Consumerism in the Philippines

PRIMER GROUP OF COMPANIES
RESEARCH
2019

PRIMER

Group of Companies

Who We Are

Consumer Division

Retail and distribution are the Primer Group's core businesses and through the years, we have created a niche in marketing action sports, fashion, footwear, travel, wellness, and outdoor brands in some key cities in Asia, Australia, and Europe.

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Industrial Division

New Ventures

It has also established a solid ground in the industrial products and services landscape, with companies in full-scale printing, air-conditioning and creative graphic design and services.


WE BRING THE WORLD CLOSER TO OUR CUSTOMERS.
JAPAN
PHILIPPINES
HONGKONG
INDONESIA
SINGAPORE
AUSTRALIA
TAIWAN
THAILAND
UNITED KINGDOM
MALAYSIA

Our MISSION

A Run-Down of Our Numbers

5	Founded by five friends
30	With over 30 years of business experience
150	Carrying over 150 brands
13	Present in 13 countries, including Australia and the United Kingdom
450	About 450 stores to date
11	Created 11 Primer Group Concept Stores
3500	Employs over 3500 employees all over the world

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Why Partner With Us?

Over the past 30 years, Primer Group has proven its strength and competitiveness in the retail industry through its deep-rooted culture, brand-building capabilities, extensive infrastructure and distribution, and dynamism.

Brand Building & Management

Business Support & Infrastructure

Extensive Distribution Channel

Multi-faceted Marketing Capacity

FROM CLIENT BRIEF TO GO-TO-MARKET PLAN

PROVEN TRACK RECORD IN BRAND BUILDING AND MANAGEMENT

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- Multi-territory distribution in 13 countries (Southeast Asia, Australia, and UK)
- Financially sound and profitable retail business
- 34 years of distribution experience and innovation of services

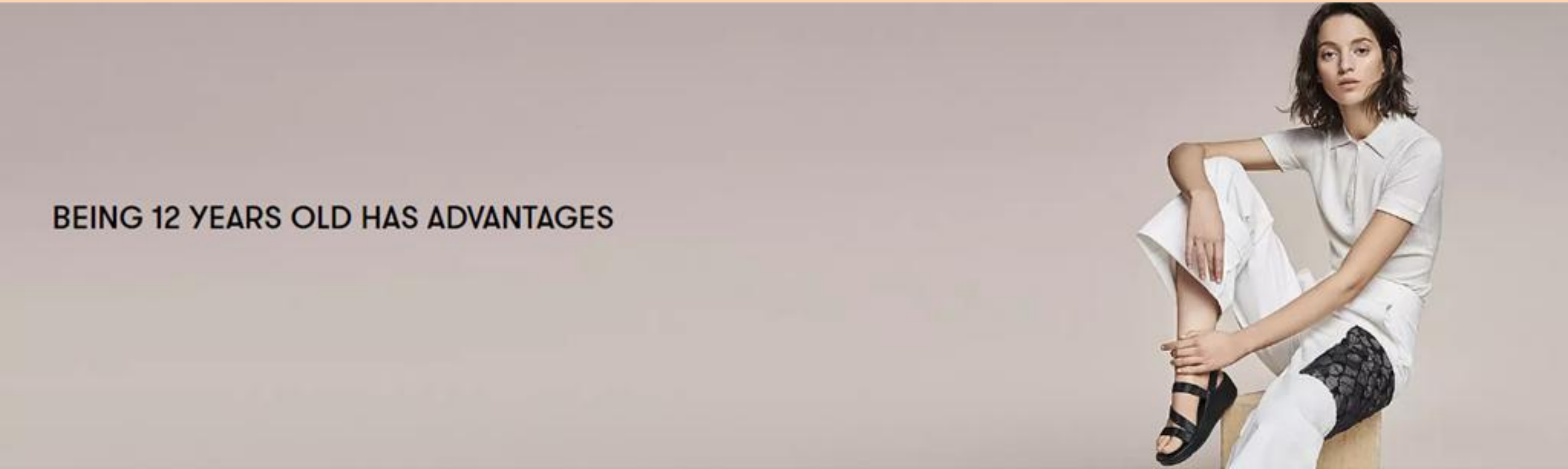
- Long term partnerships with brands and companies

- Experience in product development with company - owned and licensed brands

- Creation of 9 currently operating lifestyle concept stores

It was 2007 when the first FitFlop sandal, Walkstar was launched in the US and UK, with the original MICROWOBBLEBOARD midsole.

In 2008, it launched in the Philippines and the rest is history.



What was the situation

- FitFlop was launched in the Philippines in 2008. It was initially acquired just to provide assortment to the company's Multi-brand store concept, Res|Toe|Run.
- Despite the brand being totally unknown, the team knew that the brand has potential and explored ways on how to introduce it to the market.
- At that time, Havaianas was a major competitor and already popular and held a big chunk in the open-toe footwear category.

From an unknown brand that launched its initiatives in Multiply to becoming one of Primer's top brand

What were the actions taken

1. **With limited marketing budget, the brand was launched through Multiply, a social networking site.** The team decided to give away 10 pairs to 10 random people, and has asked them to post testimonials on our Multiply account. More product seeding was done and more promotions were put up online and in 6 months time, the account acquired 1000+ followers and the company has managed to expand distribution channels, from 3 doors to 16 (Res|Toe|Run and Shoe Salon).

1. **Ensuring that the stores would always have fresh products, coupled with excellent VM and customer service**. In 2010, the company put up the first ever FitFlop stand alone store in the world – in SM Mall of Asia then decided to roll out more stores and even expanded to cities outside Metro Manila.

Channel expansion
The strategy to focus on organic growth and Ecommerce, wherein the plan is to build our own branded ecommerce page by end of 2018.

What was the outcome

1. FitFlop currently has 34 free standing stores in total (22 in PH, 12 in Primer markets outside PH). It is also present in multibrand concept stores like RTR, Bratpack, GRIND, TTC, ROX, Shoe Salon, department stores SM and Rustans, wholesalers
2. FitFlop currently has 5 footwear categories: Casual, Work, Beach, Athleisure, and Men's. It has 6 midsole technologies, and a total 500 sku's per season – having 4 seasons (collection drops) annually.

Fitfloppers

Fitfloppers – a group in Facebook called the FitFloppers, which started off with 13 members early 2010, and has grown to 205 to date -- get together and go to events, movies and spa together.

Fitflop loyalty program - utilizing data to create value and sustain growth

1. LOYALISTS > Maintain: our loyalists will continue to shop the core products. Marketing strategies include In-store activations, direct marketing (E-newsletters), PR and events
2. XENNIALS > New media focus: a huge opportunity to acquire a broader, younger audience through digital marketing initiatives and product offer (Work Segment) + Ecommerce strategy
3. MILLENNIALS > Growth area: through new product line: Athleisure and Beach sandals

In 1997, Bratpack was born.

What started as an alternative lifestyle store, Bratpack grew to become a brand that inspires togetherness between friends.

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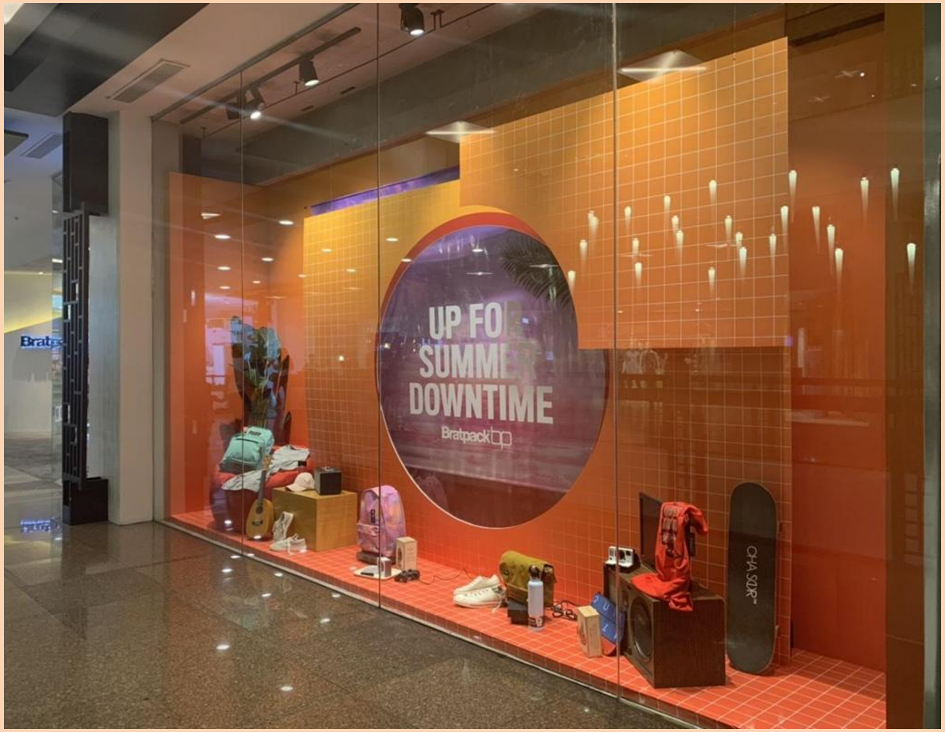
Bratpack™



An opportunity in the youth market

What was the situation?

- Primer saw the need for a store that would cater to young urban professionals and travellers that needed a good bag to match their lifestyle

Create a speciality store that offers brands connected to the lifestyles of the youth

What did we do?

1. **We offer the most varied and up-to-date selection** of high quality and stylish bags, footwear, apparel and accessories that satisfy the constantly changing needs, interests, and aspirations of young people.
2. **Consistent communication using Music, Arts, and Fashion** as our 3 main platforms that cuts across any age, lifestyle and interest. We use this as a guide on communication, who we partnered with and Brands that we carry.

Through our concept stores, we are able to build brands

What was the outcome?

- Bratpack now has 65 stores across 7 countries.
- Through Bratpack, we were able to grow several brands such as JanSport and Herschel to become the top of mind backpack brands in the Philippines.
- Case in point: Herschel began in Bratpack in 2012 as one of the many backpack brands. Within 7 years, the Brand sky rocketed to be the top of mind Backpack for the youth .

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Hydro Flask®

Originating from Bend - Oregon, Hydro Flask was founded in 2009, when they launched the **first all-insulated bottle line-up into the market.**

A partnership 3 years in the making

What was the situation?

- Primer and Hydrof Flask started talking in 2014 but Hydro Flask wasn't ready for international distribution yet. Despite this we started building the relationship and kept constant communication with the principal. In 4th quarter of 2017, we were awarded the distribution and we started selling in December 2017.
- Klean Kanteen was first to market by a few years and their lead of market share is significant.

Quick action and expansion of distribution to capture the market

What did we do?

- **We capitalized on the brand's popularity in the US.** In the initial stage, we prioritized in-store presentation/advertising and social media by tapping local influencers.
- **We quickly expanded distribution points and opened kiosks in key malls**. – We capitalized on Primer's own retail stores to launch the product, highlighted the brand in the stores. Soon after, it was the rapid expansion of channels that helped grew the sales of Hydro Flask.
- **We ensured that product assortment was relevant and attractive.** We worked with principals and partners, and demand planning, and reviewed orders/stores to sell. We recalibrated the targets to ensure we have the required purchase budget to buy.

High demand of Hydro Flask in the market

What was the outcome?

- With the initiatives in place, we were able to create high market demand for Hydro Flask, to the point that we had to re-order immediately after arrival of new inventory.

ROBUST BUSINESS SUPPORT AND INFRASTRUCTURE

- Regional support infrastructure which includes regional brand management, centralized accounts, logistics support, and regional conferences
- In-house full service marketing agency
- In-house retail training academy
- Dedicated business unit for e-commerce
- Synergy among strategic business units (SBU)
- Fully automated retail data system (sales, inventory, customer data)
- Area and category operational focus spanning the whole Philippines

“

Primer Group now jives with the digital space to deliver its mission of bringing the world closer to its customers.

Through its e-commerce arm Aeroworx, well-loved Primer Group brands have made its mark in leading e-commerce platforms around the Philippines and Southeast Asia such as Lazada and Zalora, and continues to expand in territories abroad.

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PRIMER OPERATED STORES:
Specialized concept stores
Monobrand stores
Shop-in-shop
Kiosks

OTHER CHANNELS:
Department stores
Specialty retailers

EXTENSIVE PRODUCT DISTRIBUTION CHANNELS

450

LOCAL AND REGIONAL FREE STANDING STORES

E-COMMERCE:
Primer controlled – brand.com (Aeroworx)
Top online platforms in the Philippines (Lazada, Zalora, Shopee)

KEY ACCOUNTS:
Manages wholesale accounts and corporate clients

  

MULTIFACETED MARKETING CAPACITY

- In-house full scale print service provider (Brushstroke Creatives) and full service marketing agency (Primer Marketing Services Department)
- Strategic relationships with various media, personalities, and influencers
- Traditional and digital marketing initiatives
- Increase brand awareness through events (product launches, exhibits, competitions, etc.)

CONSUMERISM IN THE PHILIPPINES

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The Philippine economy has grown by an average 6.5% in the past 5 years

ECONOMY

In 2018, Philippine full-year GDP was 6.2%, the third fastest in Asia with India at 7.3% and China at 6.6% leading the pack. The World Bank expects GDP growth to hit 6.4 in 2019 and 6.5 percent for 2020 and 2021.

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Young and vibrant population

PEOPLE

The Philippines has a population of 107 million in 2018 and a median age of 24.7 years. By 2030, population is expected to grow to 125 million and median age will still be only 27.5 years

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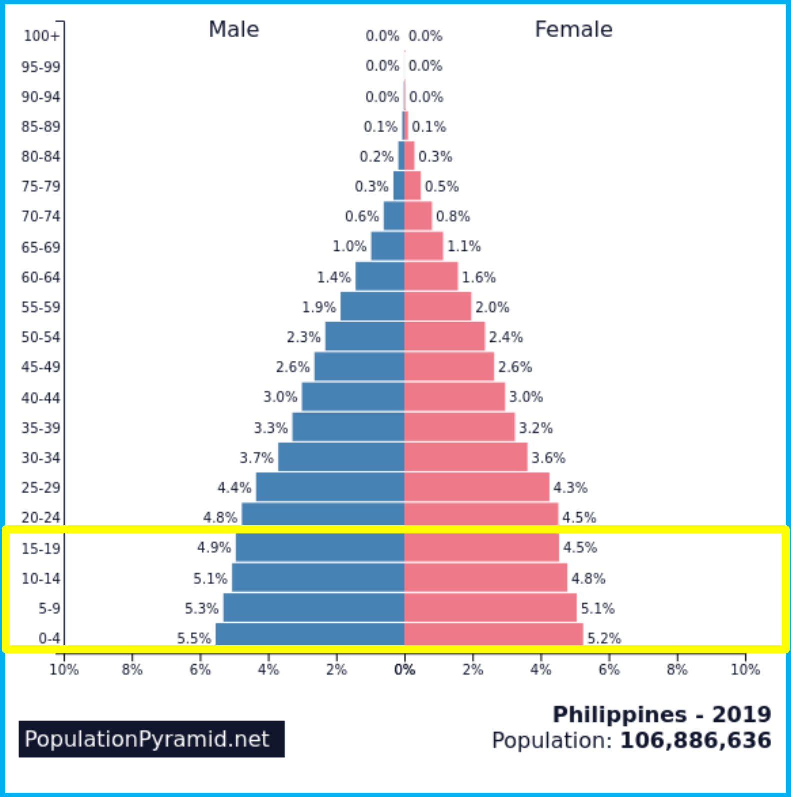
The growing middle class is driving increased demand for wide range of products and services and experiences

CONSUMERS

Amidst rising incomes and connectivity, Filipinos are simultaneously exploring different products and services, and places to travel locally and internationally.

STUDENT POPULATION and the youth

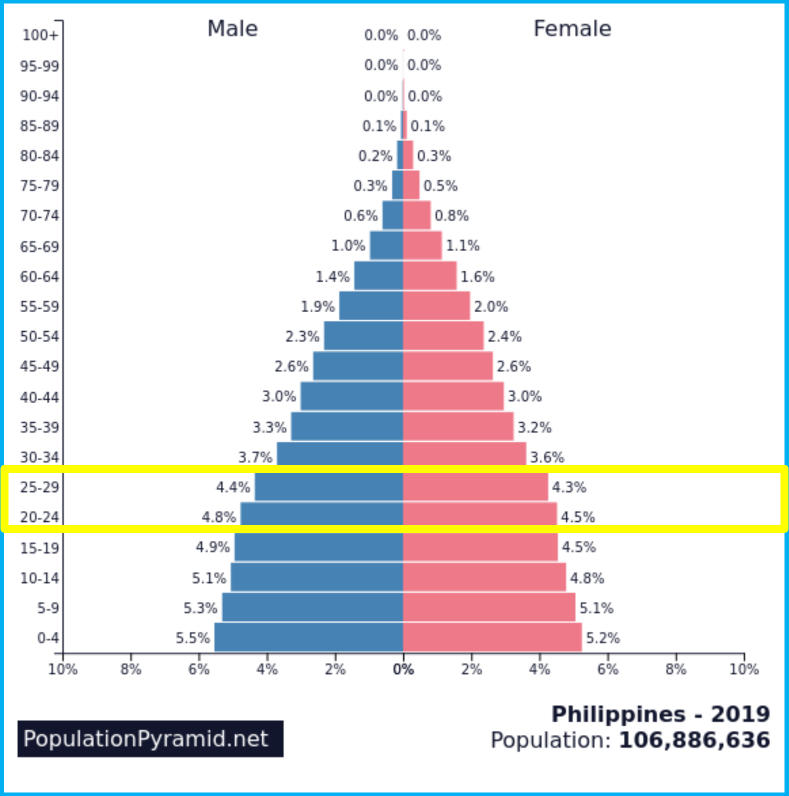


The Philippines enjoys a young demographic, with 44% of the population under the age of 19 and 75% under the age of 40.

The student population, most of which are Gen Z, is the first generation of true digital natives. They are **digital natives and visual creatures, and are socially aware -- expecting substance and authenticity** from businesses.

Source: Nielsen, Euromonitor’s Consumer Lifestyle in the Philippines – January 2018

YOUNG ADULTS / MILLENNIALS

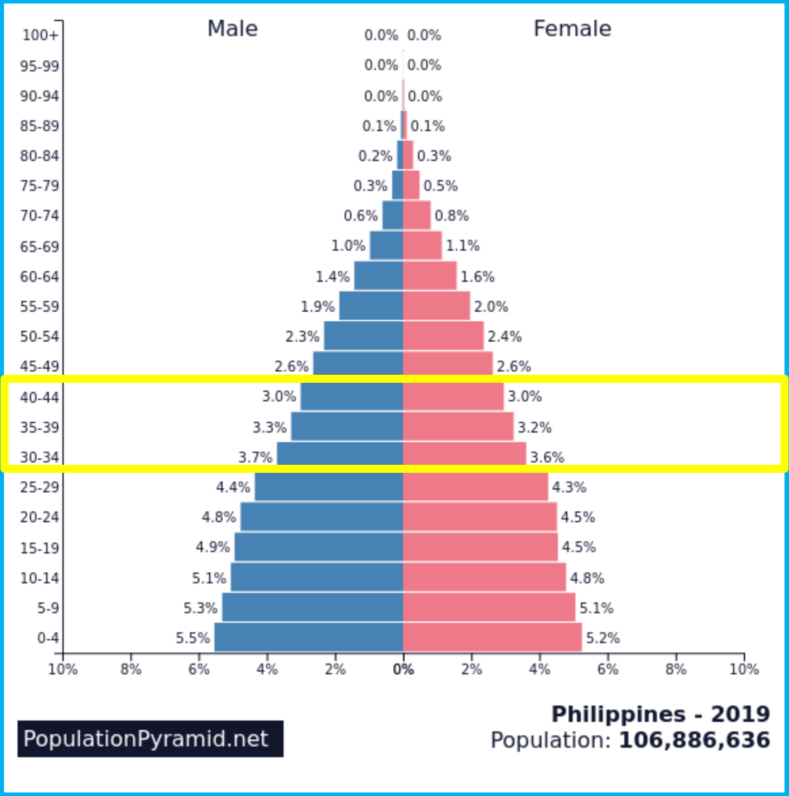


Young Adults (19-29) – Average gross annual income P209K (or $4,186)

Young Adults represent the first generation to grow up with digital technology. Members of this cohort make up a quarter of the workforce and most of the country's entrepreneurs, and many work in the up-and-coming BPO sector.

Source: Euromonitor's Consumer Lifestyle in the Philippines – January 2018

MIDDLE YOUTH

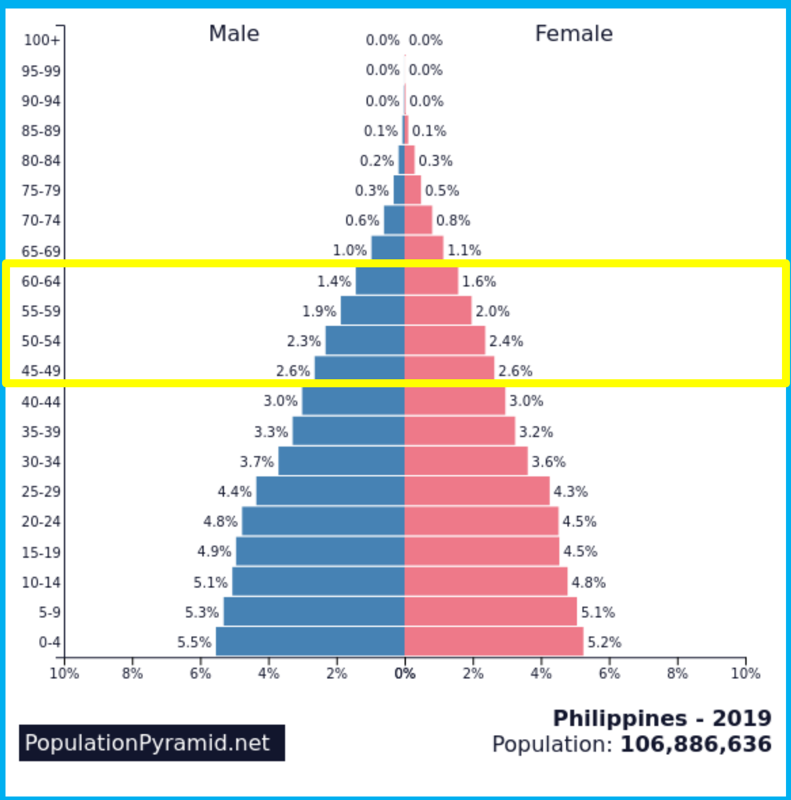


Middle Youth (30-44) – Average gross annual income P214K (or $4,290)

By the time they reach Middle Youth, most Filipinos are married, supporting young families and at the peak of their earning power. Those aged 30-44 make up as much as 37% of the total workforce. They also make up the majority of overseas Filipino workers.

Source: Euromonitor's Consumer Lifestyle in the Philippines – January 2018

MID-LIFERS



Mid-lifers (45-64)

Over the 2011-2016 period, this age group grew by 15% to 16.7 million; while from 2017-2030, it is forecast to expand by 31%.

This group has higher levels of disposable spending on travel or other leisure pursuits, but they're also keen on saving money since they are near retirement.

Source: Euromonitor's Consumer Lifestyle in the Philippines – January 2018

CONSUMER BEHAVIOR

RETAIL

“

Malls are still arguably the number one hang out spot for Filipinos...

RETAIL

1. Most malls in the Philippines are not only excellent for shopping and dining, but they are also perfect for hanging out.

1. Many Filipinos enjoy being inside shopping malls because these are air-conditioned.

1. In terms of shopping, Filipinos want to touch and feel what they are buying.

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...But e-commerce in the Philippines has been showing promise because of connectivity and convenience

RETAIL

Many local brick-and-mortar retailers are amplifying their online presence through partnerships with existing e-commerce platforms such as Lazada, Shopee, and Zalora.

The share of online shopping in the PH is only about 1-2% of total retail value, but is geared for massive growth as infrastructure and connectivity improves.

Key statistics:

Population 107 million
Internet users 76 million
Social media use 71%
Mobile phones 107 million

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Filipinos spend most time online and on social media worldwide

Filipinos spend an average of 10 hours and 2 minutes on the internet daily via any device

Global average: 6:42 hours

On social media, Filipinos spend an average of 4 hours and 12 minutes.

Global average: 2:16 hours

Source: Digital Report 2019 Hootsuite and We Are Social

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What consumer issue is most important to you?

With such a high population of low-income consumers, most still look for price and convenience rather than environmental and ethical concerns. Nevertheless, there is an increasing awareness of green issues among the middle and upper classes

RETAIL

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Craving authenticity and truth

There is an increasing trust in experts, journalists, and immediate circles.

For Gen Z Filipinos, they trust strangers (real people) more than advertisers and celebrities. *

RETAIL

**Nielsen*

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Given the tropical climate, light fabrics are preferred when it comes to clothing.

RETAIL

Those with low income usually buy local brands or second-hand items but for more affluent consumers, fashion is more often used as a way of expressing lifestyle and social status. They enjoy browsing malls for international brands such as Forever 21, H&M, Uniqlo, Mango and Zara.

THE LISTS OF 10

A Move Into Underserved Markets - Next Wave and Emerging Cities

RETAIL

Retailing is definitely growing, but is still far from saturated in the Philippines.

Real estate developers and retail businesses are expanding in emerging and secondary cities outside National Capital Region, such as Davao, Cebu and Baguio City.

New Centers of Excellence

- Davao City
- Iloilo City

Next Wave Cities

- Baguio City
- Cagayan de Oro City
- Dagupan City
- Dasmariñas City
- Dumaguete City
- Lipa City
- Malolos City
- Naga City
- Sta. Rosa City
- Taytay, Rizal

Emerging Locations

- Balanga City
- Batangas City
- Iriga City
- Laoag City
- Puerto Princesa City
- Roxas City
- Tarlac City
- Tuguegarao City
- Zamboanga City