



Joey Roi Bondoc

Senior Manager | Research | Philippines

+63 2 8858 9057

Joey.Bondoc@colliers.com

THE NEW NORMAL: FROM BRICKS TO CLICKS

How mall operators and retailers should realign strategies amid softer demand due to the COVID-19 pandemic and the imposition of physical distancing protocols

Insights & Recommendations

Mall operators and retailers may still tap pent-up demand according to our recent survey. By expanding online strategies and partnering with apps to facilitate seamless delivery, retailers should be able to offset any softer retail demand due to the COVID-19 pandemic and the government's implementation of a lockdown. Eroding consumer confidence due to a reduction in Overseas Filipino Workers' (OFW) remittances and an increase in unemployment¹ will likely temper any rebound.

We recommend that mall operators expand their e-commerce platforms. Retailers, meanwhile, should maximize mall developers' online sites and social media platforms. In our opinion, retailers should remain relevant by ramping up client engagement efforts and partnering with delivery platforms.

12% vacancy

The projected rise in retail vacancy by the end of 2020, from 9.8% in 2019. This is a likely result of slower absorption of retail space as households skimp on non-essential retail.



3 to 6 hours

The average length of time survey respondents spent online. According to the Digital 2020 report of Hootsuite and We Are Social, Filipinos have the highest daily internet usage worldwide, at 9 hours and 45 minutes³.



PHP53 billion (USD1 billion)

Total value of InstaPay transactions in April 2020². InstaPay fund transfers in April increased by 32% compared to transactions in March. This is likely to rise further as much of the population embraces online payments.



84%

Proportion of Colliers Philippines survey respondents that preferred in-store over online shopping. The poll was conducted after the imposition of a lockdown.



Colliers believes that the COVID-19 pandemic and the lockdown imposed are likely to redefine Metro Manila shopping. From March 17 to 30, 2020, we conducted a survey of more than 100 respondents from Luzon and Visayas regions, to get insights on the public's shopping preferences. Results showed that 80% of the respondents still chose brick-and-mortar retail indicating a possible pent up demand after the lockdown ends.

We believe that most respondents did not factor in the extent of the pandemic and its potential impact on consumers' mobility. Colliers believes that even if the government fully relaxes the lockdown imposed throughout Metro Manila, subsequent personal distancing protocols likely to be implemented will reduce consumer traffic. This in turn, is likely to result in a slower absorption of retail space all over Metro Manila. Colliers projects vacancy rising to 12.0% in 2020 from 9.8% in 2019. In our opinion, the reduced mobility, observance of physical distancing, and aversion towards the use of physical currency present opportunities for mall operators and retailers all over Metro Manila. These are likely to form part of the new normal in Philippine retail.

Source: Colliers International. Note: ECQ = Enhance Community Quarantine.

¹BusinessMirror, Virus, oil price plunge to cut 400-k OFW jobs, 2020. ²Malaya Business Insight, InstaPay money transfers hit 8.8M during ECQ, 2020.

³We Are Social, Digital in 2020, 2020.

Note: USD1 to PHP51 as of the end of Q1 2020. 1 sq m = 10.76 sq ft.

RECOMMENDATIONS

Expanded partnerships with logistics firms

The social distancing measures have been compelling consumers to rely heavily on deliveries. Mall operators and retailers should consider firming up partnerships with delivery companies that have modernized warehouses and efficient logistics systems to maximize their shift from brick-and-mortar to online selling. The Colliers survey noted that more than half of the respondents that chose online shopping preferred e-commerce due to convenience and time-saving.

Expand offline-to-online strategies

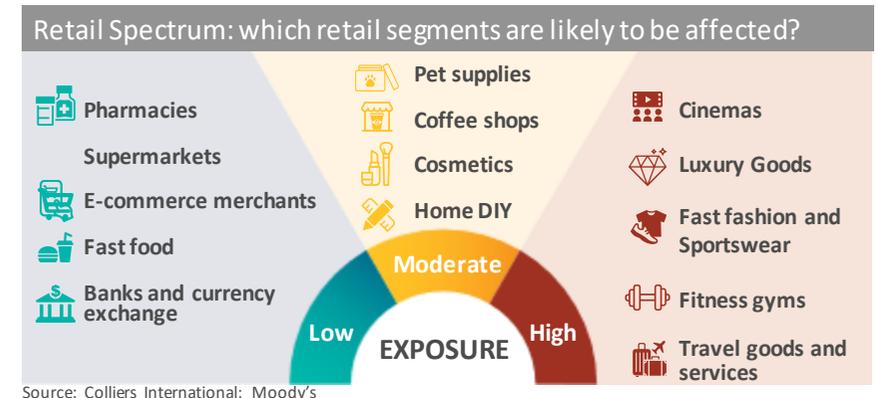
The survey conducted by Colliers Philippines shows tremendous opportunities for retailers that are agile enough to pivot to the “new normal” in Metro Manila retail. The lockdown imposed to contain COVID-19 has forced malls to close, with only the stores supplying essential items such as groceries, medicines, and food for delivery open during the ECQ. Colliers believes that social distancing is likely be part of the new normal even if the lockdown is lifted. Hence, a significant number of physical retail shops are likely to remain closed for additional time. However, brick-and-mortar retailers are trying to tap the demand by expanding their online presence. Colliers expects more retailers to create their own e-commerce websites, utilize the existing sites of major mall operators, or use popular social media platforms such as Facebook and Instagram.

Our survey showed that respondents 51 years old and above had a daily internet usage of more than 10 hours, with as much as five hours spent on online shopping. With online shopping becoming more popular among the aging population, retailers should ensure that their sites are easy to navigate with convenient search and check out options.

Ramp up client engagement to stay top of mind

We recommend that retailers, especially higher-end brands, be more innovative to stay at the top of consumers’ minds. This may be in the form of home deliveries or personal shoppers. Our survey showed that online shoppers with a monthly income of PHP80,000 and above (USD1,600 and above) spend more time doing online shopping.

Selected retailers and operators have started tapping alternative platforms to reach out to customers during the quarantine period. SM Supermalls launched a Viber community with the contact information of retailers remaining open during the quarantine period.



ONLINE SHOPPING TO DRIVE RETAIL

Based on the results of the survey we conducted, women have a higher daily internet usage than men. Close to 60% of the female respondents spend seven hours or more online while only 45% of males allot the same amount of time. Respondents of the survey would usually allot around 3 to 3.5 hours daily on online shopping and visiting e-commerce websites.

The survey also showed that that daily internet usage and time spent on online shopping increases with age. Those 51 years old and older spent more than 10 hours a day online, with online shopping reaching as much as half that. Younger respondents (21 to 30 years old) spent on average three to six hours a day online with two hours of that on online shopping alone. This supports one of our recommendations that retailers should increasingly target older shoppers and senior citizens.

Moreover, results also showed that older women tend to have higher internet usage, which was the opposite among men. Around 80% of women 51 years old and above spend seven hours or more online while half of the men 31 to 40 years old that were surveyed allotted the same amount of time online.

Characteristics of online shoppers, women



Source: Colliers International. *This covers 73% of shoppers.

LIKELY SHIFT IN PREFERENCE

When asked about shopping preferences, 84% of the respondents favor in-store shopping while the remaining 16% prefer shopping online. Despite favoring in-store shopping, 91% already have experience shopping online.

We expect this preference to start changing especially with social distancing measures likely to be imposed post-lockdown. To capture the shift in shopping preferences, mall operators and retailers should also ensure that they have well-established online presence completed by efficient delivery systems.

THE RISE OF E-PAYMENTS

Despite the survey being conducted during the ECQ, respondents still preferred to shop in-store. This is likely to change given the effect of the pandemic and lockdown on consumer preferences. Data from the Philippine Payments Management Inc. (PPMI) showed that e-payment transactions during the lockdown, covering the period of April 2020, reached a total value of PHP53 billion (USD1.0 billion) or an average of PHP6,130 (USD120) per transaction. In April, some 8.9 million InstaPay* transfers were recorded, up by 32.2% from 6.7 million transactions in March⁴. This indicates the growth of online shopping during the period.

The cash-on-delivery payment option for online purchases was also popular, with 65% of the respondents opting for it.

*InstaPay is an electronic fund transfer service under the oversight of the Bangko Sentral ng Pilipinas. ⁴Malaya Business Insight, InstaPay money transfers hit 8.8M during ECQ, 2020. ⁵BusinessMirror, Virus, oil price plunge to cut 400-k OFW jobs, 2020.

Only 7.0% preferred to use online bank transfers and e-wallet options. Colliers sees this preference gradually shifting to InstaPay and e-wallet options given the rising popularity of e-payments due to their convenience and accessibility.

Social Media Marketing to Surge

Close to 80% of respondents encounter advertisements for products and goods online via social media. Retailers could take advantage of this by further strengthening their social media presence to expand the reach of their products.

Based on the results of our survey, among the most popular e-commerce platforms include Lazada, Shopee, Instagram, retailers' online stores, Zalora, Facebook Marketplace, and Amazon.

Colliers believes that mall operators and retailers should strengthen their online presence by either utilizing existing e-commerce websites or setting up their own platforms to market their products.

Recovery in Retail Demand

But while we see opportunities amid the uncertainties, the central bank-forecasted drop in economic output in 2020 is likely to drag down consumer confidence which may impact retail space absorption in Metro Manila.

This is likely to be compounded by the USD3.0 billion to USD6.0 billion (PHP153 billion to PHP306 billion) drop in OFW remittances and rise in unemployment projected by various government agencies and officials⁵. Remittances, for instance, fuel private consumption, which cover about 10% of the country's economy. The central bank is projecting a 7.8% economic growth in 2021 and this should result in a retail demand upswing.

Characteristics of online shoppers, men



Source: Colliers International. *Makati, Pasay, and Taguig **Pateros, Parañaque, Las Piñas, Muntinlupa, Laguna, Cavite, and Batangas

Primary Author:

Joey Roi Bondoc

Senior Manager | Research | Philippines
+63 2 8858 9057

Joey.Bondoc@colliers.com

Contributors:

Donica Cuenca

Research Analyst | Research | Philippines
+63 2 8858 9068

Donica.Cuenca@colliers.com

Martin Aguila

Research Analyst | Research | Philippines
+63 2 8863 4116

Martin.Aguila@colliers.com

For further information, please contact:

David A. Young

Chief Operating Officer | Philippines
+63 2 8858 9009

David.A.Young@colliers.com

Richard Raymundo

Managing Director | Philippines
+63 2 8858 9028

Richard.Raymundo@colliers.com

About Colliers International

Colliers International (NASDAQ, TSX: CIG) is a leading real estate professional services and investment management company. With operations in 68 countries, our more than 15,000 enterprising professionals work collaboratively to provide expert advice and services to maximize the value of property for real estate occupiers, owners and investors. For more than 25 years, our experienced leadership, owning approximately 40% of our equity, has delivered compound annual investment returns of almost 20% for shareholders. In 2019, corporate revenues were more than \$3.0 billion (\$3.5 billion including affiliates), with \$33 billion of assets under management in our investment management segment. Learn more about how we accelerate success at corporate.colliers.com, [Twitter](#) or [LinkedIn](#)

Copyright © 2020 Colliers International

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

