

<< BACK TO THE INEWS FRONT PAGE

MARKET FOCUS

When lined up with India, China and Vietnam, the Philippines appears to be well positioned for the long term.

[READ MORE](#)

UPS EXPORT SERIES

Singapore remains the Philippines' largest Southeast Asian trading partner, with total trade amounting to US\$9.358 billion in 2007. Imports from Singapore totaled US\$6.219 billion.

[READ MORE](#)

NEED GLOBAL KNOW-HOW?

[ASK UPS](#)

[ASK IE](#)



Get export success in the Philippines with the right connections!

Global experts are ready to help.

Q&A

Exploring the Philippine Market

To learn more about the opportunities and challenges presented by the Philippine market, *inews* speaks with Lawrence Chong, Director for Strategy Development at Consulus Cato Partners, a global brand consultancy. His extensive experience in the region includes aiding Philippine brands in their strategic efforts and helping Singapore companies penetrate the Philippines.

How would you characterise the current state of the Philippine market?

A lot of people underestimate the Philippine economy because of negative press coverage in the past related to extremism and an unsafe business environment.

However, the Philippine economy continues to achieve growth despite political challenges. Its growth is fuelled by large inflows of funds from millions of overseas Filipino workers; increased investor interest for the local workforce, as it still has one of Asia's highest literacy rates; and an investment-friendly government. As in any emerging economy, there will be the usual challenges of dealing with the lack of infrastructure and pro-business policies but the positives outweigh the negatives.

How favourable is the Philippines for foreign investors? In what ways?

When lined up with India, China and Vietnam, the Philippines appears to be well positioned for the long term. It is emerging as the next frontier in the business process outsourcing (BPO) sector, because like India, it has a highly-educated workforce. This enables Filipinos to perform more sophisticated tasks such as knowledge process outsourcing (KPO) for medical diagnosis, legal work and design.

Similar to Vietnam, it has one of the region's highest proportion of young people, who are adept in Internet technology. Filipinos' good command of English, however, gives them an obvious advantage over their Vietnamese counterparts.

Since there is still much room for growth, wages and business costs are low and not rising as fast as those in China.

Which industry sectors hold the most promise for Singapore companies looking to expand into the Philippines?

Philippines is a big country, therefore, promising sectors vary from region to region. For Metro Manila, one of the hot sectors to look out for is retail. Many Filipinos are well-travelled, so they have a higher level of appreciation for sophisticated retail experiences.

Outside of Metro Manila, BPO in the fields of information technology, legal services and design will be suitable for Singaporean companies seeking lower costs and scalability.

Tourism is also expected to be strong in the coming years, and there are many under-developed tourist destinations in the country. In recent years Koreans and the Chinese have overtaken the Japanese in making up the highest percentage of tourists. With warm personalities and innate musical talent, Filipinos are natural hosts.

Cebu is becoming an attractive investment and tourist destination. With budget airlines flying directly to Cebu from Singapore, more Singaporeans will be expected to visit. Cebu has also begun to compete internationally for ship-building projects. With a large workforce, deep water port and increased foreign participation, the Philippines can emerge as a regional powerhouse in marine construction.

The other new sector that Singaporeans should take note of is the country's nascent green economy. There is rising awareness of the importance of sustainable resource use in the Philippines. The government and the local business community, for instance, have begun exploring the possibility of turning wastelands into power plants. Access to clean water is also a concern to a growing Filipino population, so there are also opportunities for development in that industry.



FEATURED IADVISOR



Name: Sunny Chia
Company: UPS
Expertise: Import/Export
Market: ASEAN, China, India

[ASK IADVISOR](#)

UPS STRAW POLL

Share your views on the US economy and stand a chance to win a \$50 NYDC dining voucher!

[LEARN MORE](#)

Brought to you by:



What types of businesses are most likely to flourish in the Philippines?

If you are in the service sector, many skilled personnel are ready to join your workforce. Filipinos are highly adaptable and intelligent, so it isn't difficult to imagine giving more responsibilities to Filipino staff and eventually bringing them over to the local headquarters. If you are in the creative business, you will also be able to find many talents to fill your ranks, as the Filipino culture has an innate appreciation for beautiful visuals and colours.

As indicated earlier, the supply sector is open to innovations. Metro Manila is undergoing a lot of infrastructural change, with new roads and highways being built to enhance both intracity and intercity connectivity. The process is slow at times, but it will be needed to sustain growth.

What is the easiest way to gain entry to the Philippine market, and why?

It depends on your industry. A franchise model might work in retail, but when it comes to setting up back-end operations, it might be better to be a wholly-owned subsidiary. It will be more feasible to find a local consultancy to assist with market set-up because the rules may vary from province to province, and local connections are key. For the initial years it will be good to deploy a Singaporean manager to oversee the operations before handing over to the Filipino partner, so as to ensure that the local team is ready to develop its operations in line with your objectives.

Generally, what are the initial steps that Singapore companies should take, if they are interested to expand into the Philippines?

Singapore companies must first change their mindsets about the the Philippine market and be more adaptable. Unlike Singapore, things are rather dynamic in the Philippines. Singapore companies might find that certain conditions to not be ideal, but they will see over time that Filipinos adapt very well to the work required.

Before setting up operations in the Philippines, it will be essential to visit the place a few times and meet with relevant partners. As for the type of company structure, you might want to review your commitment first before coming in 100 percent. It will be good to take a phased-in approach, because sometimes the location might not be suitable to attract the type of employees you want or some unfavourable conditions might emerge.

We advocate that you have a long-term vision before setting up in the Philippines. You will need some patience to develop scalability before moving forward. At the end of the day, it's all about building relationships, so staying within the same province will help in terms of networking and business approvals.

What obstacles can Singapore companies expect to face when expanding into the Philippines?

Some Singapore companies might find the difference in communication style challenging. Filipinos are communal in nature, so smaller Singapore companies must be prepared to answer all queries and clearly communicate the goals of the company with all staff. Singaporean companies must also frequently communicate and clarify objectives to minimise misunderstanding. It is important for Singapore companies to treat all its staff well, else word will go around, making it tough to recruit good managers in the long run.

Working with local government agencies can also be a challenge. Singapore companies must not expect the same level of efficiency that they have experienced here.

How can they overcome these obstacles?

It is important to not come to the Philippines solely to do business. Singapore companies will benefit greatly from networking and building a strong relationship with the local community. Corporate citizenship can raise a company's profile and enhance brand bonding with the locals.

In what aspects does the Philippine business environment/culture differ the most from that of Singapore?

As in most Asian business cultures, don't just come in and start your business pitch. Aim to be a friend. Then get to know your new friends in the Philippines before you discuss any possible business together.

How important is having local contacts to foreign companies looking to expand into the Philippines?

It's very important, because local contacts that have connections with the local authorities will be better facilitators for set-up issues. Local contacts will also be able to provide reliable feedback on the possible talent base of the area and the state of the economy.

ASK THIS IADVISOR A QUESTION