

PHILIPPINES STARTUP REPORT



A 15-min guide by World Startup Report

Lead Author: Ron Hose

Updated: Sept 26, 2013

Our Mission



Document

Document our world's startup ecosystems through a series of reports detailing the local culture, trends, key players and challenges. Share these reports for free to benefit everyone in the global startup community.



Connect

Identify and empower local startup activists to become the ambassadors of each ecosystem. Leverage this network of ambassadors to help connect people to each other and to the global startup community.

OUR TEAM

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Masters degree from Cornell University

WHY PHILIPPINES?



Fastest growing economy in Asia



Investment grade (2013 upgrades: S&P, JCRA, Fitch Ratings)



Low operating costs



English speaking, western minded, heavy social users



Large local market, minimal competition



BY THE NUMBERS

PHILIPPINES VISAVIS USA

PHILIPPINES

USA

| | | |
|--------------------------|------------------------|----------------------------|
| 105.7 M | Population | 313.9 M |
| 7.8 | GDP Growth Rate | 2.2% (2012 est.) |
| US\$ 2614 (2012 est.) | GDP per capita | US\$ 49,601 (2012 est.) |
| 23 | Median age | 37 |
| 76% M | Population under 40 | 40% M |
| 5% | Consumer debt (of GDP) | 81% |
| 25MM | Population <\$1 a day | - |





WEB & MOBILE

| | PHILIPPINES | USA | CHINA |
|-------------------------|------------------------------|------------------|------------------|
| MOBILE PHONES | 106MM (114%) | 328MM (104%) | 1.15b (87%) |
| SMART PHONES | 19MM (18%, 17th) | 219MM (58%, 2nd) | 354MM (29%, 1st) |
| SMART PHONE GROWTH | 34% | 28% | 31% |
| MOBILE INTERNET | 3.4% | 81% | 21.8% |
| OPERATOR ARPU | \$5 / month (mostly prepaid) | \$46.50 | \$46.50 |
| INTERNET USERS | 30MM (29%) | 244MM | 516MM |
| E-COMMERCE REVENUE | \$1.15b | \$343b | \$110b |
| E-COMMERCE MARKET SHARE | <1% | 6% | 2.5% |
| CREDIT CARD PENETRATION | 7% | | |

"Social networking is so popular among Filipinos, the country has been nicknamed **'The Social Networking Capital of the World.'**

-Jon Russel, asiancorrespondent.com



LET'S TALK
SOCIAL



FACEBOOK USERS

AMONG TOTAL
INTERNET USERS

PHILIPPINES

93.9%

USA

53.8%

Prior to Facebook, Filipinos sent the most SMS msgs per capita in the world.

FILIPINOS ARE SUPER SOCIAL.

83%



Philippines

49%



USA








SOCIAL MEDIA PENETRATION

BROWSING

MOST VISITED WEBSITES

Facebook and
YouTube are
ahead of
Google search!

TOP 5 WEBSITES

- 1 
- 2 
- 3 
- 4 
- 5 

TOP 5 LOCAL SITES

- 1 
(classifieds)
- 2 
(daily deals)
- 3 
(classifieds)
- 4 
(news)
- 5 
(news)

STARTUPS IN THE PHILIPPINES

"The majority of the population in Asia has limited access to healthcare, education, and commerce. With the penetration of mobile devices and social networks, this population is now reachable, and hence, addressable."

- Ron Hose



STARTUPS TO KNOW



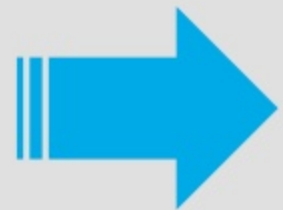
PAST EXITS

Chikka (Telco acq.)
Airborne (Telco acq.)
Sulit (Naspers)
iRemit (IPO)
Netbooster (WPP)
PinoyAutoTrader
(Sulit /Naspers)



CURRENT MOVERS

Rappler (Social News)
AyosDito (Classifieds)
Metrodeal (DailyDeals)
Lazada (Amazon Clone)
Zalora (Zappos Clone)
CashCashPinoy (DailyDeals)



UP AND COMING

Kalibrr (YC 2013)
TwitMusic (500 Startups)
AVA (HBS founders)
AYANNAH (HBS founders)
PayRoll Hero (SV investors)

ANGELS, INCUBATORS, VCS

Seed funding is limited and anything beyond that is virtually non-existent.

INCUBATORS

IDEASPACE
(First Pacific)

LAUNCH GARAGE

UP
(CEBUINIT, ENTERPRISE)

SEED

KICKSTART

HATCHD

JOJO FLORES
(PLUG AND PLAY)

WINSTON DAMARILLO

BERYL LI / SEEDASIA

VENTURE CAPITAL

ICCP

NARRA VENTURES

FOREIGN INVESTMENTS

Jeffrey Paine- Golden Gate Ventures (Ayannah), John Tan (PayRoll Hero), Benjamin Joffe (Payroll Hero), Dan Martell - Clarity (Payroll Hero), Ryan Homes - Hootsuite (Payroll Hero), Blumberg Capital (Lenndo), 500 Startups- Dave McClure (Payroll Hero, TwitMusic), Paul Santos, Seimer Ventures (Ayannah), MIH- South African Group (Sulit, Multiply), New Leaf Ventures (Payroll Hero)

LOCAL MEDIA

the bobbery
webgeek

rootcon
y4it
dcom

geeks on the beach

CONFERENCES

MEDIA
&
EVENTS

EVENTS

angelhack
startupweekend
hack2hatch

techtalks.ph
techmanila
juangreatleap
founder's drinks

MEETUPS

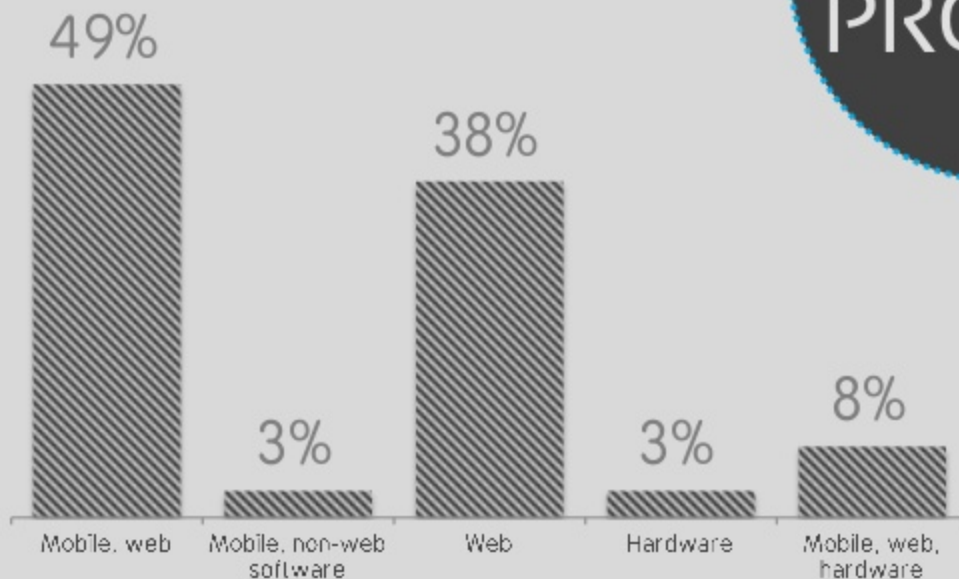
*Survey is based on a 37 startup responses from startup.ph group



MANILA
CEBU
DAVAO



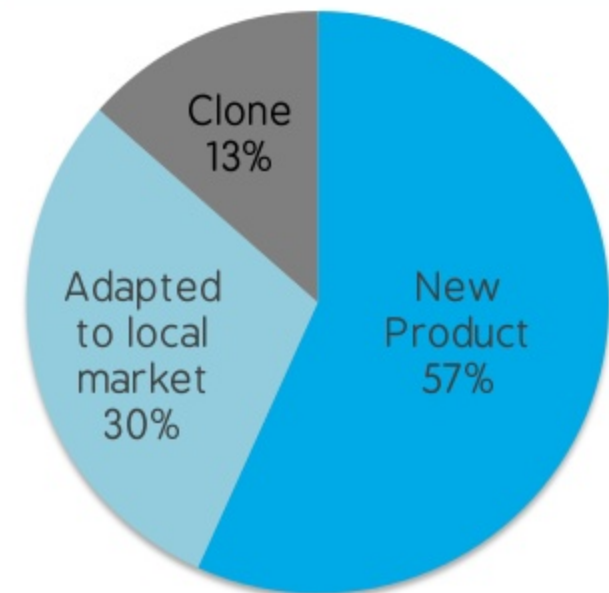
INDUSTRY



PLATFORM

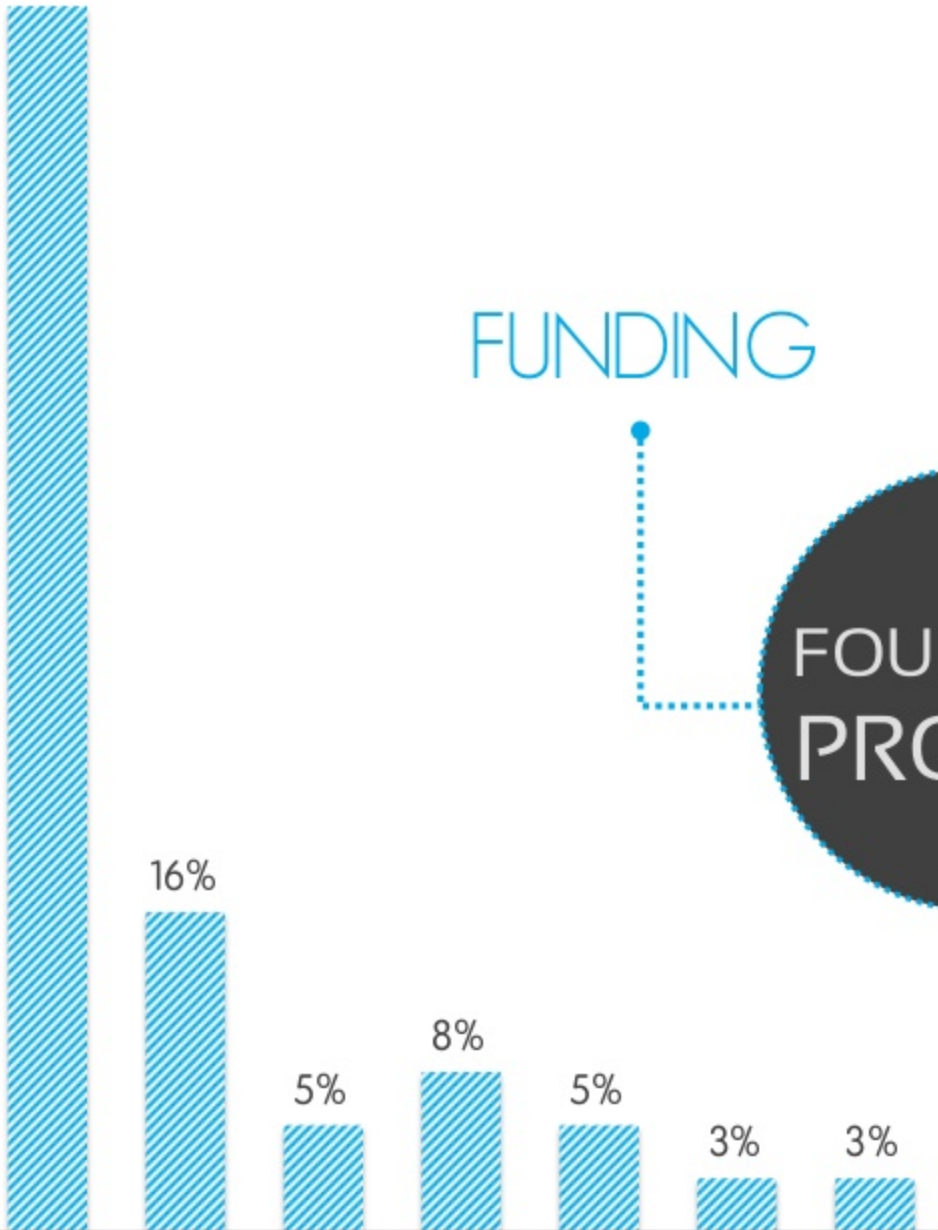
FOUNDERS PROFILE

LOCATION



NATURE OF STARTUP

62%



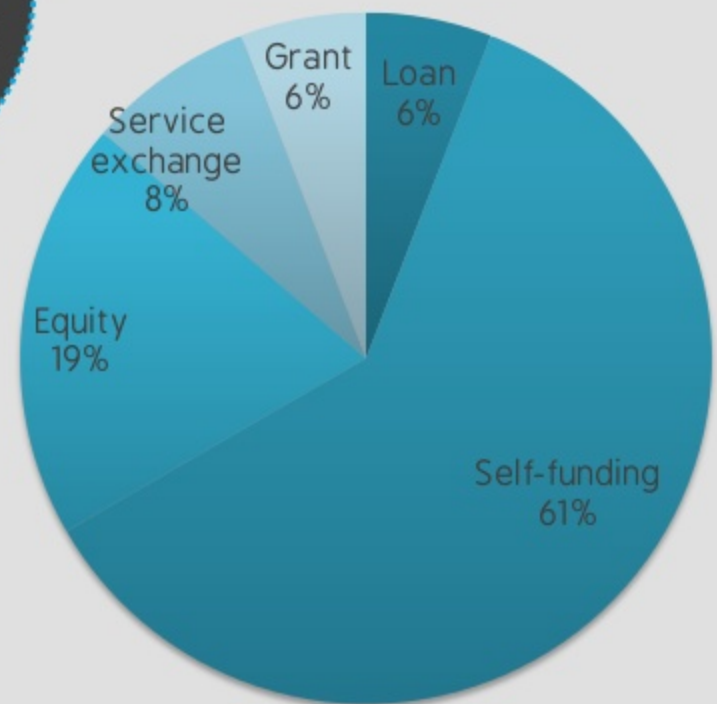
FUNDING

FOUNDERS
PROFILE

NUMBER OF ROUNDS

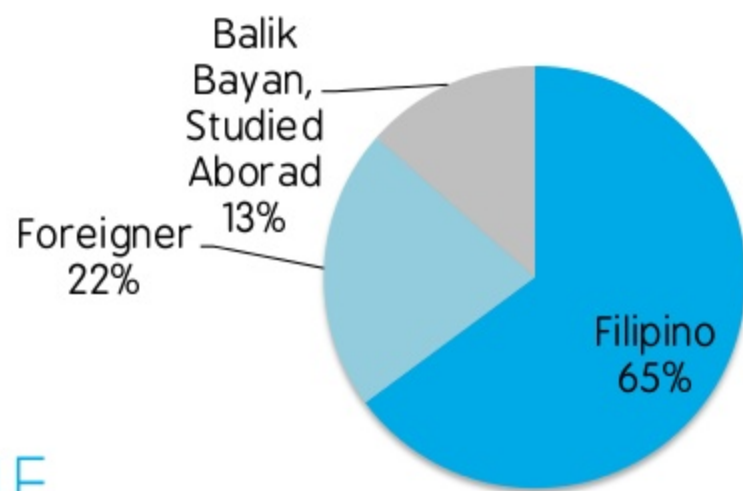
| | |
|--------------|---------|
| NONE | → 67.5% |
| ONE | → 22% |
| TWO | → 2% |
| THREE | → 2% |
| FOUR & ABOVE | → 5% |

SOURCE OF FUNDING

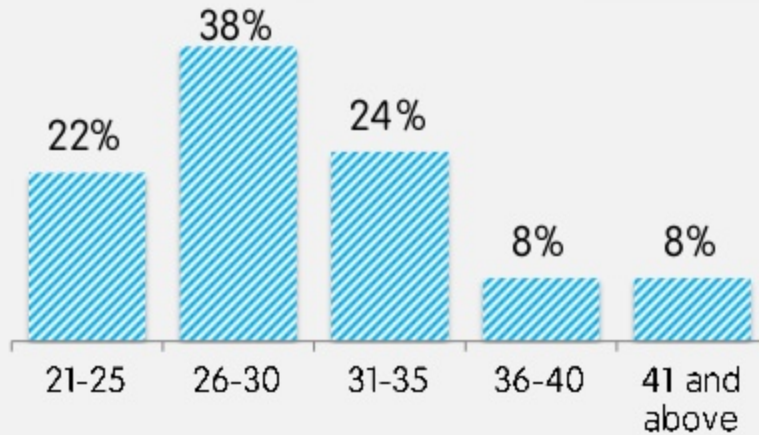


AMOUNT RAISED

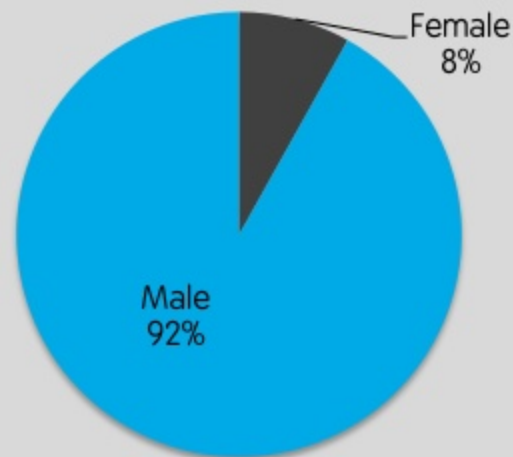
FOUNDERS BACKGROUND



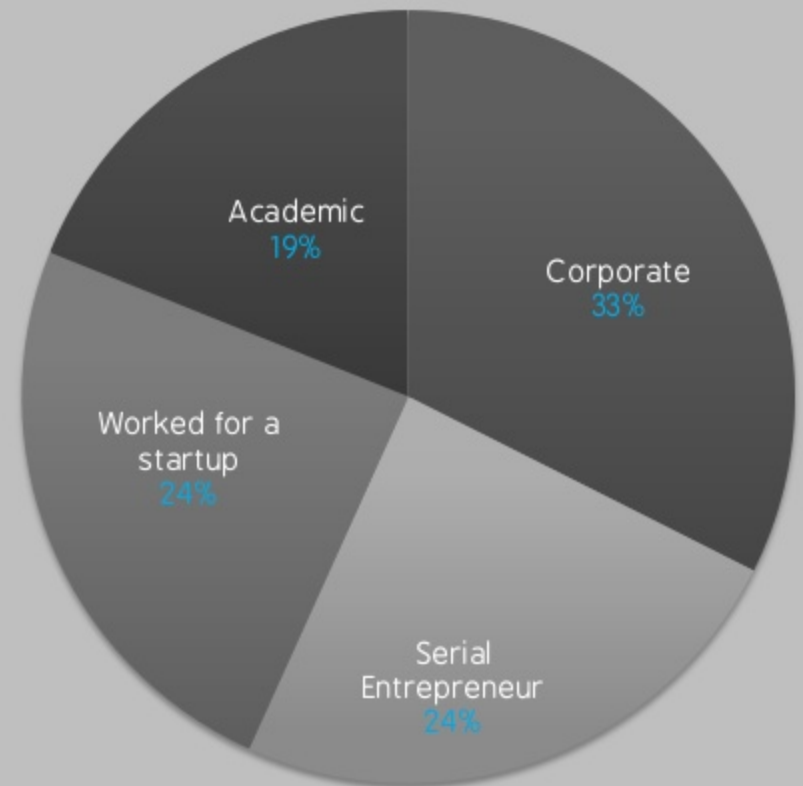
PROFILE



AGE



GENDER



est.
\$1.2b e-commerce

 95% of e-commerce is
airline travel bookings

est.
\$230b retail market

40%
ACCESS THE INTERNET
TO SHOP

64%
PURCHASED ONLINE
IN PAST 3 MONTHS

TOP SITES

- 1 eBay (ph)
- 2 Silit (classifieds)
- 3 MetroDeal (daily deals)
- 4 Cebu Pacific (airline)
- 5 Ensogo (daily deals)
- 6 Amazon (US)

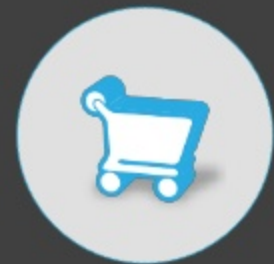


4G/LTE network and
proliferation of smart phones
are paving the road for m-
commerce.



Payments, Logistics, and
consumer trust are the biggest
obstacles to overcome.

STATE OF



E-COMMERCE

| | |
|----------------------------------|---|
| Total Credit Cards | 7.36 Million (7%) |
| Total Debit Cards | 35.36 Million (33.7%) – mostly out of Visa /Masterard network |
| Total Remittances | \$24.453 BN (4th largest remittance receiving market in the world behind China, India and Mexico) |
| Cash Transactions by volume 2012 | 90% |

PAYMENTS

Mobile payments (GCash/Smart Money) are niche products.

The majority of e-commerce payments are done with CC, followed by Paypal and DragonPay.

Over-the-counter payments for online transactions are still very common (collection at 7/11, pawn shops, bank, etc.).

With 7000+ islands and vast rural (un-addressed) areas, shipping outside of the metro areas can be very challenging.

Most e-commerce sites operate their own shipping logistics, in addition to relying on outside providers.

DragonPay - local payment aggregator for over-the-counter payment and online banking payments

XEND - shipping logistics for geared for e-commerce

2GO, LBC, AIR21 - local shipping and courier services



ROCKETINTERNET

| Property | Lazada (Amazon) | Zalora (Zappos) | OfficeFab * (Staples.com) | PricePanda | EasyTaxi |
|----------------------|--------------------|--------------------|----------------------------------|-----------------------------------|-------------|
| Employees | | | | | |
| Alexa Rank | 43 | 112 | 6555 | 3181 | in planning |
| Launched | Q2 2012 | Q1 2012 | ? | Q1 2013 | Q34 2013 |
| Local Competitors | none | none | none | Save22, PricePrice, Priceme | grabTaxi |

* OfficeFab recently announced they will cease their operation in Southeast Asia.

Defunct: FoodPanda (competition from entrenched players)

PHILIPPINES OPPORTUNITY MAP

A map of Philippines' current market leaders in 28 commodity internet business models

■ Saturated ■ Mature ■ Semi-mature ■ Infancy ■ Non-existent

| | | | | | | |
|--|---|---|---|---|--|---|
| DEALS MetroDeal CashCashPinoy Ensogo Philippines Beeconomic (Groupon) | COMMUNICA-TION Facebook Viber whatsapp WeChat | SEARCH Google Yahoo | LISTING Sulit AyoDito OLX Philippines | BLOGGING Blogspot Wordpress Tumblr Blogger LiveJournal | JOB Sulit Jobstreet Odesk WorkAbroad.ph JobsDB | SOCIAL NEWS Rappler Reddit Istorya Mashable PinoyAko.info |
| COMMUNITY Pinoy Exchange Istorya.net PinoyAko.info Female Network Tristan Café | LOCAL DISCOVERY Spot.ph Click the City looloo WhenInManila | MUSIC Videokeman Mp3 Skull iMesh SoundCloud TwitMusic | GAMING Y8 R2 Games Game 321 IGN Garena.ph | ONLINE RETAIL Ebay Philippines Zalora Lazada CashCashPinoy | DATING Skout DateInAsia Filipino Cupid | SOCIAL DISCOVERY Pinterest We Heart It Flipora |
| PAYMENT Paypal Asiapay Dragonpay SmartMoney gCash | REAL ESTATE Sulit AyoDito | TICKETING Ticketnet Ticketworld SMtickets Sureseats | EVENTS EventBrite | FINANCE Lenddo | NETWORKING LinkedIn | RENTAL Sulit AyoDito |
| DINING MunchPunch looloo | TRAVEL TripAdvisor Agoda | AUTO Sulit AyoDito PinoyAutoTrader | TRANSPORTA-TION GrabTaxi tripid.ph | EDUCATION | MICROWORK | SUBSCRIPTION RETAIL |