

**Public-Interest Incorporated foundation  
Research Institute for High-Life  
Japan-Asia Collaborative Research Project  
Study report "The New Trends in Asian Urban Lifestyle"**

## **"The New Trends in Urban Lifestyle in Manila" (serial in 4 parts)**

### **Part 1 : Mall culture and brand awareness among the socioeconomic classes in Metro Manila**



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(see reference page for details)

#### **Foreword**

The Republic of the Philippines has a population of around 100 million. Its citizens enjoy a unique lifestyle influenced by a mixture of Asian, Spanish, and American culture. Filipinos also currently view Japan in a positive light. Geographically, it is surrounded by the South China, Celebes, and Philippine seas, and has a land area of around 300,000 square kilometres (around 80% of Japan's land area). It is an archipelago of more than 7000 islands. Manila, in the National Capital Region of the Philippines, has favourable access conditions as one of the major cities in Asia. Moreover, with over 20 million inhabitants, it is also one of the world's most populous cities. Nominal GDP in 2012 reached up to 250 billion dollars, an impressive increase of 6.6% compared to the rest of Asia. With the growth of the middle class population, and continuous urban development, Metro Manila is transforming into a comfortable and globalized metropolis.

However, the Philippines is also faced with various political, social, and economic problems. The income disparity across the population is large, the high-income class makes up only 1% of the population, the middle-income class comprises around 9%, and the remaining 90% are low-income class. The unemployment rate is also high; about 10 million people have come to work abroad as overseas migrant workers. And in Japan,

there is a prevailing image of the Philippines as unsafe and fraught with security problems.

Up close however, this negative image is probably overblown. The average age in the Philippines is a young and energetic 23, consumer market is expanding and the middle class is also steadily on the rise. With a spiritual foundation of Catholicism, values such as love for family, optimism, and a high tolerance towards things foreign are also readily apparent. The official languages are English and Filipino, and in spite of underdeveloped infrastructure, the ability to communicate and conduct business in English is a big factor for foreign companies looking to expand. In a sense, whether in terms of economy or society, it is impossible to apply just one measure to grasp the Philippines. Its complexity is part of its charm. In this series, we will try to convey the Philippines as it has not been properly conveyed to its neighboring countries before.

In this first part, the focus will be on Philippine history, population dynamics, and the proliferation of shopping malls as a symbol of consumer market expansion. The second part will deal with Filipino values, food and mass media. The third part will be about the impact of urbanization and business distribution, and overseas Filipino workers. The final part will discuss solutions for social problems, highlight the trends among the high income, middle income, and low income brackets, as well as current exchanges between the Philippines and Japan. All of this information will be reported based on interviews with stakeholders and various data and literature.

Map showing the three main island groups: Luzon (top) Visayas (middle) and Mindanao (bottom)



Image retrieved from Google maps

## **Agenda**

### **1 . Geographical characteristics and history of the Philippines**

- 1 ) Interaction with various regions as a maritime people of Malay origin
- 2 ) Spanish Colonial period, US Colonial period, and the bid for freedom and independence.
- 3 ) Current society; independence and " EDSA Revolution" onwards
- 4 ) Formation of Filipino values

### **2 . Population pyramid and the problem of unemployment**

- 1 ) Population distribution
- 2 ) The need to increase employment opportunities

### **3 . High economic growth compared with the rest of Asia**

### **4 . Problems of disparity**

- 1 ) Economic stratification of Philippine society
- 2 ) Towards a resolution of inequality

### **5 . Shopping mall lifestyle culture of Manila citizens**

- 1 ) The mall as a place for recreation
- 2 ) History of malls in the Philippines, and current business conditions
- 3 ) Supermalls: Catering to the rich and poor alike
- 4 ) Boutique malls for the elite

### **6 . Brands – What is ideal for Filipinos?**

- 1 ) Brand awareness among the wealthy and the not-so-wealthy
- 2 ) The problem of piracy and fake branded items

## **Reports from a Japanese researcher**

### **1. History of the Philippines**

#### **1 ) Interactions with various territories as a maritime people of Malay origin**

There are many accounts from a Spanish perspective where the history of the Philippines begins with the Magellan's "discovery" of Cebu island in 1521. However, as early as 20,000 years ago, the indigenous hunter-gatherer *negritos* had already been present. Afterwards, people of Austronesian origin (Malays and Polynesians) started settling as well. Irrigation farming has also been practiced for the past 2000 years. In the 3<sup>rd</sup> century, trade and cultural exchange with the island kingdoms of Sumatra, Java and others started, and Buddhism were introduced as well. In the 10 century, exchange with India, China, Southeast Asia and Arabia also took place, According to Chinese records, the area known as Tondo (now part of Manila), was already settled as early as

this time.

In the 10<sup>th</sup> century, the Laguna copperplate inscription<sup>1</sup> written in Kawi (a precursor to the Javanese language) confirms the existence of society ruled by advanced laws. In addition, the discovery of numerous gold ornaments from that time period points to a highly affluent society.

In the 14<sup>th</sup> century, trade and exchange with the Middle East started in earnest, and with it came the introduction of Islam and the establishment of the Kingdom of Sulu (now a part of Mindanao) in 1450. As early as the 12<sup>th</sup> century there were already records of Japanese pirates using certain areas of the Philippines as a base. In the 16<sup>th</sup> century Japanese trade with Luzon started, and there is also an anecdote of a Japanese merchant, Nayasuke Zaemon making a fortune during this time. In Manila, as early as the start of the 17<sup>th</sup> century, a Japanese trading enclave with as many as 3000 residents was already in existence. A Christian Daimyou from Bizen, Takayama Ukon, migrated to Manila with his followers because of the oppression of Christians in Japan. However, the Japanese community fell into decline as Japan implemented its isolationist policy.

During the 14-16<sup>th</sup> centuries, Luzon was not a unified state, but was a collection of self-sufficient communities called *barangays* engaging in lively trade with surrounding regions. However, this would all change with the encroachment of Europe and its drive to colonize.



San Agustin Church, built during the Spanish era



Manila residents going to mass

## 2) Spanish and American colonialism and the bid for independence

During the early 16<sup>th</sup> century, Spain had fallen behind in Portugal in the colonial race. As such, the King of Spain ordered Magellan to discover a new route towards the

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<sup>1</sup> Laguna copperplate inscription: Contains an account of how the chief of Tundun (present-day Tondo in Manila) pardoned the debt of an official. Ancient Javanese is mixed in the writing, but it is estimated to be close to the precursors of Malay and Tagalog. Future research is being done as to the authenticity of the copperplate.

Orient. At the end of a difficult voyage, Magellan's fleet (233 crew, 6 ships) arrived in Cebu in 1521. Magellan asked the natives to submit to the King of Spain, and to convert to Christianity. However, this was rejected by Lapu-lapu, the Muslim tribal chief of Mactan Island (off the coast of Cebu). The fight ended with Magellan's death at the hands of Lapu-lapu and the destruction of the fleet. Lacking a commander, the remaining ships limped back to Spain; their numbers drastically reduced to 25 men and 3 ships.

In the succeeding years, with the use of Galleons on sea routes made possible by the westerly winds, Spanish trade between Manila and Acapulco in Mexico (silver from Mexico, Chinese silk, ceramics, and pepper from Southeast Asia) flourished. In order to strengthen its monopoly, Spain established a colony, quelling any local resistance. (1565-1898, a total of 333 years). This involved the construction of the walled city of Intramuros as the colonial capital of Manila in 1571. Continued until 1815, the Galleon trade brought great wealth to Europe and Spain.

As a colonial policy, Spain introduced the money economy, and promoted exploitative measures in the Philippines<sup>2</sup> such as taking land as payment for fertilizer and other farming necessities when the farmers were unable to pay, and the establishment of vast plantations. The British East India Company, wanting a foothold on trade in the Pacific, attacked Manila and successfully held it for 2 years (1764-1762), after which control reverted back to Spain. However, due to the state of international relations at that time, Manila became a free port. Spain expanded its exports of locally cultivated Manila hemp, sugar, tobacco and other products to Europe and the United States.

During the 19<sup>th</sup> century, there was a severe resistance against Spain's colonial policies, and nationalist sentiment was on the rise. It was during this time that Jose Rizal<sup>3</sup> came back from studying in Spain, and founded *La Liga Filipina*. Jose Rizal became the center of the unfolding conflict between Spain and the Philippines; and was captured and executed. Instead of quelling the resistance however, this only strengthened the resolve of the Filipinos to fight for independence.

In 1898, as Spain's control over its colonies was waning, America was growing in power, and was eyeing Mexico and Cuba. This resulted in the Spanish-American war. America ended up supporting Aguinaldo<sup>4</sup>, who led the resistance against the Spanish landowners and religious orders, eventually leading to the capitulation of the Spanish governor-general. Afterwards, during the Treaty of Paris in 1898, America was able to

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<sup>2</sup> The Philippine islands were named after King Philip II of Spain (*Las Islas Felipinas*), who commissioned the expedition.

<sup>3</sup> Jose Rizal, National Hero of the Philippines (1862-1892)

<sup>4</sup> Emilio Aguinaldo (1869-1964), a revolutionary and the first president of the Philippines

purchase control of the Philippines from Spain for 20 million dollars. Aguinaldo, who had already declared Philippine independence in 1899, now led the resistance against America. This led to the horrific massacre of around 1/6 of the population of Luzon island, and in 1902, the Philippines once again became a colony, this time of America. This lasted until 1946.

America proclaimed a policy of benevolent assimilation towards the Philippines as its colony, and implemented changes such as English language education, and an American style system of government. However, as anti-American sentiment continued to increase, in 1934, America decided to recognize Philippine independence after a period of 10 years. However, the relations in Asia were extremely tense; and in 1942 Japanese troops killed American soldiers and occupied Manila. Anti-Japanese Filipino guerillas became very active during this time. The American military re-landed in Leyte in 1944, and reclaimed Manila from the Japanese by 1945. This conflict resulted in around 1.1 million casualties.

### **3) After independence, the EDSA revolution, and current society**

After the war, the 3<sup>rd</sup> Republic of the Philippines was established with the support of the United States. Now a member of the capitalist camp, the Philippines was now geared towards economic development. In 1956, the recovery of diplomatic relations with Japan resumed with the agreement for reparations from Japan.

In 1965, Ferdinand Marcos came into power, and promoted the advancement of exports and “road and rice”, agrarian reform, and economic development. However issues such as cronyism and the ever-increasing national debt led to Marcos’ estrangement from the people. After the assassination of Benigno Aquino, one of his political opponents, the EDSA revolution broke out and ended the 20 year dictatorship. Marcos was succeeded by Corazon Aquino, who focused on English and Filipino as official languages for ethnic education, decentralization and deregulation and other liberalization policies. However, her administration was not marked by noticeable concrete changes. The next president, Fidel Ramos, had a military background and was able to push for peaceful negotiations with anti-government rebel groups, promoted reform and liberalization measures, and was committed to fiscal consolidation and economic development. Ramos was succeeded by Joseph “Erap” Estrada, a popular actor, who was especially popular among the poor masses as his campaign portrayed him as a “friend to the poor”. He was eventually ousted due to allegations of plunder and other forms of corruption, and was succeeded by then-vice-president Gloria Macapagal-Arroyo, daughter of former president Diosdado Macapagal. She promoted agricultural

development and aggressive measures to increase foreign capital. However, her administration was also tainted with allegations of corruption. Currently, Benigno “Noynoy” Aquino, son of former president Corazon Aquino holds office. His administration is viewed as anti-corruption, and is trying to address issues like financial inequality; along with revitalization of the private sector and increase in taxes.

#### 4) Formation of Filipino Values

The Philippines’ colonial experience consists of 333 years under Spain, 48 years under the United States, and 2 years each under Japan and Britain. The pre-existing culture that has existed since ancient times has all been wiped out and replaced with suzerain culture, and current Filipino values have been formed during that process. These include Catholic values, love for family and the province or town one associates with, a high tolerance for foreigners and foreign culture, avoidance of conflict, a tendency to follow those in power, as well as typical values associated with English and the United states such as consumerism, and spending rather than save money.



A mishmash of foreign cultures at a street corner



Catholic teachings as part of everyday life

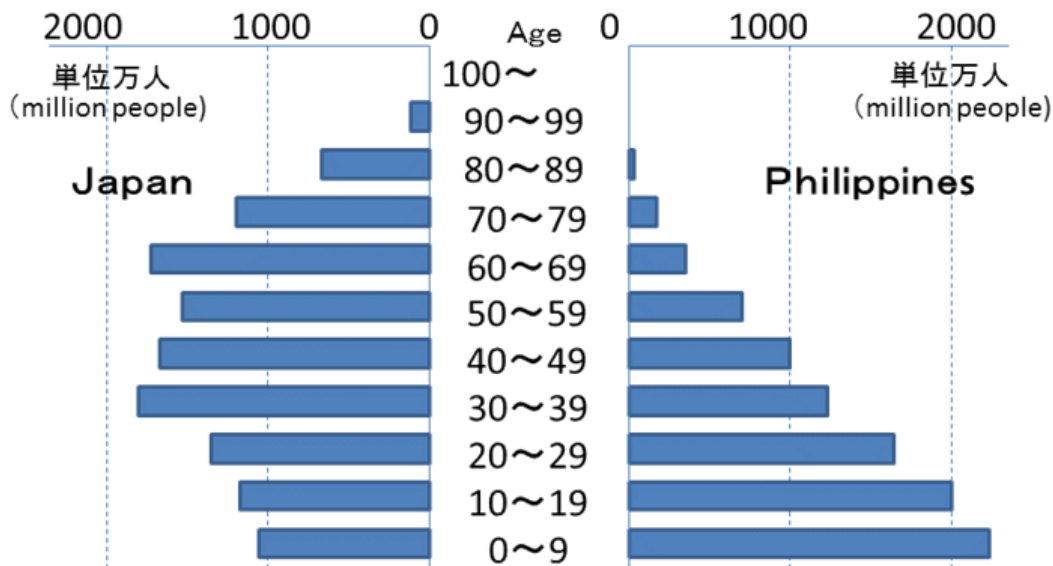
## 2 . Population pyramid and the problem of unemployment

### 1) Population distribution

With approximately 95.86 million people in 2011, the population of the Philippines has increased by about 20 million people over the past decade . It is expected to reach up to 127 million people in 2050, same as Japan’s current population. Majority are of Malay descent, with Chinese and Spanish mestizos comprising a smaller portion, along with various indigenous communities in more remote areas. Population is concentrated in major cities, with 56.2% in Luzon, centered in Manila, 24.4% in Mindanao, centered in Davao City, and 19.4% in Visayas, mainly in Cebu city. Compared with other Asian

countries, the population growth rate (about 2%) and birth rate (3.1 people) are higher. One major reason is that 83% of the population is Catholic, and birth control and abortion are prohibited by Church teachings. As a result 34% of the population is under 14 years of age, and 60.3% of is of working age (15-65 years old), a demographic bonus<sup>5</sup>. The average age is 23 (44.8 years old in Japan, 35.5 in China and 28 Vietnam). Even compared to other Asian countries, the rate of aging is low (4%) and the burden of medical expenses and social security is relatively light. However, this pyramid-shaped population distribution is not necessarily positive, as it can be interpreted as a manifestation of problems in health and medical care for the elderly, and a high infant mortality.

Graph 1. Population distribution by age in Japan and the Philippines



Source: United Nations medium variant (2010)

## 2) The need to increase employment opportunities

The Philippines has an abundant local labor force. However, there are not enough jobs for the 40 million Filipinos who are part of this labor force. As such, foreign migrant workers number as many as 10 million. In other words, around 25% of the working-age population is going overseas in search of employment. If this trend were to continue, it would drastically affect the domestic population. This highlights the urgent issue of

<sup>5</sup> With the number of children and elderly small and working-age population large, the burden of social security and welfare costs less and can lead to more social investments



expanding domestic employment opportunities through the creation and improvement of local industries.

### **3. High economic growth compared with the rest of Asia**

If you look at the history of the Philippine economy, the 1950s was a period of development as a production base for the United States, but after this the economic growth rate and economic gap which was lower than other Asian countries became the norm. This was due to factors such as ownership of large tracts of land by a few individuals, domination of conglomerates, inability of the middle class to flourish and inadequate economic infrastructure development, as well as political turmoil.

However, during the late 1990s onwards, when the world economy started to shift its axis towards Asia, the Philippines was also able to ride on the trend of growth. Inflation remained stable for over 10 years, the effects of the Lehman Shock and Asian economic crisis were not as harsh, and the economy has remained relatively smooth, ensuring positive growth.

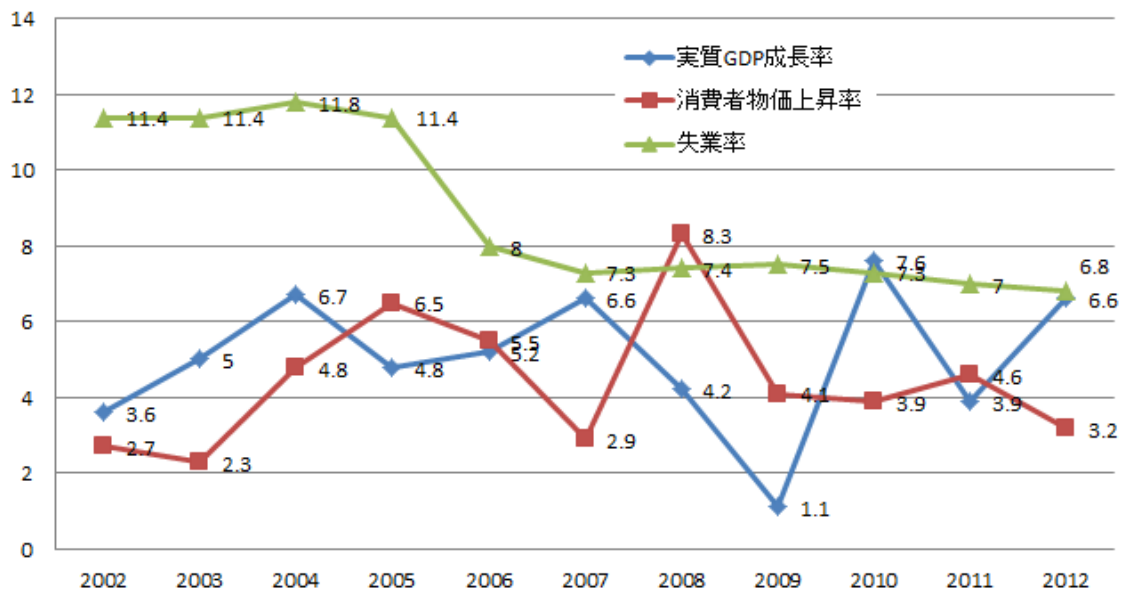
In 2012, the Philippines had a relatively stable nominal GDP of about \$ 250.265 billion, inflation rate of 3.2 percent and 6.6% real growth rate, which was high compared to neighboring Asian countries. Looking at the per capita nominal GDP of \$ 2,614, expansion of the consumer market in the future is expected. In particular, in 2012 in the National Capital Region (Metro Manila), per capita nominal GDP was about \$ 7700, indicating a very active consumer market.

Looking at the industrial structure of 2012, the service sector accounts for 60% of the GDP (up by 7.4%), industrial sector 30% (up by 6.5%), mining, agriculture, forestry and fisheries (2.7% increase) . In particular, commercial areas such as shopping malls, account for as much as 30% of the service industry. Personal consumption accounts for up to 70% of GDP, this is in part due to the remittances of overseas Filipino workers (OFWs), which reached up to 21.4 billion dollars in 2012, (10% of GDP).

The growth rate of business process outsourcing such as accounting offices and call centers (BPO) industry is high, it is expected that domestic employment will reach 100 million by 2013. One reason is because of the English pronunciation of Filipino call center agents, which approximates American English.

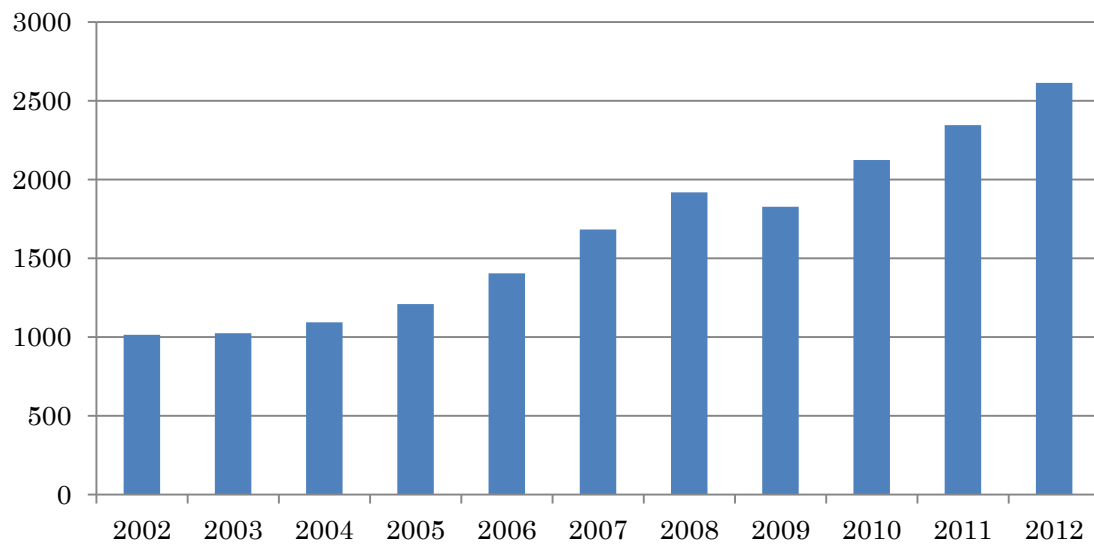
The BPO industry has created numerous new 24-hour businesses in Metro Manila, and is increasing the new middle class. As a result, new activities to match this consumer lifestyle are also emerging. In addition, the construction of new offices and housing in Metro Manila reflects the strengthening economy due in part to these industries.

Graph 2: GDP growth rate (blue), consumer price inflation (red), unemployment rate (green) (In percentages)



Source: Central Bank of the Philippines

Graph 3: Nominal per capita GDP (in millions of USD)



Source: Philippine National Statistical Coordination Board (NCSB)

#### 4. Problems of disparity

##### 1.) Economic stratification of Philippine society

Philippine society can be considered as highly stratified. In terms of yearly income, there is a huge disparity between the highest earners and those that earn the least

amount of money.

The National Statistical Coordination Board (NCSB) groups the population into three: High Income, middle income, and low income. High income segment is composed of families or people earning an average of P200,000 a month or P2.4 million a year. Thus, they may be described as the “rich” segment. They are very few, numbering only 0.1% of total families in the Philippines. The middle income class is said to earn an average of P36,934 per month while the low income segment earns an average of P9,061 per month.

The 2011 report from the Social Weather Station (SWS) entitled “Family Income Distribution in the Philippines from 1985 to 2009” is summarized below

Chart 1: Percentage Distribution of Socioeconomic Classes

Class	Share in Number of Families	Share in Total Income	Average Annual Income
AB	1%	9%	PHP1,857,000
C	9%	26%	PHP603,000
D	60%	56%	PHP191,000
E	30%	9%	PHP62,000
Total	100%	100%	PHP206,000

Source: SWS (Social Weather Station) 201

This SWS survey shows that the high income AB classes represent only 1% of the families in the Philippine population. If we are to translate this percentage into nominal terms, the AB classes number only 185,000 families. Meanwhile Class C is 9%, and class D is the largest at 60%. Around 30% of Filipino families are classified under the lowest (E) class. This glaring inequality is one structural problem of Philippine society.



An urban slum in Metro Manila



Ermita today; formerly wealthy and bustling district of old Manila

## **2) Towards an elimination of the problem of inequality**

Ownership of large tracts of land by the elite in the Philippines was a remnant of the Spanish colonial system, but was reinforced by the United States' colonial system which fostered a positive relationship with the elite and allowed them to rule over the masses through positions in the government. This is one of the reasons behind the current stratification of Philippine society. After independence, successive administrations tried to implement policies for land reform and taxation of the wealthy, but cronyism and patronage politics made these reforms ineffective, and in some cases even reinforced the existing order. In reality, rather than re-allocating the wealth of the rich, in some cases the rich became even richer.

However, in order to achieve economic development, stability, and improve social well-being, the resolution of problems such as the proliferation of slums, as well the economic disparity between urban and rural areas should be addressed. Issues plaguing the poor such as education, health, medicine, and housing, if not addressed, will only lead to more poverty.

For poverty reduction, one avenue for improvement is the expansion of employment by the developing the manufacturing sector and modernizing agriculture. In addition, creating opportunities for higher education among the poor is also very important. In the Philippines, higher education is a necessity in order to land a high-paying job. The issue of basic health should be addressed as well, and an appropriate budget for basic health care the poor is required.

It is said that the middle class is not on the rise, but the growth of BPO, IT industries, and expansion of employment, the reduction of poverty is expected.

## **5 . Shopping mall lifestyle culture of Manila citizens**

### **1) The mall as a place for recreation**

In spite of the glaring inequality mentioned in the previous section, there is one common activity that almost all Filipinos in urban areas like Metro Manila are familiar with - going to the mall. In fact, the word "mall" has already been coined, and people in Metro Manila will almost invariably include this as one of their regular activities. This is not hard to believe, in light of the fact that there are more than 40 malls of various sizes within metro manila, including two out of the ten largest shopping centers in the world. In addition, even though more than half of the population belong to the D and E brackets, malls get crowded daily, particularly after office hours; and even more so during weekends. Around 80 percent of the Philippines' population goes to shopping

centers and around 36 million people visit shopping plazas once or twice a month, according to Nielsen Media Research.

One of the most well-known malls in Metro Manila is the SM Mall of Asia<sup>6</sup>. In recent years it has become a popular destination for both local and foreign customers.

In an article and interview with SM Mall of Asia Chief Steven Tan entitled “Let’s go Mall’ing” in the *Brunei Times* dated September 2009, writer Chrstiane Oelrich says:

It has the largest IMAX cinema screen in the world, the Philippines' top-selling Starbucks', and an Olympic-size ice skating rink. On the average, around 200,000 people visit the Mall of Asia on weekdays. On weekends, the number can reach more than 500,000.

A stroll through the stores shows that customers have to be well-heeled for a shopping spree. A pair of jeans for US\$140 (\$206) or shoes for US\$100 (\$147) are the rule in some of the more than 500 shops, in a country where about one third of the 100-million population lives on less than 80 pesos (about \$2.46) per day.

"Thirty per cent of our customers come from the high-income groups," Tan said, with "high income earners" being regarded as those earning more than 50,000 pesos (\$1,542) per month.

But mall’ing is not just the prerogative of the rich. In the corner with the cheap fast-food restaurants four young mothers sit and drink iced tea. "We are not here for shopping," one said. "The children can play here and we chat." Window shopping is all the friends can afford.

The same is probably true for most of the 15,000 employees at the Mall of Asia, most of whom earn only minimum wage of less than US\$10 (\$14.70) a day.



The SM Mall of Asia, popular with locals and tourists



Glorietta, one of the high-end malls in Makati

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<sup>6</sup> Owned by business tycoon Henry Sy, who started in the late 50s with a tiny retail store in Manila; now worth \$13B in assets, and has expanded his business to include not only shopping malls, but also a bank, real estate, and others.

## 2 ) History of malls in the Philippines, and current business conditions

In 1932, the Crystal Arcade in Binondo, Manila was built. This was the first air-conditioned building in the Philippines, and also the first enclosed-type shopping mall. However, even prior to this, during the 1930s, 1920s and even earlier, various department stores had already been opened in the same area.

However, it was not until 1976 that the first “mall” by today’s standards opened. This was the Ali Mall, located in the Cubao area of Quezon City. Shortly after that, the first mall in Manila City, the Harrison Plaza, opened in the Malate district. Since then, the number of malls in Metro Manila has increased rapidly. These malls are now worlds apart from the tiny *sari sari* stores which used to be the sole avenues for selling everyday necessities to small communities.

Currently, the malls in Metro Manila can be grouped into several categories depending on their size and other factors – major shopping centers (or supermalls), community malls, lifestyle malls, strip malls, bargain malls/open air shopping plazas, and big box stores. Supermalls contain hundreds of local and international stores, and each of them also have a department store and supermarket. Aside from these, they also include recreational areas such as movie theaters, bowling alleys, and so on. In the case of some SM malls, these even have ice skating rinks. In addition, these malls also have thousands of parking spaces for automobiles, and they are usually easily accessible via the LRT, MRT and other public transport systems.

Table 1: Popular Malls in Metro Manila

Name	Location	Retail space(m <sup>2</sup> )
Alabang Town Center	Alabang-Zapote Road, Alabang, Muntinlupa	48,000
Festival Supermall	Corporate Avenue corner Civic Drive, Filicity, Alabang, Muntinlupa	200,000
Gateway Mall	Aurora Boulevard corner Gen. Aguinaldo Street, Araneta Center, Socorro, Quezon City	95,000

Glorietta	Ayala Center, Makati	241,000
Greenbelt	Ayala Center, Makati	120,774
Market! Market!	26th Street corner C-5, Bonifacio Global City, Makati City	170,000
Power Plant Mall	Rockwell Drive corner Estrella Street, Rockwell Center, Makati	41,000
Robinsons Galleria	EDSA corner Ortigas Avenue, Ortigas Center, Quezon City	100,000
Robinsons Place Manila	M. Adriatico Street, Ermita, Manila	241,000
Shangri-La Plaza Mall	EDSA corner Shaw Boulevard, Ortigas Center, Mandaluyong	175,000
SM Aura Premier	C-5 Road corner McKinley Parkway, Bonifacio Global City, Makati City	234,892
SM City North EDSA	EDSA corner North Avenue, Quezon City	424,691
SM Mall of Asia	Central Business Park, Bay Boulevard, Bay City, Pasay	407,000
SM Megamall	EDSA corner Julia Vargas Avenue	348,000
SM Southmall	Alabang-Zapote Road, Pilar Village, Las Piñas	205,686
TriNoma	EDSA corner North Avenue, Quezon City	195,000

\*Brand list associated with these malls attached as a reference

### 3 ) Supermalls: Catering to the rich and poor alike

As described in the introduction, supermalls such as SM Mall of Asia cater to a wide variety of people. Those from higher-income brackets frequent these malls and are usually the ones who purchase from the shops. However, it was also mentioned that even those from lower income brackets frequent these malls to spend time with friends and family, go window shopping, attend free events like concerts, and dine at inexpensive restaurants, which can be found along with the higher-end restaurants and stores.

These malls are also easily accessible via public transport, which makes it easier for people of all income brackets to be able to visit. For example, the SM Mall of Asia is a

mere 5 minute jeepney ride away from the MRT station; while Shangri La Mall, Gateway Mall, and Trinoma are directly connected to either the MRT or LRT stations. As with the case of SM Mall of Asia, these malls also contain both luxury brand stores and restaurants, as well as more affordable options for those with less purchasing power.



MRT and LRT, a convenient way of commuting



Cheap and readily accessible jeepneys

#### 4) Boutique malls for the elite

Boutique malls such as the Bonifacio High Street in Taguig, the PowerPlant Mall, Greenbelts 2, 4, and 5 as well as the Newport City Mall in Pasay are popular among the higher socioeconomic brackets. Of course they also have the high-end luxury boutiques, as well as fine dining restaurants, usually surrounding lush gardens and waterscapes. What makes these places different from supermalls is that they are not as easily accessible via public transport compared to other malls. This limits the clientele.

A typical example is the Bonifacio High Street in Bonifacio Global City, formerly a military base, and now under large-scale development. Low-income earners will find it hard to get around the city without a car; there are no jeepneys and city buses only carry passengers to and from a limited number of points on the outskirts. This kind of limited accessibility is reminiscent of the large gated communities for the wealthy around Metro Manila. Indeed, only the wealthy can really afford to go shopping in high-end stores or eat in the fancy restaurants that are characteristic of these shopping areas. These kinds of areas, while they do cater to the needs of a portion of society, are indicative of the kind of economic inequality that has become entrenched in Filipino society.





Beautiful and comfortable Fort Bonifacio



Locals spending leisure time at a cafe

## 6 . Brands – What is ideal for Filipinos?

### 1 ) Brand awareness among the wealthy and the not-so-wealthy

Deciding on what makes a brand “good” will greatly vary depending on which socioeconomic bracket is considered. Going back to the brands discussed in the previous section, one can see that some expensive brands well known all over the world also have a place in some Filipino consumer’s lives. Obviously, those with enough money to be able to purchase these goods on a regular basis value them as “good”. What then, makes these goods special?

On the other hand, we can also look at what kind of brands those in the lower brackets buy. Of course, one obvious difference would be the price. A shirt from one of the more expensive clothing lines such as Marc Jacobs can reach more than 10,000 pesos, while on the average, a shirt from local brands such as Bench or Penshoppe is priced at around 500 pesos.

Whereas the high price of designer goods for the upper brackets make these brands attractive (a sign of prestige) for them, it is quite the opposite for those in the lower brackets. For these consumers, more than the fame of the brand would be the perceived value for money.

However, this does not of course preclude the relative fame of these brands as factors for people buying them. One good example of course is Uniqlo, which is of course an internationally known brand (although more known for its affordability). Another interesting behavior of course which will be discussed later on will be the popularity of imitation (fake) designer goods, both among Filipinos and foreign tourists as well.



Uniqlo, popular among the youth



High-end stores at Greenbelt 5

## 2) Fake designer goods

In bargain shopping centers such as Greenhills, foreign and local shoppers alike are greeted by racks and racks of designer goods; bags, watches, shoes, and so on - in seemingly endless rows of small stalls. However, these goods cost only a fraction of the price of an original item of the same brand.

These counterfeit goods also are ranked in terms of the quality of the reproduction. Low quality replicas (class C) cost the cheapest, but are also rather obviously fake.

On the other hand, high quality (class A) replicas can sell for thousands of pesos as well, but unlike class C items, these are rather well made. In fact, an untrained eye will probably have difficulty distinguishing an original from a well-made replica.

In a recent article from the ABS CBN television and news network about the confiscation and destruction of a shipment of fake goods, writer Ronron Calunsod states:

During the ceremonial destruction of counterfeit and pirated goods worth 30 million pesos (\$714 million) at the national police headquarters, Intellectual Property Office chief Ricardo Blancaflor said the problem persists because of public patronage owing to the fake items' cheaper prices and the peoples' preference for popular brands. Blancaflor said seized fake items last year amounted to almost 5.3 billion pesos, while in 2011, the value of seized items was a record nearly 8.4 billion pesos. Operations during the first five months this year resulted in the confiscation of counterfeit goods worth almost 1.6 billion pesos. Blancaflor said around 40 percent of apprehended fake items over the past few years are imitations of branded merchandise such as Louis Vuitton and Gucci products. The second largest are electronics such as cellphones, followed by CDs and DVDs of music and movies. Blancaflor also said 70 percent of

seized fake items are actually smuggled into the Philippines from other countries, while the rest are manufactured locally. Quoting the customs bureau, Blancaflor said almost 80 percent of the smuggled fake items come from China.

Obviously the affordability of counterfeit luxury goods makes them very popular among shoppers. However, as can be seen from the article there are various legal and economic issues surrounding their sale and purchase. From this we can see that even though those in the lower income brackets do not have the purchasing power for the original luxury goods, they are aware of these brands and this awareness of the brands' popularity drives them to purchase fake goods at a much lower price.

In the next issue, we will look at Filipino values and city lifestyle

#### **From a Japanese Researcher's perspective**

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Manila Lifestyle Column (Part 1 )

Industrial structure and OFW remittances

Japan is the largest trading partner of the Philippines, at the same time it is also a donor country to the Philippines. The two countries have strong economic ties, and Filipinos have a very high favorability rating towards Japan and the Japanese people. In addition, the Philippines, with a land area of about 300 000 sq km (slightly smaller than Japan), composed of more than 7000 islands dotting a beautiful sea, is only a mere 4 hours flight from Japan. There is no political conflict between the two countries. However, in spite of its proximity, it is not the subject of much attention from Japan. In terms of tourist destinations for Japanese, the Philippines does not even belong to the top 10 in Asia. However, it has begun to attract attention as a base for Japanese manufacturers in recent times.

Geographically speaking, the location of the Philippines in the middle of the South China Sea makes it an ideal center for trade. As a result, it has endured occupation by and interference from more powerful nations (mostly Spain, and later on America) from the 16<sup>th</sup> century until after the 2<sup>nd</sup> World War. Therefore, Philippine institutions and culture are also strongly influenced by the West, more so than other countries in Asia. Examples would be the separation of powers, democratic presidential elections, and modern society. Many Filipinos are Christians. Language also varies by region because

the nation is an archipelago, but as a reflection of the admiration for the American lifestyle common to many Filipinos, English has become one of the official languages. While a part of Asia, the Philippines is very interesting in that it retains a strong Western influence while at the same time maintaining its regionally diverse cultures and customs.

With English as the official language, many global companies have been deployed in the Philippines, such as call centers and other BPOs. It is said that this rapidly growing area plays an important part in the growth of the Philippine economy. In response to the China + 1 economic strategy made as a response to increasing business risk in China, Japan has also belatedly begun expanding its manufacturing industry in the Philippines.

However, infrastructure and related support industries, and as the technology behind them are underdeveloped. Integrated manufacturing sites responsible for local infrastructure technology have not improved much as well. One major feature of the Philippine economy is extremely large economic disparity, with a few conglomerates holding much of the power. Production is based on primary and tertiary industries, and secondary industry (manufacturing) is weak; accumulation of secondary industries has not occurred yet. While distribution, retail and real estate related businesses under conglomerates are plentiful, trade deficit remains. This is where the remittances of the OFWs (Overseas Filipino Workers) come in; enabling and supporting consumption.

First, the actual situation of remittances from OFWs must be ascertained. As many emerging economies suffer from a serious decline in investments due to the international financial crisis, the OFW remittances have become an important source of funding growth for the Philippine economy. According to the World Bank's 2013 estimate of remittances in emerging economies, India is top with 71 billion US dollars, followed by China's \$61 billion, and then by the Philippines with \$26 billion. With a 250 billion dollar GDP in fiscal year 2012, and considering the population ratio and foreign direct investments at that time, the 6 billion dollar OFW remittances is huge on the scale of the Philippine economy. To this end, about 10% of its people are overseas. As to the cause of this, simply put, there are not enough jobs in the country. With influence from Europe and the United States including the educational system, active women's participation in society, and an ideal geo-political location, it is a wonder that the manufacturing industry, which is badly needed to create jobs, has not naturally developed. For the next issue, we will look at Filipino lifestyle through this paradigm.

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**Data: Malls in Metro Manila**

Name	Location	Anchor stores	Retail space(m2)
Alabang Town Center	Alabang-Zapote Road, Alabang, Muntinlupa	Ace Hardware, Armani Exchange, Automatic Centre, Daiso, Makati Supermarket, Marks and Spencer, Metro Department Store, Michael Kors, Rustan's, Salvatore Ferragamo, Sántis Delicatessen, The Gap, Topman, Topshop, Toys "R" Us, True Value	48,000
Festival Supermall	Corporate Avenue corner Civic Drive, Filicity, Alabang, Muntinlupa	Ace hardware, Automatic Centre, Daiso, Robinsons Department Store, Savemore Supermarket, Shopwise	200,000
Gateway Mall	Aurora Boulevard corner Gen. Aguinaldo Street, Araneta Center, Socorro, Quezon City	Automatic Centre, Daiso, Marks and Spencer, Rustan's, Shopwise	95,000
Glorietta	Ayala Center, Makati	Hardware, Aeropostale, Armani Exchange, Automatic Centre, Bershka, Daiso, Debenhams, Dorothy Perkins, Forever 21, Gold's Gym, Marks and Spencer, Rolex, Rustan's, SM Department Store, Tag Heuer, The Gap, The Landmark, The Ramp Crossings, Toys "R" Us, True Value, Zara	241,000

Greenbelt	Ayala Center, Makati	Adora, Automatic Centre, Bally, Banana Republic, Bottega Veneta, Burberry, Bvlgari, Emporio Armani, Escada, Gucci, Hermès, Hugo Boss, IWC, Jaeger-LeCoultre, Jimmy Choo, Kate Spade, Kenneth Cole, Louis Vuitton, Marc Jacobs, Marks and Spencer, Michael Kors, Miss Selfridge, Muji, Omega, Panerai, Rolex, Rustan's Supermarket, Salvatore Ferragamo, Tod's, Tommy Hilfiger, Topman, Topshop, Tory Burch, Toys "R" Us, Tumi, Zara	120,774
Market! Market!	26th Street corner C-5, Bonifacio Global City, Makati City	Ace Hardware, Automatic Centre, Daiso, Metro Department Store	170,000
Power Plant Mall	Rockwell Drive corner Estrella Street, Rockwell Center, Makati	Armani Exchange, Bally, Billabong, DKNY, Dorothy Perkins, Kate Spade, Kenneth Cole, Marks and Spencer, Michael Kors, Muji, Rolex, Rustan's Supermarket, Salvatore Ferragamo, Sántis Delicatessen, Topman, Topshop, Toys "R" Us, True Value, Zara	41,000
Robinsons Galleria	EDSA corner Ortigas Avenue, Ortigas Center, Quezon City	Automatic Centre, Daiso, Dorothy Perkins, Gold's Gym, Marks and Spencer, Robinsons Department store, Robinsons Supermarket, Topman, Topshop, Toys "R" Us	100,000

Robinsons Place Manila	M. Adriatico Street, Ermita, Manila	Daiso, Dorothy Perkins, Fitness First, Marks and Spencer, Red Tag by Rustan's, Robinsons Department store, Robinsons Supermarket, Topman, Topshop, Toys R" Us	241,000
Shangri-La Plaza Mall	EDSA corner Shaw Boulevard, Ortigas Center, Mandaluyong	Armani Exchange, Bally, Ben Sherman, Crossings, Debenhams, Desigual, Escada, Hugo Boss, Kate Spade, Kenneth Cole, Life Fitness, Marks and Spencer, Michael Kors, Polo Ralph Lauren, Rolex, Rustan's, The Gap, Tommy Hilfiger, Topshop, True Value, Zara	175,000
SM Aura Premier	C-5 Road corner McKinley Parkway, Bonifacio Global City, Makati City	Ace Hardware, American Eagle Outfitters, Ben Sherman, Bershka, Cotton On, Dorothy Perkins, Forever 21, Miss Selfridge, Rolex, SM Department Store, SM IMAX Theater, SM Supermarket, T.M. Lewin, Topman, Topshop, Uniqlo	234,892
SM City North EDSA	EDSA corner North Avenue, Quezon City	Ace Hardware, Automatic Centre, Fitness First, Forever 21, Marks and Spencer, Savemore Supermarket, SM Bowling, SM Department Store, SM IMAX Theater, SM Supermarket, Uniqlo	424,691



SM Mall of Asia	Central Business Park, Bay Boulevard, Bay City, Pasay	Ace Hardware, Cotton On, Dorothy Perkins, Fitness First, Forever 21, Kenneth Cole, Marks and Spencer, Muji, Science Discovery Center, SM Bowling, SM Department Store, SM Ice Rink, SM IMAX Theater, SM Hypermarket, Tag Heuer, TheGap, Topman, Topshop, Uniqlo, Zara	407,000
SM Megamall	EDSA corner Julia Vargas Avenue	Ortigas Center, Mandaluyong Ace Hardware	348,000
SM Southmall	Alabang-Zapote Road, Pilar Village, Las Piñas	Ace Hardware, Fitness First, SM Department Store, SM Ice Rink, SM IMAX Theater, SM Supermarket	205,686
TriNoma	EDSA corner North Avenue, Quezon City	Automatic Centre, Crossings, Daiso, Debenhams, Dorothy Perkins, Fitness First, Kenneth Cole, Mango, Beauty Bar, Cello, Marks and Spencer, Omega, Tag Heuer, The Gap, Zara, The Landmark, Topman, Topshop, True Value,	195,000