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A Survey for GfK Asia Pte., Ltd (Philippines)

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Management Résumé

This thesis was written in collaboration with GfK Asia Pte., Ltd. (Philippines). Its topic is the analysis of the Philippine retail structure. Three different business markets of the Southeast Asian archipelago have been evaluated: The mobile, the home appliance and the audio visual market. The main objective has been to create Philippine Matrices for each market. These matrices are summarizing tools that reflect the local retail structure by displaying information about the total number of shops in a certain market. They are subdivided according to the retail shop type, the shop size and the distribution channel **(see chapter 1)**. The theoretical background of this dissertation consists of an overview about relevant marketing concepts (such as market forms and product planning, **see section 2.1**) and basic principles of retailing (including retail institutions and retail environment, **see section 2.2**).

After the enactment of the Retail Trade Liberalization Law in 2000 **(see section 5.3)**, the Philippines began to open its business markets to foreign investors. Since the country with its 87 million inhabitants virtually started going global, the industrial progress has been substantial. In September 2004, the GfK Group, the fourth biggest market research institute worldwide with headquarters in Germany, set up a subsidiary in Manila, the Philippines dominant capital **(see section 4.6)**. The GfK Group provides clients from industry, retail, media and the service sector with information services. This includes details about sales, stocks and distribution of products, from which analyses e.g. on sales volumes and market shares can be derived **(see section 4.3)**. GfK has built up special panels that enable the company to track the data regularly from a representative sample of retailers. Based on the GfK Methodology, the results can be projected to the universe of all retailers in Manila. The consolidated information is finally sold to the manufacturers **(see section 4.4)**.

The typical Filipino retailer is different from the German one. Generally, independent retailers are distinguished from organized ones **(see section 5.1)**. Especially independent shops often only have a few square meters and are equipped very basically. They are usually crammed with merchandise, which gives the impression they are crowded and hard to overlook. The bigger and well-ordered organized shops look more European and attract a more sophisticated clientele with a higher purchase power **(see section 5.2)**. The market structures of the Philippine retail trade are quite unstable. Many shops are not registered and are run illegally, mainly due to reasons of tax evasion. These circumstances have unpleasant implications for GfK Philippines, since many retailers are not willing to let their sales be audited. High dropouts are recorded, which are incompatible with data accuracy **(see section 5.4)**. A series of interviews with shop owners have been conducted to gain information about Filipino retailers. They were questioned about various topics such as their customers' demands, the influence of the Chinese market and the mutual competition among the retailers **(see section 6.1)**. A summary of these results is given in **section 6.2**.

The Philippine Matrices for the mobile market reveal a total of 1,042 mobile retailers in Manila **(see section 7.2)**. There are almost five times more independent retailers than organized ones (863 to 179), which corresponds to a percentage of 83% to 17%. However, the numerical superiority of independent retailers is not reflected in their sales volumes: The market share for independent shops is only slightly higher than for organized (55% to 45%, **see section 7.3.1**). The Philippine mobile market is very dynamic. In a positioning matrix with the underlying dimensions "stability" (stable versus unstable) and "style" (modern versus conservative) it can be classified as very modern and very unstable **(see section 7.3.2)**.
GfK currently tracks three Major Domestic Appliances of the Philippine home appliance or white goods market: Refrigerators, washing machines and air-conditioning. Compared to the greater provinces, the market penetration for white goods in Manila is considerably higher **(see section 8.1.2)**. The distribution of independent and organized shops is the opposite of the mobile market. The Philippine Matrices show 250 home appliance shops in the 12 million-capital, from which 80% are organized **(see section 8.2)**. These 80% of organized shops hold a corresponding market share of 80%. The home appliance market is characterized as conservative and stable. In the positioning matrix introduced above it is classified opposite to the mobile market **(see section 8.3)**.
GfK audits data about six electrical appliances in the Philippine audio visual market, among them televisions, DVD players and camcorders (**see section 9.1.2**). The total number of shops in the audio visual market is 443; 232 are independent and 211 are

organized (52% to 48%). It is the only one of the three studied markets with a well-balanced ratio of shop types (see the Philippine Matrices **in section 9.2**). The average market share for audio visual products is 72.5% for organized retailers, leaving 27.5% for independent ones. Thus, the former shop type holds a disproportionate market share. In a positioning matrix, the audio visual market takes up a place between the oppositely positioned mobile and home appliance market. It is regarded as medium stable and medium modern **(see section 9.3)**.

Since the Philippine subsidiary of the GfK Group just opened 12 months ago, the company still needs to enhance its market awareness and persuade new retailers to join the GfK panel. For this purpose, management recommendations concerning the recruitment of retailers and the application of marketing communications measures have been presented **(see chapter 10)**. While recruiting retailers, GfK is recommended to underline the resulting short- and long-term advantages in order to illustrate the mutual benefits of cooperation. As relationships play an important role in the Philippine business world, it is indicated to develop amicable relations with the (decision-making) shop personnel. Several visits should be planned for each client for this to happen.

In order to enhance GfK's market awareness, the company is advised to engage in classical advertising (e.g. print and online advertisements, brochures and booklets). GfK should further participate at fairs, trade shows and exhibitions, and use Manila's numerous shopping malls to hold company presentations and set up information points. For public relations and publicity, GfK should create press kits, company magazines and engage itself in sponsorships. The company could also invite interested parties to open-door events. Finally, GfK is recom-mended to make use of direct marketing. The company could offer regular (E-) Newsletters and send e-mails to capture the attention of potential clients.

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