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Asia's Logistics Simplified

The Ultimate eCommerce Guide to Shipping to PHILIPPINES

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ABOUT THE PHILIPPINES MARKET

CHAPTER 1

Why Enter the Philippines? Key Stats on the Philippines' eCommerce Market

The Philippines offers tremendous potential for eCommerce and omnichannel merchants, boasting one of the fastest-growing consumer markets in all of Asia and one of the world's highest Internet usage rates[1]. According to an analysis by Santander Trade[2], the combination of rapid urbanization and an emerging market of young shoppers (the country's average age is 25.7 years[3]) points to long-term economic growth and increased consumption.

According to figures from Google and Temasek's e-Conomy SEA 2019 report[4], the Philippines Internet economy in consumer goods is expected to quadruple from US$3 billion in 2019 to US$12 billion by 2025. A few factors driving this growth include:

- Still being noted to be one of Southeast Asia's fastest expanding economies[5] despite slowing down to an eight-year low in 2019. Part of its 2019 Q4 GDP recovery was driven by increased consumer spending.
- A growing middle class that's predicted to outspend Italy's middle class by 2030[6].
- Remittances from overseas Filipinos to their loved ones in the Philippines continue to break records year after year[7], reaching $32.21 billion in 2018. In 2019[8], this figure hit US$ 22 billion in the first eight months.
- The country has a young, tech-savvy population (the average age is 25.7 years)[9] that's hungry for products and services.
- PayPal, reported by the Manila Times[10], predicts that the Philippines' eCommerce market growth will be fueled by mobile shopping and growing awareness of online shopping.
- Filipinos are among the world's heaviest Internet users[11], spending an average of 10 hours and two minutes[12] using the Internet every day.

Size of eCommerce Market

SOURCE: Google and Temasek (2019)

Internet and eCommerce Penetration Rates in the Philippines

Population figures

107.3 million

or **76 million** are **Internet Users**

of surveyed PH internet users are **Online Shoppers**

or **76 million** are **Social Media Users**

SOURCE: Hootsuite and We Are Social (2019)

But the real reason you should be excited about the Philippines is that it's a relatively untapped market by regional players. This is a country with 76 million active Internet users, the second largest in Southeast Asia.

What's more, 71% all of these users are on social media, according to research by Hootsuite and We Are Social[13]. This makes it easy for you to reach out to this audience and promote your cross-border offerings on Facebook, Twitter, Instagram, and on online marketplaces like Lazada, Shopee, and Zalora, among others.

These factors come together to paint an exciting future for eCommerce in the Philippines. But what are a few positive and negative factors driving eCommerce opportunities in the country?

CHAPTER 2

What's Driving the Philippines' Shift towards eCommerce?

The Philippines shift towards eCommerce is boosted by certain factors, but merchants also need to be wary of some roadblocks they'll need to overcome when entering the Philippines eCommerce market for the first time.

First, we'll look at some of the major factors driving the Philippines' eCommerce growth, which include:

A growing middle class

Growing government support

Interest in goods found abroad

The convenience of a digitalised shopping experience

FACTORS SUPPORTING eCOMMERCE

1. A growing middle class

According to the World Bank[1], the Philippines is one of the most dynamic economies in the East Asia Pacific region. It sustained average annual growth of 6.3% from 2010 - 2018, up from an average of 4.5% from 2000 - 2009 and is on its way to becoming an upper-middle income country (US$ 3896 - 12,055) in the near term.

Even though the external economy is weak and caused the country's GDP growth to slow to 5.6 per cent in Q1 2019[2], the World Bank estimates growth will accelerate back to 6.1% in 2020 and 6.2% in 2021. In fact, strong domestic consumption[3] is one of the reasons why the Philippines' GDP growth began recovering in Q4 2019.

Poverty has also been steadily reduced. The World Bank also reports that poverty declined from 26.6% in 2006 to 21.6% in 2015 while the Gini coefficient declined from 42.9 to 40.1. Lower Gini coefficients mean lower levels of income inequality.

A bullish economy is also propelling an emerging middle class of tech-savvy millennial spenders, the oldest of whom are now assuming managerial positions in organisations. In fact, the World Economic Forum predicts[4] that this middle-class segment will outspend Italy's middle class by 2030.

Meanwhile, the stream of foreign currency sent by overseas Filipinos to their families in the Philippines continues to break records with each passing year[5]. In 2018, overseas remittances reached US$32.21 billion, which, for the average Filipino family, is spent on food, clothing, entertainment, mortgages, rent, and other basic necessities.

The Philippines also has the second largest average online shopping basket size in Southeast Asia[6] according to research by iPrice (2017), which only goes to show how eager local consumers are to find and buy products online.

2. Growing government support

Recognising the importance of eCommerce for the Philippines economy, the country's Department of Trade and Industry (DTI) developed the Philippines eCommerce Roadmap 2016-2020[7]. Its primary goal is to get online business activities to account for 25 per cent of the country's GDP by 2020, up from 10 per cent in 2015.

The government is committed to seeing through this roadmap, and has made headway especially in the areas of:

- Infrastructure - improving Internet access, eGovernment systems, eBanking, ePayment, tax systems, consumer protection, and logistics
- Investments - supporting and promoting opportunities such as foreign direct investment and capital flows
- Innovation - helping digital startups enter the commercial market

Overall, this means the Philippines is in the process of building clear rules and support systems for you and other online merchants. There are some kinks, as with any other country adopting digital transformation, but the government understands the importance of opening its doors to both domestic and foreign players in the eCommerce industry.

3. Interest in goods found abroad

Filipinos are prolific shoppers, hungry for goods and services not found in the Philippines—a fact you can leverage when figuring out which goods consumers in this market would be interested in.

A typical Filipino holiday itinerary[8] to nearby cities like Hong Kong and Singapore isn't complete without a day or two set aside for shopping alone. In fact, going abroad used to be the only way Filipinos could shop at stores like H&M and Uniqlo, which only opened stores in the country in 2014 and 2012, respectively.

The desire for products not found locally was also cited by a Nielsen report[9] as one of the primary reasons driving eCommerce consumers in the Philippines to shop online. The opportunity here for online sellers is quite clear: you can stand out in this market by offering products Filipino consumers don't have access to locally.

> **The opportunity here for online sellers is quite clear: you can stand out in this market by offering products Filipino consumers don't have access to locally.**

The Philippines is a Mobile-first Country

Mobile Internet Users:

71.4 million

or **67%** of PH population

Mobile Social Users:

72 million

or **67%** of PH population

Filipino youth spend

4 hours 12 minutes

on social media on average

4. The convenience of a digitalised shopping experience

The Philippines population of 107 million people skews towards a young, tech-savvy group of Millennial and Gen Z consumers (the country's average age is 25.7 years[10]). Unsurprisingly, these consumers are prolific users of the Internet, spending an average of 10 hours and two minutes[11] browsing the Internet each day. Nearly half of that time—4 hours and 12 minutes—is spent on social media.

Like other countries in Southeast Asia, the advent of powerful and affordable mobile devices is at the heart of this surge of Internet usage among Filipinos. The Philippines has been a mobile-first nation since 2014[12], and this can be seen in Hootsuite and We Are Social's[13] findings that 89 per cent of adult Filipinos use mobile phones of any type. In contrast, only 38 per cent have access to a laptop or desktop computer.

As such, it's important for you to provide an online shopping experience that's optimised for the smartphone screens of mobile-first shoppers. That means simpler navigation requiring fewer clicks, clear call-to-action buttons, vivid but lean images that load quickly, an intuitive browsing experience, and even eCommerce ads optimised for mobile screens.

Variety is king

Shopping online for items that aren't available in stores or locally is a major draw

Cash on Delivery is still important

80% of online retail players in PH offer COD

SOURCE: Hootsuite and We Are Social (2019), Nielsen (2019), World Economic Forum (2018), iPrice (2018), Visa (2015)

CHALLENGES OF eCOMMERCE IN THE PHILIPPINES

Every rose has its thorns, and the Philippines eCommerce market is no different. Some of the challenges of selling to the Philippines eCommerce market include:

- Cash-based payment methods dominate for now
- Logistics concerns due to unique geography
- Growing pains with Internet connectivity
- Changing eCommerce perceptions

1. Cash-based payment methods dominate, for now

One of the reasons behind the relatively slow uptake of eCommerce in the country in the past few years is the continued dominance of cash-based transactions. According to the Philippines' central bank[14], cash accounted for 99 per cent of all local transactions as of January 2018. In addition, the country has been slow to adopt eWallets, with only 1.3 per cent of Filipinos owning electronic money accounts[15] based on Bangko Sentral ng Philippines' 2017 Financial Inclusion Survey. Meanwhile, merely 1.9 per cent of Filipinos over the age of 15[16] have a credit card. 68 per cent[17] of Filipinos with savings keep them at home instead of at a bank in 2019.

With the Philippines being an archipelago of more than 7,600 islands, logistics naturally presents a challenge you will have to prepare for when serving customers in this country.

As such, over 80 per cent of online retail players[18] in the Philippines have had to offer cash on delivery or payment centres (like paying at a 7/11) as a payment option. This can be a headache for international sellers given the ease of cancelling or returning orders that buyers have not yet paid for, compared to those they have paid for in advance.

However, local eWallets have been aggressively marketing their services in the country. Popular ones include GCash and SMART Money[19], which are offered by two of the country's largest providers of mobile accounts and Internet connections. Social commerce, especially through Facebook and Facebook Messenger, has also been found to drive the adoption of eWallet payments[20] in the Philippines, according to a report by PayPal.

The government of the Philippines has also been ramping up efforts to help its unbanked and underbanked population. Through its National Strategy for Financial Inclusion[21], it plans on doubling the number of Filipinos with bank accounts from 2019's 35 per cent to 70 per cent by 2023 - which should lead to more Filipinos using debit and credit cards in the future.

What's clear is that online merchants should be willing to accept cash on delivery, while also educating consumers about eWallet payment options.

2. Logistics concerns due to unique geography

With the Philippines being an archipelago of more than 7,600 islands, logistics naturally presents a challenge you will have to prepare for when serving customers in this country. Consumers living in the sprawling capital of Metro Manila enjoy access to huge shopping malls, flagship brick-and-mortar stores, and even quick delivery from large marketplaces like Lazada and Shopee.

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However, suburban and rural areas with fewer shopping malls are an underserved market where you can cater to customers who can't find the products they want or need in nearby brick-and-mortar stores. To do this, you will need a reliable cross-border shipping partner and last-mile delivery service provider that can deliver packages nationwide, without drastically increasing your shipping fees.

But even with a logistics partner, it's important to set realistic expectations on how soon customers can receive their orders. For example, online marketplaces like Lazada make it clear that they can deliver to all serviceable areas, with a few limitations due to geographic restrictions. For orders outside of Metro Manila, the promised turnaround time is 12 days[22], even if deliveries don't necessarily take that long.

You should also take note of the Philippines' most popular eCommerce shopping events to anticipate supply and demand well in advance, which we cover in Chapter 6. In the Philippines, shopping season typically starts during the "ber" months (i.e. September to December).

This is also a good time to research sale wishlists to get an idea of what Filipino consumers are eyeing, especially during the end-of-year holidays. This will help you plan for timely delivery during the festive season.

3. Growing pains with Internet connectivity

The Philippines has one of the slowest and most expensive Internet connections[23] in Southeast Asia. Coupled with high mobile phone and social media usage, this means online merchants must pay attention to mobile optimisation, particularly when it comes to the sizes of their product images, This ensures that consumers can easily load on a smartphone on a 3G data connection.

Keep in mind that Facebook, the country's most popular social media network[24], has a free version for mobile phone users in the Philippines. That means online merchants can leverage the network to advertise and sell their products.

In fact, PayPal's research[25] shows that 87 per cent of Filipino merchants sell products on social media. Facebook also drives traffic and engagement[26] on Lazada, Shopee, and Zalora.

4. Changing eCommerce perceptions

A universal challenge for any online merchant is gaining buyers' trust. For eCommerce, this means using a combination of strategies, ranging from prompt delivery to accurate product descriptions.

You also need to account for the low trust Filipino consumers have in credit cards. According to a MoneyMax survey[27], many Filipinos are reluctant to get credit cards because they fear it will lead to overspending and debt.

Considering the challenges in Philippines eCommerce, online merchants can also build trust by offering alternative payment options to credit cards. This may be in the form of cash on delivery and local eWallets.

Given the popularity of branded products, eCommerce merchants can also capitalise on consumers' trust in major brands. This does not mean that you must sell only branded items. Merchants can sell non-branded or less popular products in bundles with major branded items, or sell similar products that provide the same features and functionalities.

While we're on the topic of consumer insights, let's get to know the average online shopper in the Philippines and their motivations behind their online shopping.

CHAPTER 3

Meet the Philippines' Online Shoppers

By this time, you'd note that the Philippines' eCommerce market holds great potential. But the next question is: who exactly will you be selling to?

eCommerce consumers in the Philippines at a glance

Research by We Are Social and Hootsuite[1] reveals that 71 per cent (76 million) of the country's total population of 107.3 million people are active Internet users. Of that number, 70 per cent have purchased a product or service online in the past month.

Some key factors include:

- The majority of Filipinos who shop online are between the ages of 18 to 31[2]—members of Gen Z and Millennials who are tech-savvy and prolific social media users.
- More women (12 per cent) shop online than men (8 per cent) do[3], even if fewer women have credit cards.
- Most Filipino online shoppers have middle-range incomes[4].

WHY FILIPINOS SHOP ONLINE

In 2015, an eCommerce study by Visa[5] found that Filipino consumers shopped online for the following reasons:

- Convenience of not having to go to and line up at brick-and-mortar stores (58 per cent)
- Better prices compared to brick-and-mortar shops (47 per cent)
- Exclusive/better deals (46 per cent)

Why Filipinos shop online

58%

Convenience

- No need to line up at brick-and-mortar stores
- Deliveries

47%

Prices and Deals

- Better prices compared to brick-and-mortar shops
- Exclusive better deals

46%

Availability and variety

- Shopping online for items that aren't available in stores or locally is a major draw

SOURCE: Hootsuite and We Are Social (2019), Nielsen (2019), Visa (2015)

This focus on pricing might make it difficult for you to compete with local, more affordable products, but if you can improve the efficiency and reduce the cost of your cross-border or international shipping, it may be possible to offer competitive deals on international products thanks to the savings generated.

Finally, a separate Nielsen report[6] found that another reason eCommerce consumers in the Philippines shop online is to get access to products not found locally. For example, if you are selling beauty and personal care products, take note of the rising demand for Korean beauty products in the Philippines, with 71% of Filipino respondents to a Statista survey[7] reporting that at least 25% of their cosmetic products used are South Korean brands.

But while Filipinos are price conscious, this doesn't mean they're conservative spenders. In fact, the average basket value in online shopping in the Philippines is the second highest[9] (US$56) in Southeast Asia

WHAT INFLUENCES FILIPINO SHOPPERS?

As mentioned earlier, young Filipinos make up the majority of online shoppers in the Philippines. Research by DAN Philippines and eConsultancy, cited by the Philippines Star newspaper[8], shows that these consumers demand value for money and great shopping experiences.

But while Filipinos are price conscious, this doesn't mean they're conservative spenders. In fact, the average basket value in online shopping in the Philippines is the second highest[9] (US$56) in Southeast Asia. Sales and promotions are a particularly huge draw for Filipino online shoppers, with shopping festivals like Singles Day generating record profits for the two major marketplaces in the country, Lazada and Shopee.

> **For product categories like beauty, fashion, and personal care, Filipinos look to style mavens and social media influencers for cues on what products are effective, safe to use, and in style.**

However, Filipinos also take their time when arriving at purchase decisions. In fact, Filipinos perform six to seven searches before arriving at a purchase decision, Marketing Interactive reports[10], citing data from Google and Kantar TNS. In fact, 90 per cent Internet users in the Philippines searched for a product or service online to buy. Most of these research activities take place on social media, where the average Filipino spends around four hours each day.

This has several implications. For one, this means Filipinos may have a longer buyer's journey. For the end of year holiday shopping season, consider marketing your products on social media as early as September—this is when most consumers in the Philippines are already thinking about Christmas[11], and with it, their shopping lists.

For product categories like beauty, fashion, and personal care, Filipinos look to style mavens and social media influencers for cues on what products are effective, safe to use, and in style. Consider running an audit of social media influencers in the country to put yourself in the shoes of these consumers and understand why styles and products they are likely to purchase from you.

Another factor that influences the online shopping habits of Filipinos is the desire to pay in cash. According to the Philippines Central Bank, 99 per cent of all transactions are cash- and paper-based, hence why it's on a campaign to increase cashless transactions to 20 per cent over the next few years. You need to consider offering COD as an option if you want to reach out to this market. To do this, look for a logistics service provider who offers last mile delivery and COD services.

Worried about hitting a minimum order quantity with your shipping partner? Worry no more, because Janio doesn't have a minimum order for you to start shipping with us. To find out more, email us at contact@janio.asia

Tap into the motivations and needs of Filipino online shoppers

The pattern of price, convenience, and bargains is something that comes up in report after report on the habits and motivations of online shoppers in the Philippines. If you're looking to capture a slice of the Philippines eCommerce market, consider the following strategies.

- Explore your options for suppliers to reduce your prices without hurting margins. It's also important to do research on local pricing for certain products. Compare brick-and-mortar and eCommerce prices on goods to find out where your pricing strategy can be most effective.
- Keep in mind that Filipinos tend to gravitate towards fashion trends, led by bloggers and influencers[12]. If you aren't sure which styles will click in the country, pay attention to what lifestyle and fashion bloggers are saying. Take a look at the comments section, too, to understand the audiences' responses.
- Even though products like Korean cosmetics are popular, customs duties and taxes can drive up their prices in the Philippines. Try to research similar products from ASEAN member-nations, as tariffs may be lower.
- That said, it's good to familiarize yourself with trade developments that reduce barriers to cross-border eCommerce, as well as with free-trade agreements[13] between the Philippines and other countries. This can give you ideas for products that might be less expensive to sell cross-border.

"If you aren't sure which styles will click in the country, pay attention to what lifestyle and fashion bloggers are saying. Take a look at the comments section, too, to understand the audiences' responses."

Consider offering free shipping on purchases above a certain peso value to sweeten the pot for the Philippines' predominantly young eCommerce shoppers. When Lazada ceased offering free shipping for deliveries within Metro Manila in late 2018—a move for which it was heavily criticized—it decided instead to allow sellers to set a minimum spending amount in order to offer reduced shipping rates.

Breaking into a new market can be difficult. But with research, strategic marketing, and the right suppliers and shipping partners, you can make sure that you satisfy the needs and preferences of eCommerce consumers in the Philippines.

Now that we know what the Philippines' online shoppers are like, we can find out what we can sell to them.

Top eCommerce Product Categories in the Philippines

If you're looking to enter the Philippines eCommerce market, it's a good idea to start with the most popular product categories among Filipino online shoppers. According to Nielsen's Bricks to Clicks report[1], online shoppers in the Philippines tend to gravitate towards:

1. Consumer Electronics

2. Fashion

3. Personal Care (aka Health and Beauty)

CONSUMER ELECTRONICS

Research by Nielsen in 2019 found that gadgets & electronics are the top eCommerce product category in the Philippines, accounting for 33 per cent of online purchases. This is consistent with data from Statista, which shows that electronics & media is the country's largest eCommerce market segment[2] with a market volume of US$275 million in 2020. It also explains the rise of Argomall, an eCommerce platform that specialises in selling electronics like smartphones and tablets, on iPrice's eCommerce website visit rankings.

Given how Filipinos spend an average of 4 hours and 12 minutes per day on social media—according to Hootsuite and We Are Social's Digital in 2019[3] report—it should come as no surprise that they're also prolific users of tech, specifically, mobile gadgets. The country's mobile phone penetration rate stands at 116 per cent.

In fact, two of the top three bestselling products on Lazada[4] within 12 hours of launching its 11.11 shopping festival in 2018 were smartphones: the Xiaomi Redmi S2 and the Pocophone F1.

Filipinos also vote with their wallets when shopping for tech, with many favouring less expensive brands. Chinese brands Xiaomi and Huawei, with their array of mid-range devices sold at discounted prices during 11.11[5], edged out household brand names with higher price points, such as Samsung and Apple.

Lazada PH Hottest Selling Brands 2018

1. Xiaomi
2. Realme
3. Huawei
4. Samsung
5. Apple

SOURCE: Revu.com.ph

> **If consumer electronics is your primary vertical, it's a good idea to pay attention to the devices that aren't widely available in the Philippines.**

A separate report by International Data Corporation (IDC) Philippines[6] also revealed that the top smartphone vendors for the first half of 2018 were smaller brands specialising in mid-range devices: Cherry Mobile (a Philippines electronics and mobile phone brand), Vivo, Oppo, and Huawei. These brands offer phones with features previously exclusive to flagship devices, such as bezel-less displays, powerful processors, and long battery life.

Samsung also made the list, with IDC noting that the company also offers lower-priced smartphones such as the Galaxy J and A Series on top of their premium Galaxy S and Galaxy Note products.

If consumer electronics is your primary vertical, it's a good idea to pay attention to the devices that aren't widely available in the Philippines. While mid-range devices offering value for money are driving smartphone growth in the Philippines, people are turning online to shop for these devices due to the lack of official retailers in the Philippines.

For example, Xiaomi opened their first physical store in the Philippines only in 2018[7]. But this store is located in the capital, leaving consumers outside of Metro Manila with no choice but to purchase products on platforms like Lazada and Shopee. And even on these sites, the demand for devices is so high that hyped-up midrange devices like the Pocophone F1 sold out in five minutes[8]. This presents a window of opportunity for you to cater to underserved consumers hungry for gadgets.

FASHION

Fashion is another huge market in the Philippines, with a projected revenue of US$260 million in 2020[9]. This is consistent with Nielsen's findings that shoes and apparel are the second leading product category in the country[10], with a market share of 28 per cent.

A closer look at the search queries Filipinos use[11] to look for products online shows that fashion-related keywords like "Shoes," "Nike," "Adidas," and "Dress" are among the top 10 shopping queries.

2019 Top Google Shopping Queries in the Philippines

1. Shoes
2. Lazada
3. Samsung
4. Nike
5. iPhone
6. Oppo
7. Vivo
8. Huawei
9. Adidas
10. Dress

SOURCE: Hootsuite / We Are Social (2019)[11]

> **In March 2019, Singapore-based Zilingo officially launched in the country, promising to "democratize the fashion and beauty industry."**

Meanwhile, Shopee's analysis of its shopper data[12] reveals that Filipino shopping preferences tend to differ in different parts of the Philippines, especially when it comes to fashion. For example, in the southern regions of the Visayas and Mindanao, Korean-inspired clothes and footwear tend to be more popular.

If you're selling shoes and apparel, do note that aside from the big three of Lazada, Shopee, and Zalora, other fashion eCommerce players are also seeking to establish a presence in the Philippines. In March 2019, Singapore-based Zilingo officially launched in the country[13], promising to "democratize the fashion and beauty industry." The company is looking to expand in the Philippines and ramp up cross-border selling to introduce products from smaller brands in Southeast Asia and China.

Like many markets, Filipinos take their fashion cues from trends and influencers they see on social media. It would also be wise for you to pay attention to publications like Metro Style, Preview, and Mega—magazines that cover the hottest fashion trends worn by celebrities in the Philippines. Zalora also offers trend rankings[14] and trend forecasts[15], which you can turn to as a guide on the most popular items and apparel in the country.

Thinking of shipping B2C products like B2C products like Fashion and Health and Beauty products to countries like the Philippines? To find out about how Janio can help you fulfil orders to and throughout SEA reach out to us at contact@janio.asia

HEALTH & BEAUTY (A.K.A PERSONAL CARE)

Beauty products were also among Lazada's bestselling products during 11.11 in 2018. For the make-up and skincare category[16], brands like Maybelline, L'Oreal Paris, MAC, Benefit, Olay, Nivea, Pond's, and Garnier generated the most sales on the site. According to Statista, the personal care market is estimated to generate 101 million[17] in sales in 2020, this year.

However, you should also keep an eye on the demand for Korean beauty products. A report by the United Nations International Trade Statistics Database[18] showed that South Korean exports of cosmetics to the Philippines have grown by an average of 35 per cent per year since 2010, reaching US$26.58 million in 2017.

On the other hand, Shopee revealed that men are increasingly shopping online for personal care and grooming products[19]. Notably, products like face masks were among the most popular items purchased by male Shopee users in Q1 of 2019.

BeautyMNL, the fifth leading eCommerce site in the country and a locally owned company, stands out for specialising in makeup, haircare, and skincare. It boasts of more monthly visits than larger rival Sephora (795,300 vs 134,600 in Q3 2019[20]) and is a favourite online destination of beauty enthusiasts in the country due to its low shipping fees and quick turnaround time. For international merchants hoping to keep up, a flexible logistics program relying on cross-border shipping may be necessary to keep up with demand and maintain high levels of satisfaction over the speed of online delivery.

"If there's one thing we can surmise from the popularity of these eCommerce product categories in the Philippines, it's that Filipinos shop online because of price, discounts, brand, and convenience."

TAKING ADVANTAGE OF A PRICE-DRIVEN MARKET

If there's one thing we can surmise from the popularity of these eCommerce product categories in the Philippines, it's that Filipinos shop online because of price, discounts, brand, and convenience.

For international merchants, this could mean that lower-priced and medium-range items offer the best returns in the Philippines, at least for now. This may be an emerging eCommerce market, but all signs point towards sustained growth in the future. If you play your cards right, you may be able to secure a favourable position in the country before other merchants rush in.

As mentioned earlier, Filipinos are voracious social media users, so be sure to invest in social media marketing and advertising, particularly on Facebook, to stay top of mind in this market. For electronics, discounts and sales are a surefire way to grab attention, as seen in Lazada and Shopee's shopping festivals. For fashion, consider partnering with local influencers on Instagram—the de facto haven for Filipino fashionistas.

Keeping in mind Filipino online shoppers' focus on price, try to see if you can offer vouchers and promo codes for your store. If you have a strong following on your store's social media pages, you can run simple contests or polls there, too, to reward your customers with prizes. And keep an eye out for the hottest sales periods in the Philippines so you can plan your product offerings and marketing campaigns ahead of time.

As an archipelago of more than 7,600 islands, the Philippines presents eCommerce merchants with logistics issues. However, suburban and rural areas with fewer shopping malls comprise a potential market for online sellers, who can deliver items that are otherwise unavailable in brick-and-mortar stores.

Popular Online Shopping Platforms in the Philippines

Some of the most popular online platforms frequented by Filipino shoppers can generally be split into online marketplaces like Lazada, Shopee and Zalora as well as Brand.coms, websites that are run by a single brand.

MARKETPLACES

iPrice's Map of eCommerce[1] shows that the top online shopping sites in the country are dominated by foreign online marketplaces that are open to cross-border sellers. As of Q1 2019, these are Lazada, Shopee, Zalora, Argomall, and eBay, all of which manage transactions between shoppers and third-party sellers.

We Are Social and Hootsuite found that "Lazada" was the only keyword referring to a specific site in the top 10 list of online shopping search queries. During the 2018 11.11 sale, Lazada was also the most talked about eCommerce site on Philippines social media[2], accounting for 61.2 per cent of mentions vs. Shopee's 35.4 per cent share. The sheer amount of chatter generated by these shopping festivals and other eCommerce shopping events on social media, particularly Facebook and Twitter, should encourage you to ride on these trending conversations by promoting your own discounted eCommerce offerings on social media.

Mapping Philippines Leading eCommerce Players

Monthly Web visits in Q3 2019

Lazada
35,619,900

Shopee
18,174,000

Zalora
1,539,500

Ebay
796,400

BeautyMNL
795,300

SOURCE: iPrice (2019)

The popularity of shopping festivals on both eCommerce platforms opens doors for different promotions you can try, from "buy one take one" offers to freebies and free shipping. Considering online marketplaces' popularity with people in the Philippines, it is worth listing your online store on a few of these, based on your target audience and products sold.

BRAND.COM WEBSITES

This B2C platform involves businesses selling directly to consumers from their own branded websites or online stores. This is especially useful for brands that aim to maintain exclusivity and control, or as an additional sales channel.

For instance, BLK cosmetics, a major Filipino cosmetics brand, has its own branded website where it is able to communicate its brand story and provide a tailored user experience to online shoppers much better than on regular marketplaces.

Having a branded website is a major part of omnichannel retail, where their website is an additional sales channel to existing methods like brick-and-mortar. Bench, a fashion brand that originally sold mens clothing before expanding into women's clothing and salons, started off by selling their products primarily through their brick and mortar stores but have since expanded to selling through their own brand.com as well.

Now that you know which platforms you could set your online store up on, when are some of the best times of the year to hold sales and promotions?

Major Online Sales Events in the Philippines

Q4, especially the months of November and December, is the busiest shopping period in the country, as shown by decades of data on household consumption expenditure[1]. This is the time when most employees receive their 13th-month pay, a paycheck typically equivalent to a month's worth of salary.

Aside from the festive year-end season, Filipinos also make more purchases in the summer months[2] of March, April, and May.

This is largely due to the fact that people in the Philippines observe Christian holidays between the two periods.

PHILIPPINES' LONG SHOPPING SEASONS

Christmas

Christmas is a major deal in the Philippines and is undoubtedly the country's biggest holiday. A Facebook Holiday Study[3] revealed that Filipinos tend to spend an average of PHP17,000 during Christmas. Forty percent of mobile-first shoppers, however, will spend more than that amount.

The country is said to have one of the longest Christmas seasons in the world[4] with malls playing Christmas songs and advertisers, including Shopee and Lazada, beginning to tease promos as early as September.

The actual shopping, however, takes place in November and December. When local news publication Rappler surveyed their readers, they found that 55 percent identified December as the heaviest shopping month[5], while 24 percent chose November.

As an eCommerce merchant, that means you need not worry about missing the boat if you only begin your promotions in November. Unless, that is, your competitors have begun much earlier, or you want to beat the marketing noise by being one of the first on the scene.

"The country is said to have one of the longest Christmas seasons in the world with malls playing Christmas songs and advertisers, including Shopee and Lazada, beginning to tease promos as early as September."

Another factor that has spurred eCommerce participation during the Christmas season is vehicle traffic, which has become increasingly heavy in recent years.

Summer

The summer months of March, April, and May comprise another peak shopping season in the Philippines. This is the time when students in most schools go on summer break. This is also a peak period for domestic travel[6], especially during the long holiday during Holy Week.

Holy Week tends to take place in March or April, depending on the Catholic liturgical calendar. This year, it will run from April 14 to April 20. With Catholics making up more than 86 percent[7] of the Philippines population, Holy Week is widely celebrated in the country through fasting, solemn processions, and religious rituals. Being a public holiday that takes place in the summer, though, it's also considered an opportunity for Filipinos to travel to beach destinations and to the countryside.

During Holy Week and the summer months, Filipino online shoppers are most interested in apparel and home appliances, according to iPrice Group[8]. Online merchants selling summer clothing, swimwear, and fashionable sunglasses and accessories can take advantage of this season by ramping up their marketing and promotion efforts.

Summer shopping generally peaks around Labor Day, when retailers take advantage of the last few days left before parents have to shell out money to pay their children's tuition fees during the school enrollment period. Labor Day, which takes place on May 1, is also a public holiday in the Philippines. Lazada, for example, holds a Labor Day sale together with partners, such as banks[9].

Online Revolution

The Online Revolution campaign is an adaptation of Lazada's 11.11 sale[10] extending all the way to 12.12. While the biggest deals are offered on 11.11 and 12.12, this event is a month-long sale.

Regarding 11.11, Lazada reported[11] that, within the first hour alone, one million products had already been sold in 2019. Lazada and Shopee were also among the most discussed topics on social media. In 2018, Lazada put up 20 million product discounts[12] on 11.11—equivalent to one-fourth of all products listed on the website. These deals included items sold for PHP1 only. On 12.12, they ran a Christmas deal special, with a section dedicated to gift items and gift baskets.

As for 12.12, Lazada Philippines reported[13] that 6.6 millions items were sold in just the first 24 hours in 2019. In a December 2018 survey by Picodi, a provider of eCommerce discounts, 91 percent of respondents said they intended to participate in the 12.12 sale[14]. Gift-buying, whether for themselves or for others, was the main purpose of 65 percent of these shoppers. Top product categories were clothes, electronics, cosmetics, groceries, and footwear.

OTHER NOTEWORTHY eCOMMERCE EVENTS

Black Friday & Cyber Monday

Although Thanksgiving is barely celebrated by locals, eCommerce giants like Lazada have brought the Black Friday and Cyber Monday

sales to Philippines online shoppers. Taking place right after Thanksgiving—which is held on the fourth Thursday of November—Black Friday and Cyber Monday offer shoppers discounts.

These aren't major shopping events, though, given their lack of cultural significance and their timing between Online Revolution and Christmas. But they still draw large volumes, as they typically take place on the weekend after the month-end payday. It's also an opportunity for those who missed the Online Revolution to get their hands on good deals.

9.9 Shopee Super Shopping Day

Globally, Shopee achieved a record performance during 9.9 2018, with a peak sales volume of 187 thousand orders in a minute[15]. The three top-selling items in the Philippines during 9.9—a type of lipstick, a whitening soap bar, and an ultra SD card—were in the Health & Personal Care and Mobiles & Accessories categories. Home & Living also performed well.

Lazada Birthday Sale

Lazada's Birthday Sale takes place usually from March 21st onwards, but it took place from April 25 to April 27 in 2018. Unfortunately, this event sometimes falls on what speakers of the Tagalog language call 'petsa de peligro[16]', a term that translates to 'day of danger'. This is because it comes just right before their monthly payday at the end of the month.

Don't be quick to dismiss this event, though. Keep in mind that Lazada is the country's biggest eCommerce platform. In 2017, search interest for Lazada increased during the birthday sale weekend[17]. Also, Lazada Birthday Sale also falls right in the midst of summer, which is one of the Philippines' peak shopping seasons. Online merchants who sell popular summer product categories, such as clothing and home appliances, can push promotions during this event.

Arming yourself with the knowledge of the Philippines' hottest sales periods is half of the promotional puzzle. Knowing the kinds of promotions you can run to capitalize on those periods is the other.

With the Philippines' eCommerce market being a competitive one, it helps to have a few promotional strategies lined up for each shopping season.

Having big discount campaigns can help to establish your foothold in the short run if you can afford it. That isn't the only way though, here are a few more ideas to help kickstart your sales campaigns.

PROMOTIONAL IDEAS FOR SHORT-TERM CAMPAIGNS

Cashback

Consider getting onboard cashback and rewards platforms like ShopBack[1] and Zap[2]. These incentives don't have to be large amounts. Cashback offers on ShopBack, for example, tend to be small in value but can add up if buyers make more purchases.

Product bundles

Offer bundles to improve product discoverability by including less popular items with a purchase top-selling products. The best bundles consist of items in the same product category—for example, cosmetics.

Coupon/voucher codes

Online merchants can sell coupon codes or voucher codes that give consumers access to product discounts. By selling these codes well in advance of a sale, you can more easily predict product demand. This will help you deal better with the perils of eCommerce delivery during the festive season.

Payday promos

Offer promotions during payday time. In the Philippines, most workers receive their salaries twice a month, on the 15th and 30th or 31st.

Keep in mind that salaries may sometimes come a day or two early. For instance, if the last day of the month falls on a Sunday, employees may receive their salaries two days earlier, on Friday.

Social media promos

Out of the 76 million Internet users in the Philippines, almost all use social media[3]. So it's no surprise that most merchants in the country prefer social media as an eCommerce platform[4]. By running promos through social media—especially the two most popular networks, Facebook and YouTube—online merchants can target and reach Filpino online consumers.

Simple promos include discounts for those who 'like' your Facebook page or a freebie for the winner of an online quiz.

Offer promotions during payday time. In the Philippines, most workers receive their salaries twice a month, on the 15th and 30th or 31st.

Build conversations and earn trust

According to Neil Patel, customers spend 20%-40% more with companies that they have social media engagement with. The idea here is to create conversations with the target audience. When doing this in a market like the Philippines, it'll be a good idea to have a team who can understand the local lingo, such as the significance of Summer and Holy Week, and connect with what the locals like and dislike.

Your local Filipino team will also be able to use these insights to create content Filipino shoppers find engaging and meaningful. Finding out what they love and how your products and store can fit in their lives is half the battle. Publishing great content and taking time to answer people's queries or, at times, asking the audience for feedback will also help to grow your follower base.

For example, companies like BLK social media posts to engage their target markets' love for cosmetics.

> **Cash is king in this country. Check if your cross-border shipping specialist has partners or recommendations for last-mile-delivery service providers who have COD as a payment option.**

SUMMING IT UP

When it comes to eCommerce in the Philippines, there are a few critical factors to remember:

- Pay attention to local economic conditions and plan your supply chain accordingly.
- Filipinos shop online to find products not found locally or in brick-and-mortar stores. Social media listening will go a long way towards understanding the unmet needs of Filipino online shoppers.
- The majority of Filipinos access the Internet on mobile devices, so be sure to optimise your eCommerce shopping experience accordingly.
- Cash is king in this country. Check if your cross-border shipping specialist has partners or recommendations for last-mile-delivery service providers who have COD as a payment option.
- The Philippines' geography presents challenges in terms of keeping shipping fast and affordable. Again, find a reliable logistics partner and be sure to set expectations ahead of time to ensure shoppers know how soon they can receive their orders.

The Philippines offers massive potential for eCommerce players who can beat the competition in establishing an online foothold in the country. However, doing so means responding to the challenges mentioned above.

Now that you've learnt more about the Philippines' eCommerce market and shoppers' habits, it begs the question: how do you ship your products there?

02

SHIPPING TO THE PHILIPPINES

Getting into the Philippines – Cross-border Shipping or Local Distribution Models?

Cross-border shipping model

LEGEND $ - costs incurred by merchant

Costs incurred	Time taken to establish supply chain	Inventory held in	Costs include
$ $ $ $ $ $	1–2 days	Origin country	• Transportation • Import duties • Handling charges

Local distribution model

Costs incurred	Time taken to establish supply chain	Inventory held in	Costs include
$ $ $ $ $ $ $ $ $ $	3–6 months	Origin and destination country	• Transportation • Import duties • Handling charges • Import licenses • Warehousing

When thinking of the logistics for entering a market like the Philippines, you need to factor in elements such as delivery speed, logistics costs like warehousing and freight, and more. All of these factors might get overwhelming when deciding which shipping model you should use. To help you out here's a quick comparison between local distribution models and cross-border shipping models.

Cross-border shipping is the process where goods are transported from one country to the next, with little to no inventory being stored in the destination country. The goods will go through customs and import duties may have to be paid depending on existing trade agreements and customs policies. In the case of cross-border eCommerce, cross-border shipping and its associated costs only need to occur when a sale has been made.

As an alternative to cross-border shipping, creating a local distribution model involves setting up warehouses and managing fleets to manage deliveries in the destination country. Often, this is done to reduce time between receiving orders to fulfilment as the inventory is kept closer to the target country. It is vital to estimate demand carefully to prevent stock-outs or oversupply.

For instance, an eCommerce merchant could rent a warehouse near Ninoy Aquino International Airport to shorten the time taken between customs clearance and moving into a local distribution centre.

INVENTORY EXPOSURE AND INITIAL INVESTMENTS

While it is tempting to keep inventory closer to your customers, creating your own local distribution model requires a lot of initial investment. Setting up and maintaining offices, import licenses, and warehousing to handle your inventory could get quite expensive, so you'll need to be very sure of your decision before setting up these operations. In addition to this, all these components mentioned could lead to higher sunk costs compared to cross-border shipping. This could be risky if demand for your item turns out lower than anticipated.

In addition to the high initial investment and sunk costs, each component mentioned could lead to higher storage costs and operating expenditure in your target country compared to cross-border shipping.

Holding on to inventory at any given moment also involves certain risks. This risk is known as inventory exposure, which comes from inventory storage costs, spoilage costs, and obsolescence. That means holding inventory in the Philippines could be risky if demand for your item turns out lower than anticipated. On top of this, if your warehouse is out of the way from where most of your customers are, you'll still be incurring quite a fair bit of local transportation costs on top of sunk costs.

With the cross-border shipping model, your inventory exposure will not be as high as a local distribution model if you run a centralised logistics model. This is because storage costs are incurred only in the origin or regional hub country with a centralised logistics model.

On top of that, with the cross-border shipping model you only incur shipping costs on confirmed sales. Therefore, you'll have guaranteed revenue on each parcel that you ship to the target country. This makes cross-border shipping a cheaper and more flexible logistics option when initially entering new markets, which would be a good first step when testing the Philipppines's eCommerce market.

Your inventory will run the risk of becoming obsolete with either model, so it is vital that you have strong data to estimate demand in your target country. It could be a good idea to test demand via cross-border shipping first before making any heavy investment commitments when you are expanding to new markets.

SPEED OF DEPLOYMENT

Using a local distribution model can involve high amounts of set up time, especially when you need to establish teams, warehouses, and fleets in the new country. This slower time-to-market could cost you potential sales.

> **While using cross-border shipping models could mean that it's hard to do same-day fulfilment, stating an estimated time frame for delivery will set the expectations right for the Filipino consumer, as they are aware that deliveries from overseas tend to take longer than domestic deliveries.**

Existing cross-border shipping partners have logistical infrastructure, licenses, and expertise already in place that you can make use of. This can reduce logistics set-up time to just researching the right partners and registering with them, improving the time-to-market for your products which is key in a fast-paced environment.

While using cross-border shipping models could mean that it's hard to do same-day fulfilment, stating an estimated time frame for delivery will set the expectations right for the Filipino consumer, as they are aware that deliveries from overseas tend to take longer than domestic deliveries.

A GOOD WAY TO TEST DEMAND IN NEW MARKETS

With its lower initial investment, faster time-to-market, and potential geographical reach, cross-border shipping offers a flexible and effective way of serving the region. As a result, cross-border shipping is more suitable for initially testing demand in the market compared to using a traditional local distribution model. A local distribution model should only be considered once you are sure that demand for your product can sustain the costs involved.

In summary, cross-border shipping is a flexible and low initial investment way of fulfilling eCommerce sales in the Philippines. Rapid deployment and close to zero fixed costs makes this fulfilment model potentially more lucrative than the traditional local distribution model. This can be helped by finding the right cross-border fulfilment partners who can save you a lot of time and effort that can be spent growing your business and brand instead. Having payment option flexibility and real-time tracking also helps keep customers at ease. Reliable deliveries can build trust which is paramount in eCommerce.

After deciding on which shipping model is best for you, it's now time to find out how you can begin shipping to the Philippines.

Janio specialises in cross-border fulfilment of B2C products to the Philippines. To learn more about our services, you can reach out to us at: contact@janio.asia

How to Ship to the Philippines

While shipping experiences may vary between shipping partners, the general steps you'll need to do to get your products into the Philippines look like this:

- ☑ Find the right shipping partner
- ☑ Package your goods
- ☑ Choose the right level of service
- ☑ Providing shipment details
- ☑ Printing the shipping labels and documents and attaching them to your package
- ☑ Pass the shipments to the carriers

1. FINDING THE RIGHT SHIPPING PARTNER

It could be daunting to figure out how to ship internationally to a country like the Philippines for the first time. You will need to find a logistics provider who:

- can reach your Filippino customers
- knows what you can and cannot ship into the country
- knows how to collect payment for your products.

Here, we'll find out what you need to bear in mind when choosing a shipping partner.

Cross-border shipping has a number of different stages and each shipping partner has differing strengths and weaknesses at each stage.

Some companies specialise in only one stage of delivery but offer competitive rates. Larger international logistics partners can provide you with end-to-end fulfillment services that cover all stages, but be wary of their costs. Bear in mind what your logistics needs at different stages of the delivery process are before selecting a logistics service provider.

Generally, cross-border fulfilment follows these stages:

Steps in cross-border shipping to the Philippines

In any form of cross-border shipping, carriers tend to follow these few stages:

First Mile Delivery	The shipment moves from the merchant's warehouse to the airport or port.
Origin Customs Clearance	Clearing goods to export from the origin country.
Freight	The shipment is transported, usually by air or sea, from the origin country's airport or port to the destination airport or port.
Destination Customs Clearance	Clearing goods for import to the destination country.
Distribution	The shipment is sent from the airport or port to the domestic distribution centre to be sorted and assigned to trucks for the last mile delivery stage. For shipments to cities off the main island or rural areas outside of Metropolitan Manila, a second domestic flight might be required to transport the items from MNL to a second domestic airport before being sent to a distribution center nearer to the customers location.
Last Mile Delivery	The shipment moves from the distribution centre to the customer's doorstep.

As an example, a Malaysian merchant selling to Cebu City in the Philippines could have their goods shipped via truck from their premises in Kuala Lumpur to Kuala Lumpur International Airport (KUL) where it is cleared for export. Then, it is transported via air freight to reach Ninoy Aquino International Airport (MNL) and goes through customs clearance.

After that, it gets transported via domestic air freight to Mactan-Cebu International Airport (CEB), from there to a local distribution facility and then the last mile domestic delivery truck or motorcycle to your customer's address in Cebu City.

One way to save money on shipping is to use multiple smaller shipping partners at different stages of the delivery, but this may prove hard to manage, especially when there are so many options spread out over 7,000 islands. On the other hand, there are end-to-end shipping partners with wide networks of shipping partners which provide great coverage in the Philippines who can manage these logistics partners for you at a similarly competitive rate.

With regard to international freight, you generally have two options to ship goods to the Philippines:

- **Air Freight**

For many eCommerce merchants, air freight is the transportation of choice for fast and reliable deliveries. International shipments usually enter the Philippines via Ninoy Aquino International Airport in Manila (MNL).

- **Sea Freight**

In bulk, sea freight is cheaper, but this is not the case for smaller, direct-to-consumer shipments. Nevertheless, sea freight is much slower than air freight and is primarily not used for B2C eCommerce deliveries. Consider your delivery deadlines and shipping model before picking this option. The Philippines's primary port is the Port of Manila (PHMNL).

Domestic Network Considerations

To support the other 7,000 islands, the Philippines relies on domestic air freight and their road networks. However, the Philippines logistics infrastructure is underdeveloped. Metro Manila frequently has issues with traffic congestion, with the 3rd worst traffic in Southeast Asia according to the Boston Consulting Group[1]. While the Philippines government has plans to fix local infrastructure, we can expect this to lead to long shipping times in the short term.

Some local airports in the country only cater to domestic flights and smaller planes. These smaller planes have limited cargo capacity[2], which limits the amount of goods that can move between airports. If the amount of cargo exceeds the plane's carrying capacity, you will need to wait for another flight that will go to the specific province to transport the excess goods. To mitigate this, you could give a realistic estimate on your delivery dates to provide your customers manageable expectations.

However, the current administration is addressing this by investing PHP9 trillion[3] into infrastructure development projects. More than half of the 75 planned infrastructure projects are scheduled to be ready by 2022, and these include railways, toll roads, and airports.

Aside from underdeveloped infrastructure, deliveries are also subject to weather disruptions in the rainy season from June to October each year. On average, the islands experience 20 typhoons a year, causing delays in shipments.

Sundays and public holidays may delay shipments, so you may have to plan around when the Philippines have any major holidays. Different regions also have specific holidays, such as Manila Day and Davao City Day, affecting only the respective cities. Check in with your shipping partner to see how deliveries might be affected by these dates.

In light of all this, you should check with your shipping partner to see how deliveries might be affected by this and be ready to ease your customers' expectations when delays happen.

Now that we understand the different parts of a cross-border delivery and that logistics service providers could specialise in all stages or some stages, it's good to know what kind of features and services you should look out for in a shipping partner:

Navigating Philippines' Customs Regulations

When shipping to the Philippines, staying up-to-date on all of the changes to customs regulations could be difficult and time-consuming.

There are logistics companies which specialise in or offer help in navigating these regulations. Some of them also have automated processes to ensure that your paperwork is up-to-date and complete. This helps your shipments move smoothly through customs, ensuring on-time delivery and satisfaction.

Real-time Tracking

Manually tracking the shipment through calls and emails and ensuring that each partner fulfils their delivery would distract from further building your business. Real-time tracking of the delivery progress of a parcel can help keep your customers less anxious about their delivery and reduce the chances of them contacting you to check on delivery statuses.

Finding a logistics partner with this capability can save you a lot of time and also provides customers with much needed assurance and transparency.

Can Help you Manage Multiple Shipping Partners

It's possible to save on shipping costs by managing multiple lower-cost logistics partners in your Philippines supply chain. However, manually managing multiple logistics partners at once could be a time-consuming and complicated exercise.

Some logistics partners have software that allows you to manage your entire supply chain network on one platform, making it easy to manage your shipping partners. This is in addition to an online dashboard that simplifies delivery order submission in a hassle-free way, taking out much of the complexity in managing your logistics.

Facilitates Preferred Local Payment Methods

Providing cash on delivery (COD) is still highly recommended as a large majority of Filipinos don't have credit cards, according to 2017 research by the World Bank[4]. Having a logistics partner that can facilitate various payment options will signal to your Philippines customers that you are willing to accommodate to their demands for flexible shopping experiences.

Ideally, you'll want to look for a logistics service provider who can complement your existing logistics set up. You should have the right partners to help you at every stage of the delivery process, while bearing in mind the other features your shipping partners have that you might need to give your customers a great shipping experience.

2. PACKAGING YOUR GOODS

Appropriately packaging your products with the right packing materials is important in cross-border shipping. You can pack your products following this 5 step process:

1. Assessing your item's requirements and choosing the right packing materials.

To assess which method is best suited for your product, you should take into account the item's weight, size and shape, and its value and fragility. If you are shipping an item that has no fixed shape and is also non-fragile, like a t-shirt, you can pack it into a polyurethane bag with some packing tissue.
If you are packaging larger items that may need more cushioning and needs to be boxed, like cosmetics in fragile containers you may need to include additional packing materials like bubble wrap or packing peanuts to help prevent your products from bouncing around within the package during shipment.

If the item requires even more protection, or if you want to protect your branded packaging during transit, you could consider the box-in-box method. The box-in-box method involves placing your original parcel into a larger box filled with sufficient stuffing.

2. Wrap all items separately

If your box contains multiple separate items, bear in mind that they could move around and bump into each other during transit. Wrapping and cushioning your items separately helps you ensure the items won't move around so much and if they do, won't result in damage.

Items that could be affected by dirt, water, or wet conditions should be placed in a plastic bag within your package.

3. Cushioning and filling: leave no empty space, but don't overstuff

As much as possible, there should be enough filler and cushioning material so the product doesn't move in the box during transit and has enough cushioning to absorb any bumps the package may get during the delivery.

When adding cushioning and filler material to your package, ensure the box has enough room for sufficient cushioning around the delivered item. Use at least 2 inches/ 5 - 6 cm of cushioning. Examples of cushioning include:

- Foam or cardboard inserts
- Bubble wrap
- Airbags

The rest of the box can be filled with filler like packing peanuts, crumpled paper, or styrofoam.

4. Using the right sealing material

If your package needs a box for delivery, be sure to use appropriate tape with the right width (around 2 inches/ 5 cm). Any of the following three types of tape should be suitable.

- Brown plastic tape (Polypropylene tape)
- Electrical tape (Vinyl adhesive tape)
- Duct Tape (Fiber-reinforced paper tape)

If you're packaging light products like T-shirts, you might be using a polyurethane bag with its own adhesive strip. Ensure that you've sealed the bag correctly to ensure it doesn't open up mid-delivery or allow liquid to enter the package.

5. Sealing your boxes with the H-taping method

H-taping helps keep your boxes' flaps secure, and prevents them from opening accidentally during delivery. This can be done by applying sufficient tape to the centre and edge seams.

Packages may be subject to rough handling during its cross-border shipment to the Philippines as it transfers from one shipping partner to another. With this in mind proper packing helps to prevent damage to your goods and can save you money on replacing damaged goods.

3. CHOOSING THE RIGHT LEVELS OF SERVICE

Carriers usually offer multiple tiers of service in shipping. These delivery options mainly differ in their offered features, such as:

Typically, the more features offered, the higher the shipping fee is. Choose one that best suits your budget and shipping needs.

When planning your shipment, you can consult your shipping partner for recommended steps in packaging your goods for transport.

4. PROVIDING SHIPPING DETAILS

Carriers will need merchants to provide shipping details to generate the documentation required by Philippines' customs.

The type of information most carriers require are:

- Sender's details and address
- Recipient's details and address
- Country of manufacture
- Declared value and the currency in US$
- Harmonised System (HS) Code of Item
- Item description
- Item weight and dimensions
- Item quantity

This information will be entered into a Customs Declaration form and shipping label by either you or the shipping partner if they offer this service. Always check that this information has been entered accurately. Incomplete documentation may trap your goods in customs.

It's good to be as accurate as possible when preparing these customs documents. Additional shipping charges could arise if the shipping company returns the packages to you. Clerical errors or under-declaring the value of the items of your shipments on the commercial invoice would require you to pay fines and surcharges[5] to Philippines Customs if they correctly suspect it.

The amount of import duties and taxes can be found in the next chapter on customs clearance.

5. PRINTING THE SHIPPING LABELS AND DOCUMENTS AND ATTACHING THEM TO YOUR PACKAGE

Print and paste the shipping label, which contains the information you've entered in the previous step, securely onto the parcel. The addresses and bar-codes on the shipping label must be in clear view for identification and customs inspection.

If the label isn't properly attached, it could get torn off or damaged during transit. Without all the information on the label, there won't be a clue about what is in the package and where it needs to go.

You'll also need to ensure that the shipping documents can be found on the package. One way to do this is to place all supporting documents inside a clear plastic pocket and tape it onto the package.

Another common method is printing the labels on adhesive paper and pasting them on the parcels or packages. These will include the commercial invoices and customs declaration, so that the item is able to clear customs. Do note that some of these documents will require the sender's signature.

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COD
DDP
FROM: Main Shop, Indonesia
TO: Harrie Leow, 8, Telok Ayer Street #02-01, 048460, Singapore
ITEM DESCRIPTION: Fashion Apparel
ITEM QUANTITY: 1
PAYMENT TYPE: COD - please collect 80.00 SGD from consignee
TOTAL WEIGHT: 1.00KG
SHIPPER ORDER ID: SOD647449844868115
NOTES: N/A
DIS18082012VE5MW2SG

Commercial Invoice — Waybill Number DIS18082012VE5MW2SG

Category of Item	Document	x	Other
Full Description		Number of Pieces	Unit Value (SGD)
Summer Dress		1	80.00
Total		1	80.00

Consignee Name: Harrie Leow
Consignee No.: 9876 5432
Address: 8, Telok Ayer Street #02-01, 048460, Singapore
Post Code: 048460 — Country: Singapore
Shipper Name: Main Shop

Sample of Shipping Label and Commercial Invoice

6. PASSING THE SHIPMENTS TO CARRIERS

Depending on the delivery option you select and service level the carrier offers, the carrier will collect the packages from you either at the sender address you specified or at one of their drop-off points in your origin country.

If your selected service level includes track and trace, you'll receive a tracking code for your package after your carrier receives the package. Your customer can also use this tracking code to find out where the package currently is.

While the actions required from the merchant usually end once the package is in your logistics service provider's hands, the shipping journey involves more processes that the logistics service providers carry out on your behalf, such as customs clearance.

Customs Clearance

The Philippines has a dynamic customs environment. Navigating through this may be challenging, but getting the right logistics partner who can manage relations with local customs can help mitigate potential problems and save you time and money.

Customs clearance requires you or your shipping partner to have the right documentation at hand to avoid delays. Depending on the value of your shipment, you may have to pay customs taxes and duties.

DOCUMENTATION

Philippines Customs requires extensive documentation prior to clearing goods for import. If your logistics service provider is helping you clear your product through customs, they will normally engage with experienced customs brokers who are familiar with the procedures and required format of documentation.

Minimally, the carrier must present the following to the relevant agencies:

- Commercial and pro-forma invoice
- Packing list

If you are planning on shipping without a logistics partner who can clear customs on your behalf, you'll need the following:

- Airway bill or bill of lading
- Insurance policy (if applicable)
- Receipt of payment of import duty and import-related taxes
- Other relevant permits, licenses, and certificates

CUSTOMS DUTIES AND TAXES

If your shipment value is lower than the Philippines's de minimis value of PHP 10,000, you won't be charged duties and taxes for your shipment. A de minimis value is a threshold where any shipment whose value is above it will be charged duties and taxes at customs.

If your shipment is valued above PHP 10,000[1], you will have to cover the following duties and taxes:

SHIPMENT VALUE ABOVE PHP 10,000	
Value-Added Tax (VAT)	12%
Import Duties	0-20%
Total Tax Applicable	**Up to 32%**

Import duties also vary depending on the type of goods clearing Philippines customs. To identify the type of goods entering the country, the Philippines follows an internationally agreed upon method of classifying goods called the Harmonized System Classification of Goods (HS Codes). You can use this tariff finder on the official website[2] to see how much duties your shipment will be charged based on its HS Code.

Once again, to ensure that your package doesn't get stuck in customs, it is important to work with a logistics provider who is well-versed with the latest developments in customs regulations to better navigate the ever-changing landscape of customs processes.

Our custom's clearance expertise can help your products get through Philippines customs without a hitch. To find out how, you can reach out to us at: contact@janio.asia

REGULATED, RESTRICTED AND PROHIBITED ITEMS

Not all items can be imported into the Philippines without licenses and restrictions however. Some restricted or controlled items require special permission or licenses from government bodies or agencies before they can be imported into the country while others are barred from entering completely.

Here, we'll go through the list of products that are regulated, restricted or prohibited from entering the Philippines:

Regulated Goods

A wide range of goods require licenses before they can be imported into the country. For instance, the importer would need Philippines Food and Drug Administration permits or licenses to bring in cosmetics.

> **The Philippines has a dynamic customs environment. Navigating through this may be challenging, but getting the right logistics partner who can manage relations with local customs can help mitigate potential problems and save you time and money.**

On the other hand, some logistics service providers have the necessary permits and licenses to help you import those goods into the Philippines. They can also guide you on which permits and licenses you'll need to get for yourself when importing certain goods into the country.

Regulated Imports include but are not limited to the following:

- Food products (processed or unprocessed), plant products, animal products, aquatic products, drugs and chemical products, used motor vehicles, electrical appliances, telecommunication equipment, tobacco products, mineral products, etc.

Restricted Goods

- Devices used in gambling or the distribution of money, cigars, cigarettes or other goods when such distribution is dependent on chance such as jackpot prizes
- Opium pipes, and more

Prohibited Goods

- Goods and materials that are designed for producing unlawful abortion
- Goods that represents an obscene or immoral character
- Goods manufactured in whole or in part of gold, silver or other precious metals/alloys, and the brand does not indicate the actual fineness of quality of the material, and more

These lists may change depending on government regulations. Visit official customs page[3] for the latest and complete list.

COLLECTION OF PAYMENT FOR DELIVERIES IN THE PHILIPPINES

80% of online merchants operating in the Philippines offer Cash on delivery (COD)[4] as a payment option for their eCommerce business. This is because 98% of the Filipino population does not have a credit card[5] based on 2017 data from the World Bank. Choosing to offer COD is a worthwhile option to consider when thinking of breaking into the Philippines eCommerce market.

However, not every logistics provider supports COD because of the additional payments infrastructure and processes needed to offer the payment method. Should you decide to offer this payment option on your eCommerce site after weighing the pros and cons, you will need to find a logistics partner that is able to facilitate it.

How is Cash on Delivery Collected?

When your customers choose to pay for their purchase via cash on delivery, the last mile fulfilment stage of your supply chain becomes more complicated.

What Happens During Cash on Delivery

1. Online merchants will specify the amount to be collected in cash upon delivery when they pass the parcel to the logistics provider. This leads to the shipping value displayed on shipping labels to be in the Philippines's local currency, PHP.
2. The logistics provider generates an invoice-cum-delivery challan, which indicates delivery details as well as the value of goods delivered, and attaches it to the parcel for easy retrieval.
3. The delivery man is authorized to collect the cash payment from the recipient immediately upon the successful delivery of the parcel. While it may be called 'cash on delivery', some logistics providers accept card payments and hence, the delivery man may also carry a card swiping machine.
4. The delivery man deposits the collected cash in his office. The logistics provider will hand over the cash to the online merchant, usually in the original currency paid i.e. rupiah, after deducting applicable handling charges. Some logistics providers offer additional currency conversion services which convert the PHP collected into the currency of the merchant's country before transferring the money.

Bear in mind though that not every logistics provider supports cash on delivery because of the additional payments infrastructure and processes required to offer this payment option. Should you decide to offer cash on delivery on your eCommerce site after weighing the pros and cons, find a logistics service provider that is able to facilitate it.

All the steps involved in cross-border shipping to the Philippines may sound complicated but having the right shipping partners can greatly simplify things. By engaging with reliable and proficient shipping partners at every step, or even a single partner who can handle every step, you'll be on your way to seamless cross-border shipping to the Philippines.

conclusion

FINAL TIPS ON DOING ECOMMERCE IN THE PHILIPPINES

For eCommerce players around Southeast Asia, the Philippines' big basket size, love of foreign goods and its high growth potential are great reasons to build a foothold in its eCommerce market.

However, just because the conditions are ripe for the taking doesn't mean you should immediately dive straight in. There are some things you need to consider before entering the Filipino market.

Know your customers

Filipino online shoppers love products not easily found locally or in brick-and-mortar stores, and are price sensitive. Find your niche in the product categories you're selling and time your year's promotions to maximise your sales during hot sales periods like Summer periods and the Christmas Q4 period. Also, the majority of Filipinos access the Internet on mobile devices, so be sure to optimise your eCommerce shopping experience accordingly.

Getting social

Filipino online shoppers are highly active on social media. If possible, you can try working with Filipino influencers in addition to your own social media campaigns. In addition, social media listening will go a long way towards understanding the unmet needs of Filipino online shoppers.

Planning your deliveries

While the Philippines' geography presents challenges in terms of keeping shipping fast and affordable, you can leverage on the networks of existing logistics partners to gain an edge. Team up with a reliable logistics partner and be sure to set expectations ahead of time to ensure shoppers know how soon they can receive their orders.

You don't have to go it alone

It's good to have help when entering new markets. Make sure you have a trustworthy logistics service provider and a good local seller-partner with in-depth knowledge and understanding of the country's eCommerce and logistics trends, challenges, and opportunities to make the most of entering the Philippines's eCommerce market.

Lastly, given Southeast Asia's diversity, it's wise to observe and learn.

Worried about hitting a minimum order quantity with your shipping partner? Worry no more, because Janio doesn't have a minimum order for you to start shipping with us. To find out more, email us at contact@janio.asia

contact us

Should you require more detailed information or assistance on this or even tips on setting up your online store in the Philippines through our partners, you may contact us or schedule a complimentary consultation.

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Asia's Logistics Simplified

Janio is a logistics service provider which can help you fulfil your international eCommerce shipments across Southeast Asia.

For a reliable and comprehensive shipping solution throughout Southeast Asia, contact us today.

we love your feedback!

Was this guide helpful?
Is there something else about Indonesia eCommerce that you are interested in?

Drop us a line at
contact@janio.asia
and share your ideas!

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