgManila@usda.gov<br>Tel: (632) 5301-2000 | American Chamber of Commerce of the Philippines (AMCHAM) | Philippine Exporters Confederation, Inc. (PHILEXPORT) |
| Department of Trade and Industry (DTI) | Philippine Chamber of Commerce (PCCI) | Philippine Retailers Association (PRA) |
| Center for International Trade Expositions and Missions (CITEM) | | |

**Attachments:**

No Attachments