

Be Customer Wise or Otherwise

Market segmentation of Philippines' market based on expenditure patterns of households.

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Content

Overview and objective

Cluster overview

Spending patterns by

- Urban and rural areas
- The 3 main islands
- Urban and rural areas within respective islands
- Family size
- Income group
- Clusters within each income group

Recommendations

Objective and approach

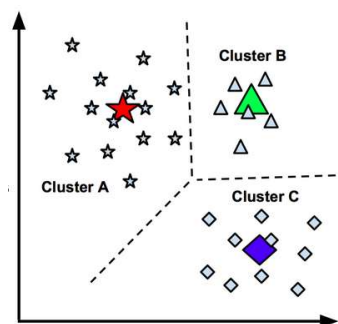
- To segment and understand clusters based on spending patterns of Philippines' consumers.
- To identify high yield segments for an international hypermarket chain.

Data



Survey data by PSA

Approach



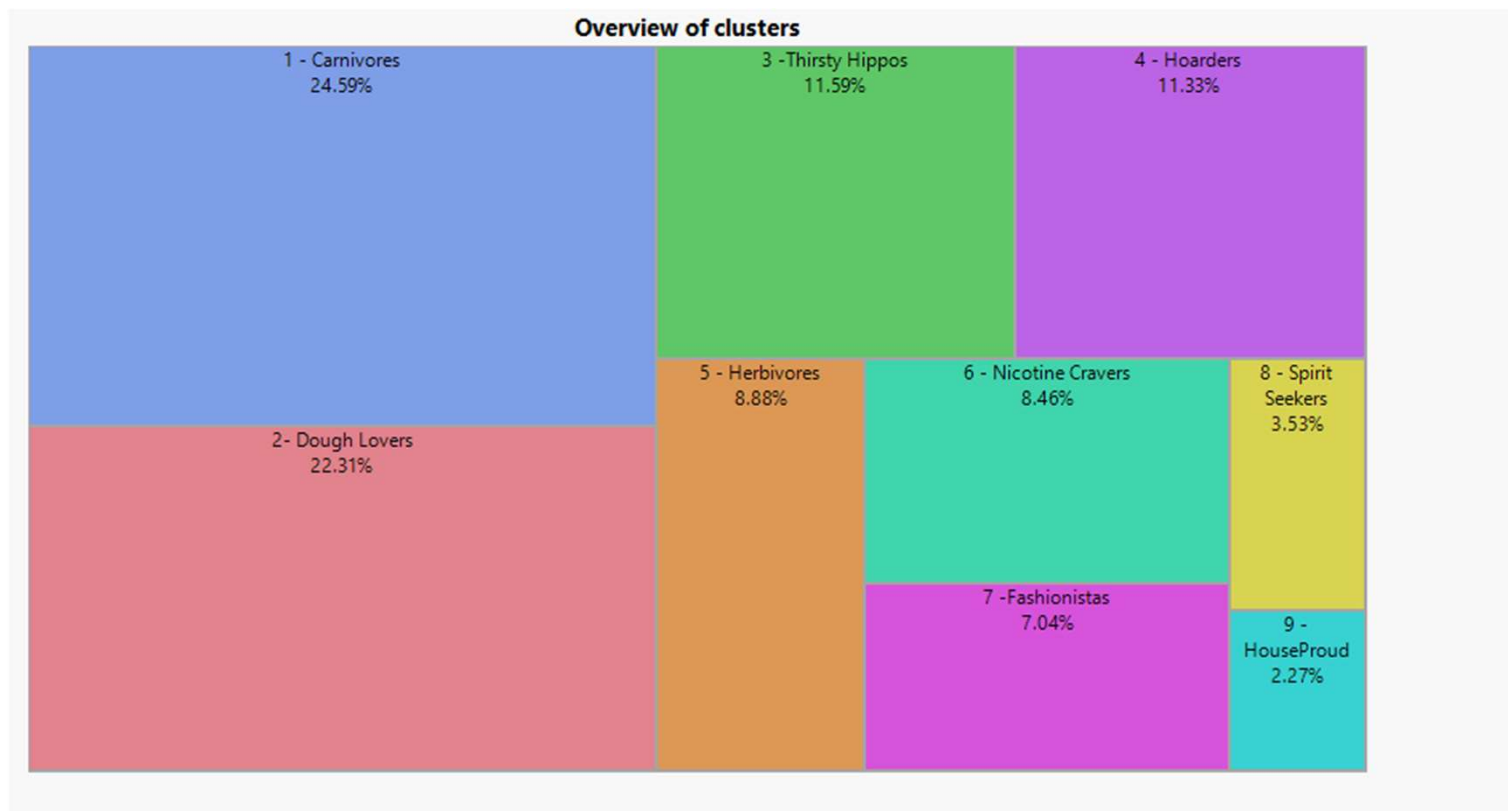
Apply statistical method

Results



Group households of similar characteristics

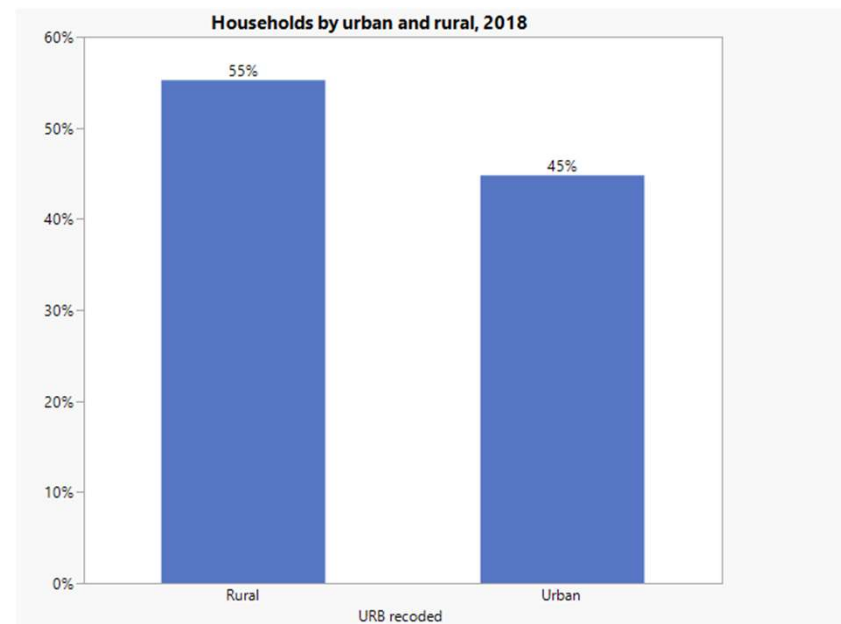
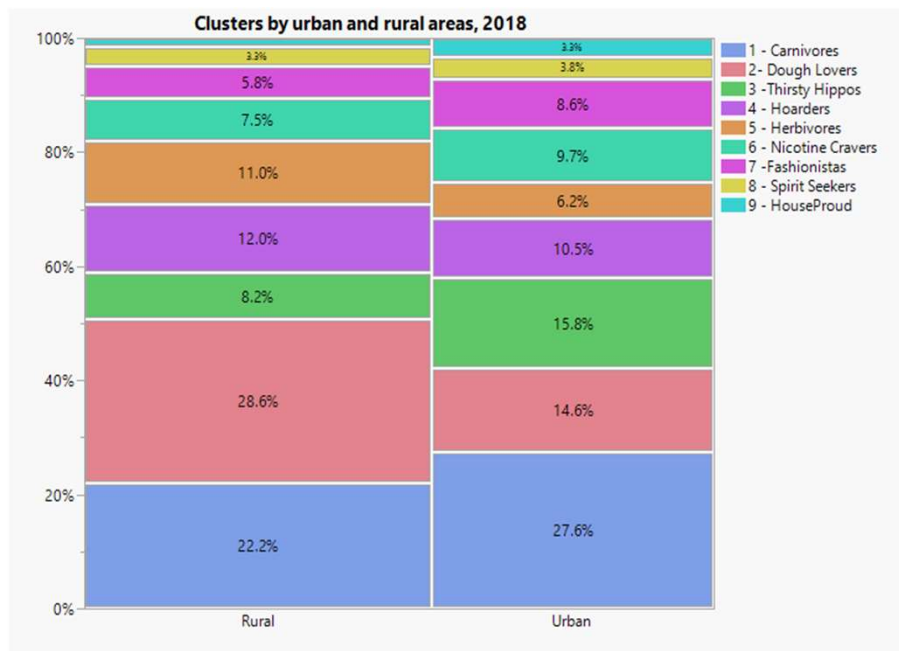
The Philippines market: 9 clusters based on spending patterns



Is there a difference in spending patterns across urban and rural households? - YES

Rural: Dough Lovers
Urban: Carnivores

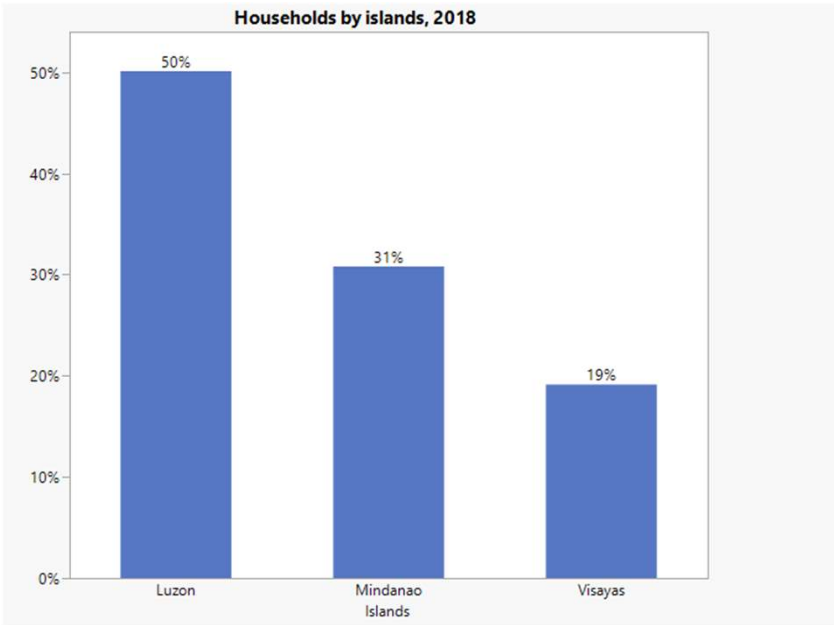
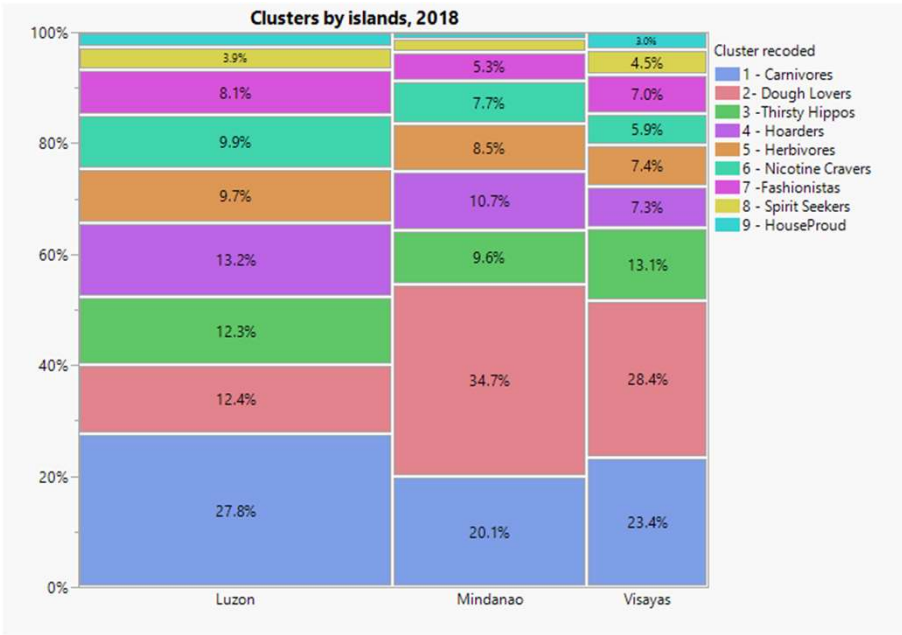
55% of households are in rural areas



Is there a difference in spending patterns across the 3 main islands? - YES

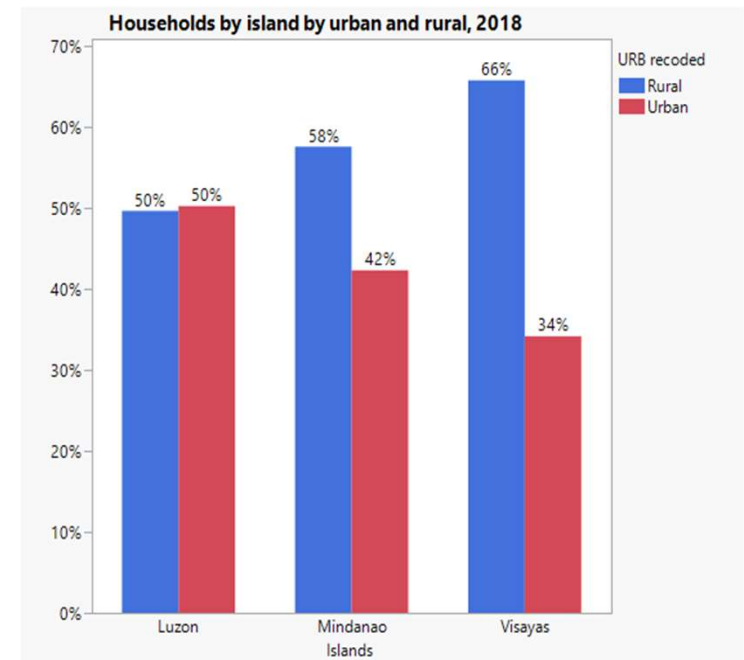
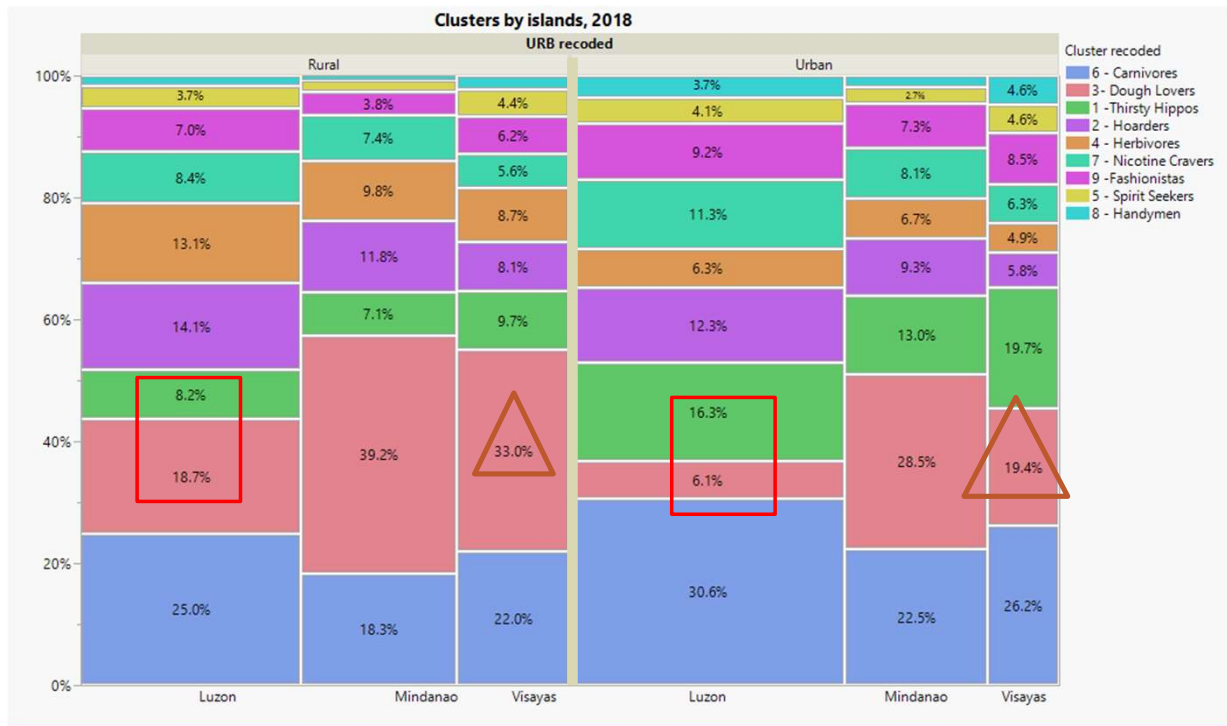
Luzon : Carnivores
Mindanao & Visayas : Dough Lovers

50% of households are in Luzon



Is there a difference in spending patterns across urban/rural areas within Islands? - YES

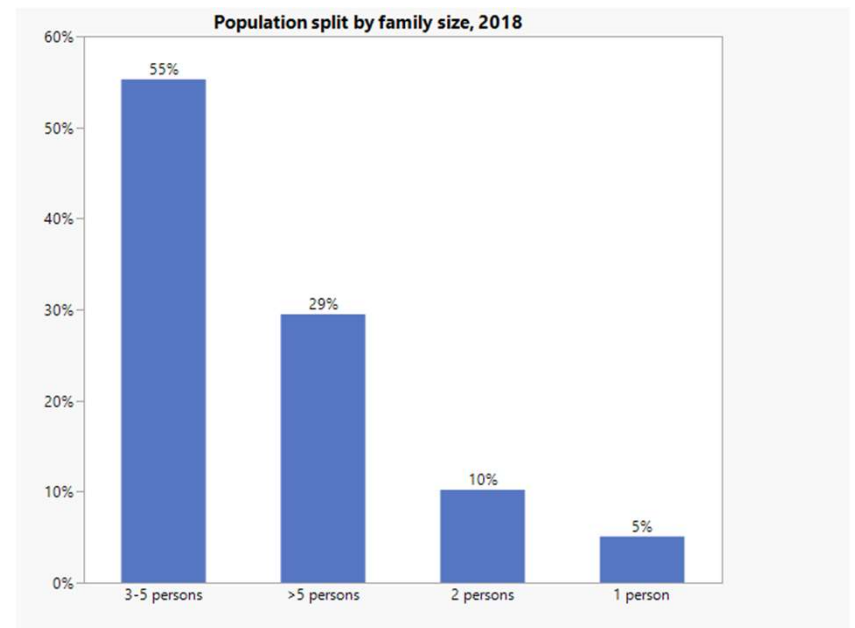
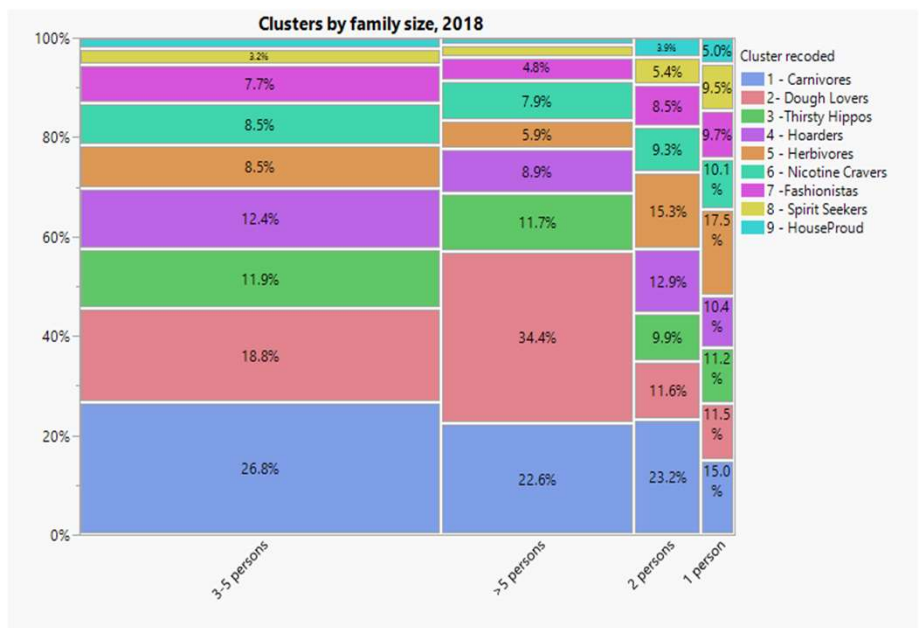
Spending shifts from bread in rural to beverages in urban areas



Is there a difference in spending patterns by family size? - YES

As family size increases : spending herbivores > carnivores > dough

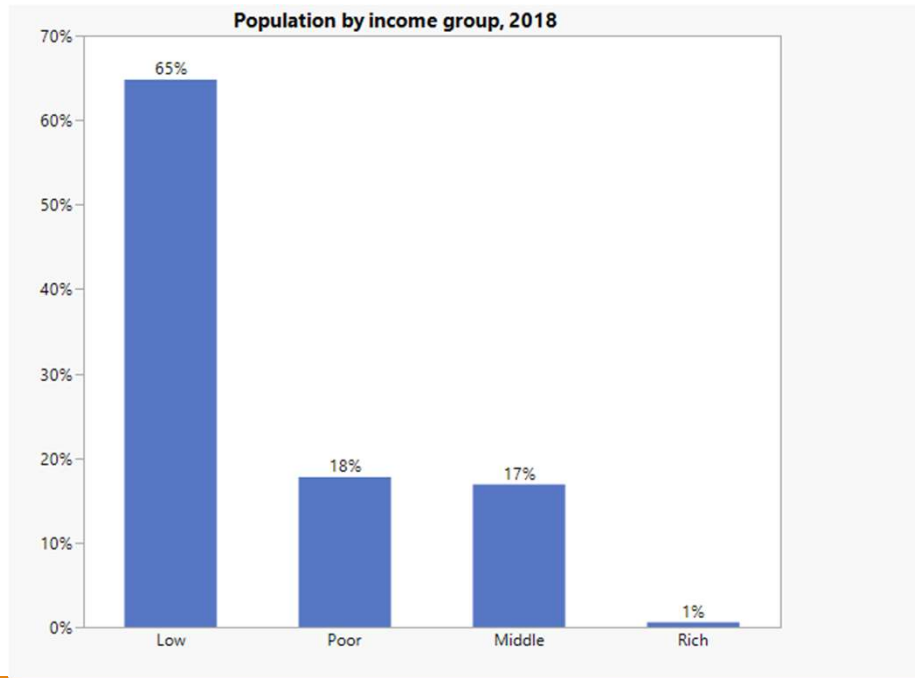
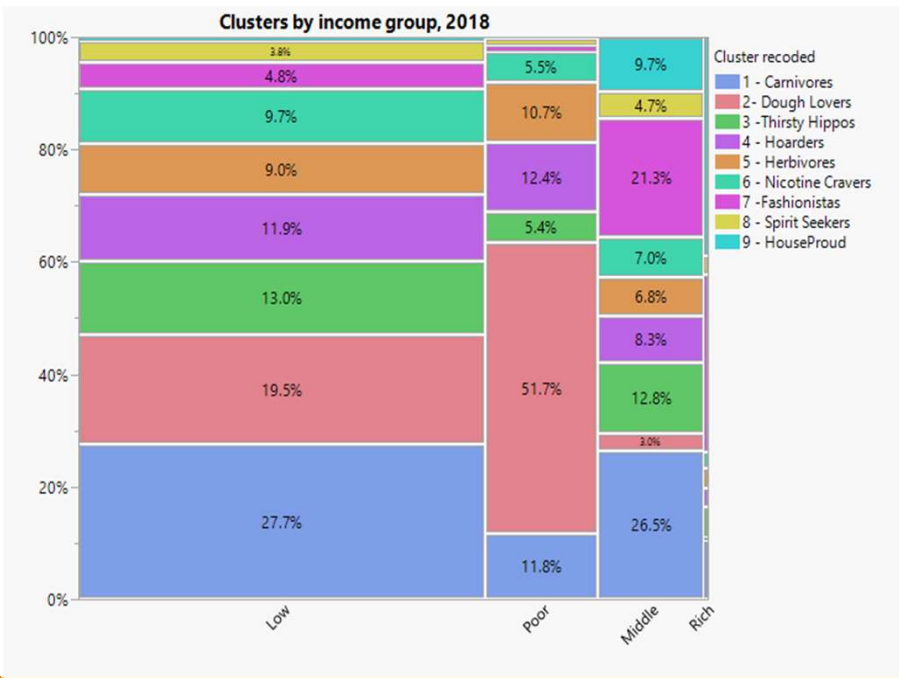
**55% families 3 - 5 persons
29% families >5 persons**



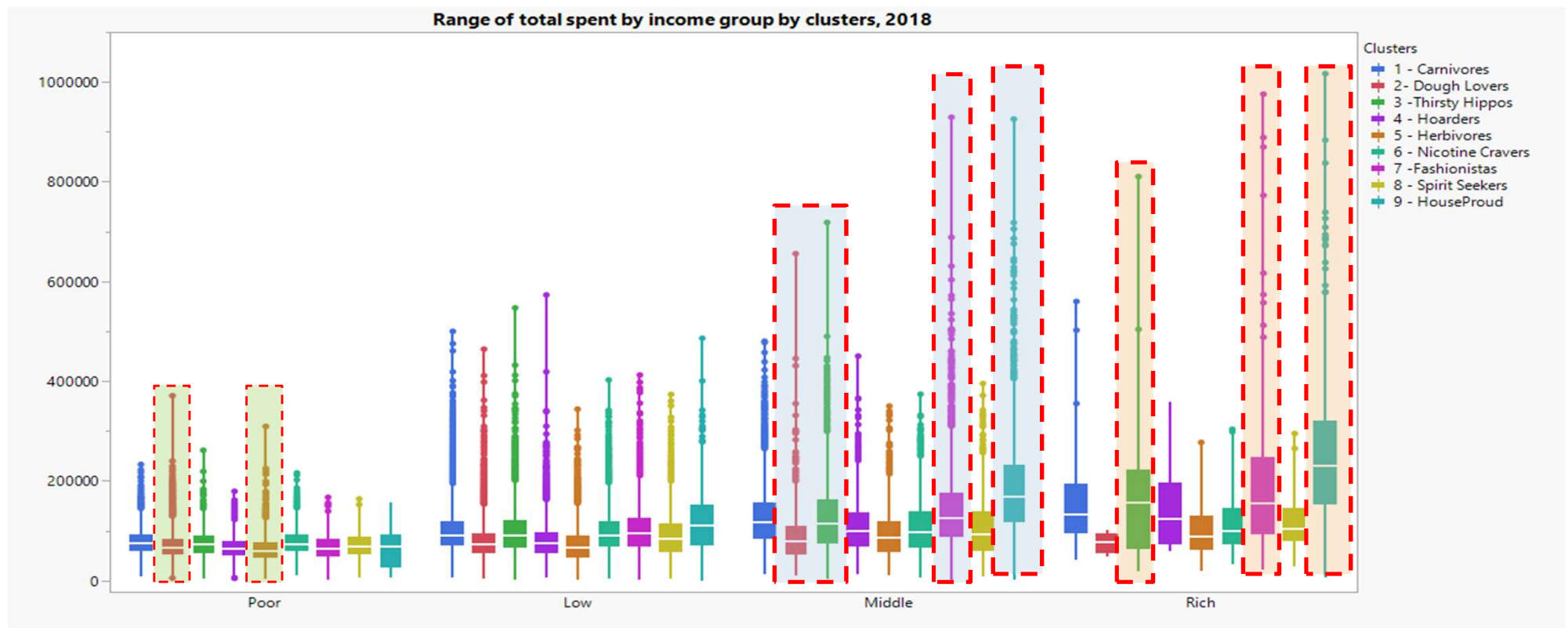
Is there a difference in spending patterns across income group? - YES

Proportion of spending on bread decrease with income

65% of the households belong to the low income group



Is there a difference in spending patterns within clusters across income group? - YES



Recommendations and other considerations

- 1) Understand demographics better - **obtain more information about households** (if possible) such as age, education level, occupation, etc.
- 2) Decide on **target market** considering retailers' USP – spending pattern significantly varies across areas, islands, family size and income group.
- 3) **High volume does not constitute high margin** – Although low-income accounts for 65% of households, profit margin of respective segments/groups should be considered.
- 4) The size and spread of islands as well as access to rural areas present **operations and logistical costs** and challenges – *i.e.*, accessibility, cold chain transport of perishables.
- 5) Perform **market study** to assess macroeconomic factors, competition, openness to foreign retailers, etc.