

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

CONTRIBUTORS

Ralph Wunsch
MetroDeal



Dennis Negrón
Stanford '14



Cris Sarmiento
UP Dilliman '14



CO-AUTHORS



Bowei Gai
World Startup Report



Beryl Li
SeedAsia

AUTHOR Ron Hose

Silicon Valley Investor and Entrepreneur, now based in Southeast Asia.
Founding Partner @ Eric Schmidt's Innovation Endeavors, an early stage VC firm based in Palo Alto and Tel Aviv.
Founder @ Tokbox, funded by Sequoia Capital and acquired by Telefonica
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%

49%

Philippines

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

Word cloud of startup industries:

- Entrepreneurship
- Ecommerce
- Mobile Payments
- Enterprise
- Animation
- Transportation
- Events
- Education
- Communication
- Online Music
- Virtual Business
- VoIP
- Social

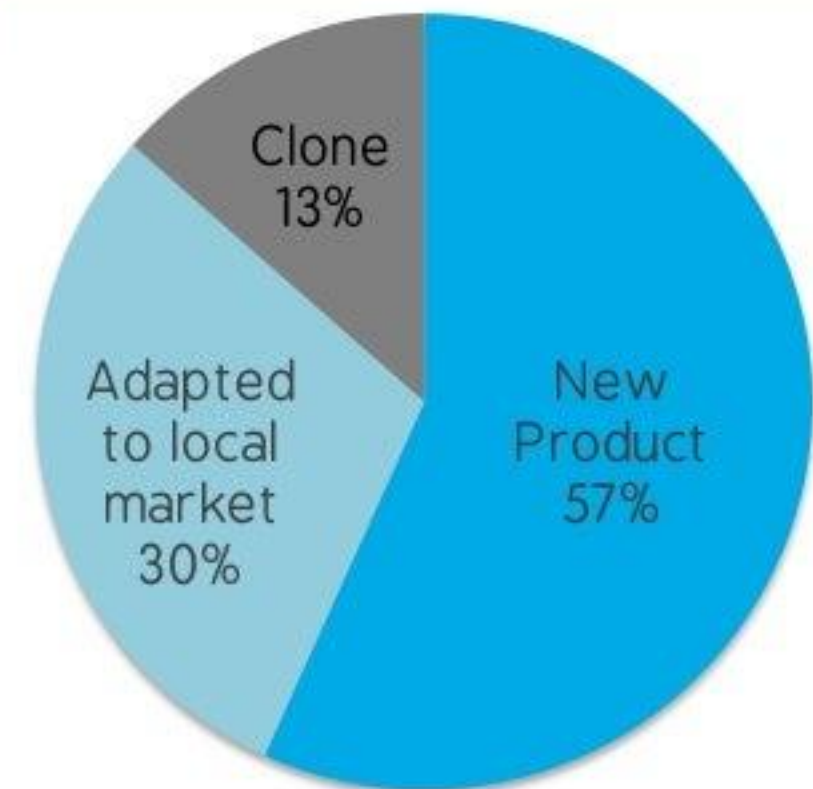
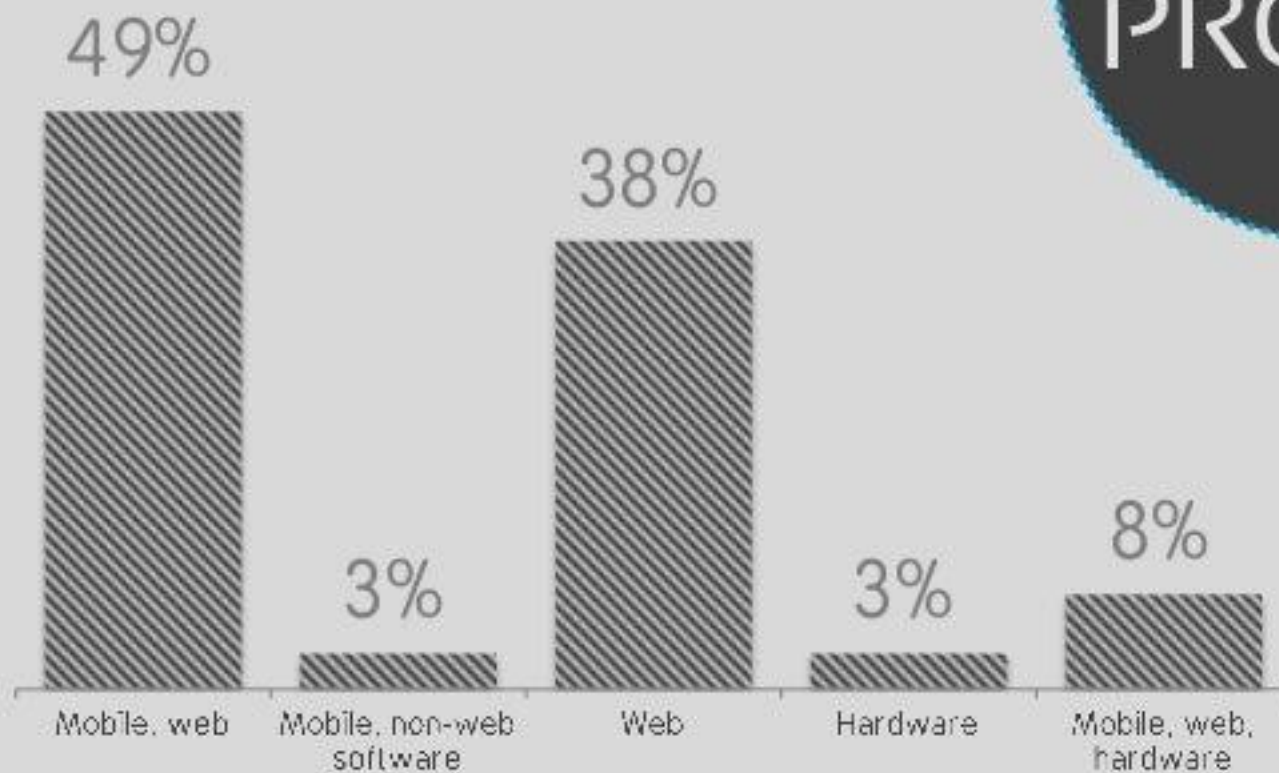
MANILA
CEBU
DAVAO



INDUSTRY

FOUNDERS PROFILE

LOCATION



PLATFORM

NATURE OF STARTUP

62%

FUNDING

FOUNDERS
PROFILE

16%

8%

5%

5%

3%

3%

less than \$25k - 23
\$25k - 6
\$50k - 6
\$100k - 2
\$500k - 3
\$1M - 2
\$5M - 1
above - 1

AMOUNT RAISED

NUMBER OF ROUNDS

NONE → 67.5%

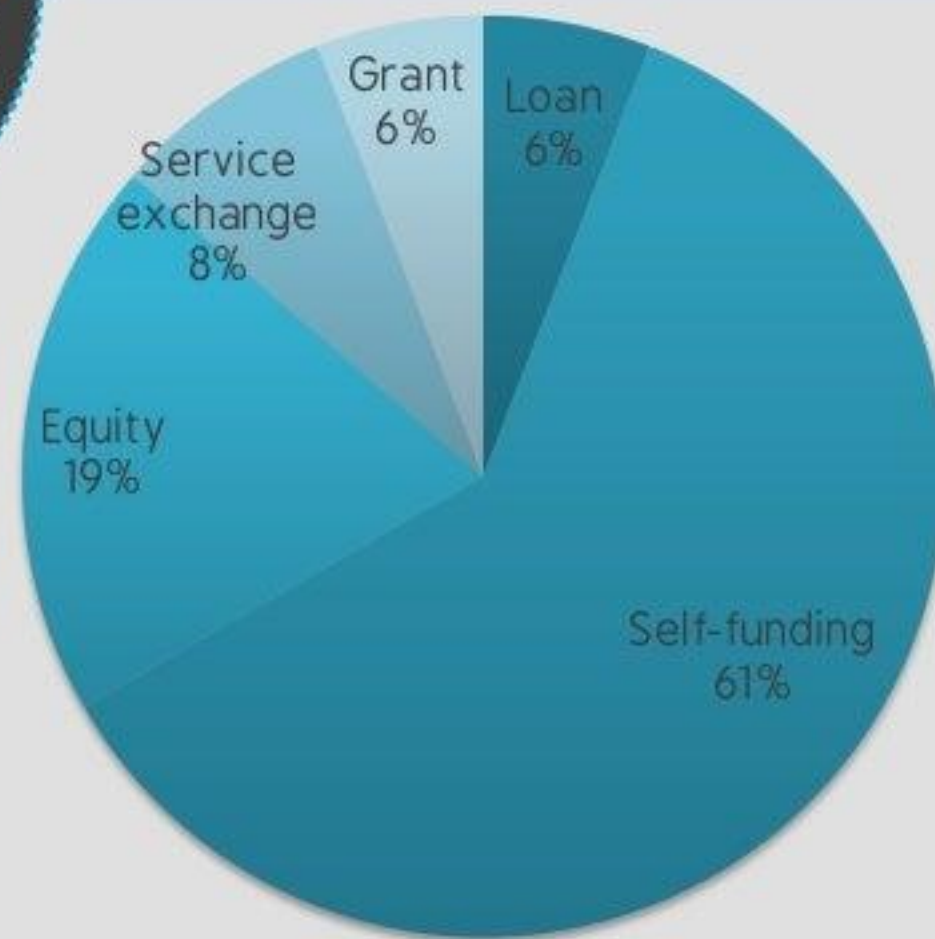
ONE → 22%

TWO → 2%

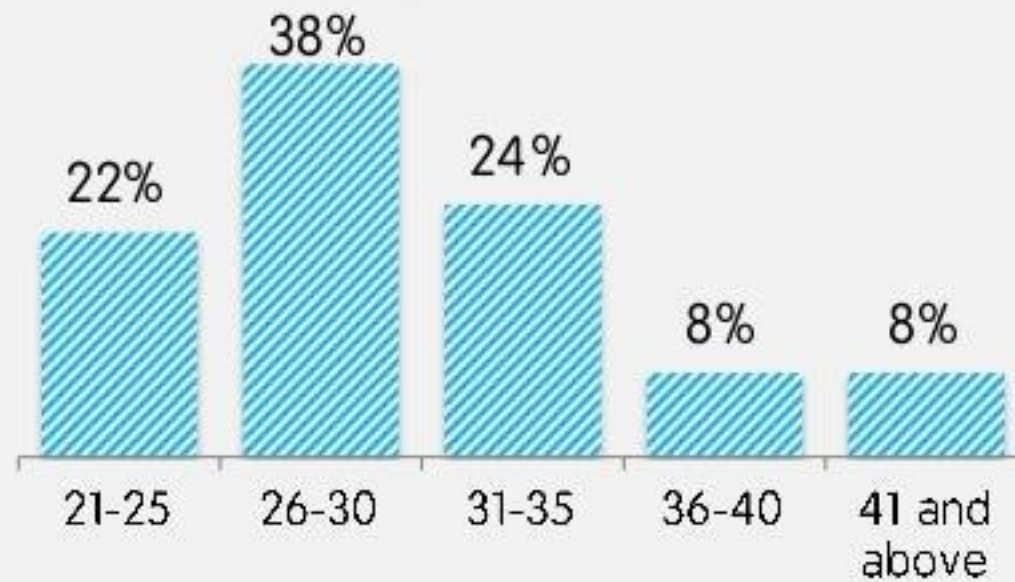
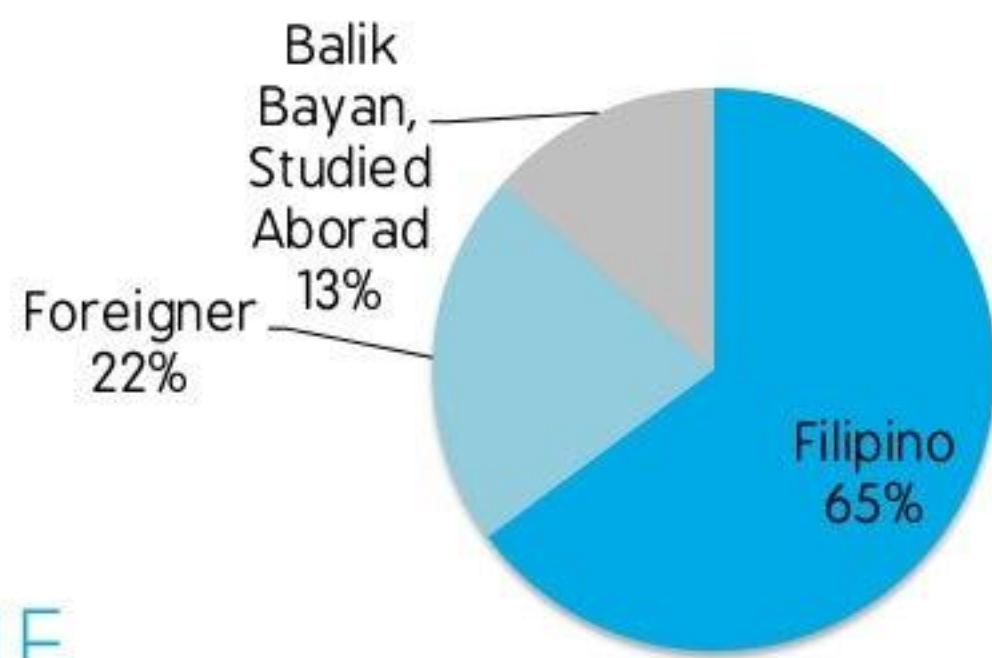
THREE → 2%

FOUR & ABOVE → 5%

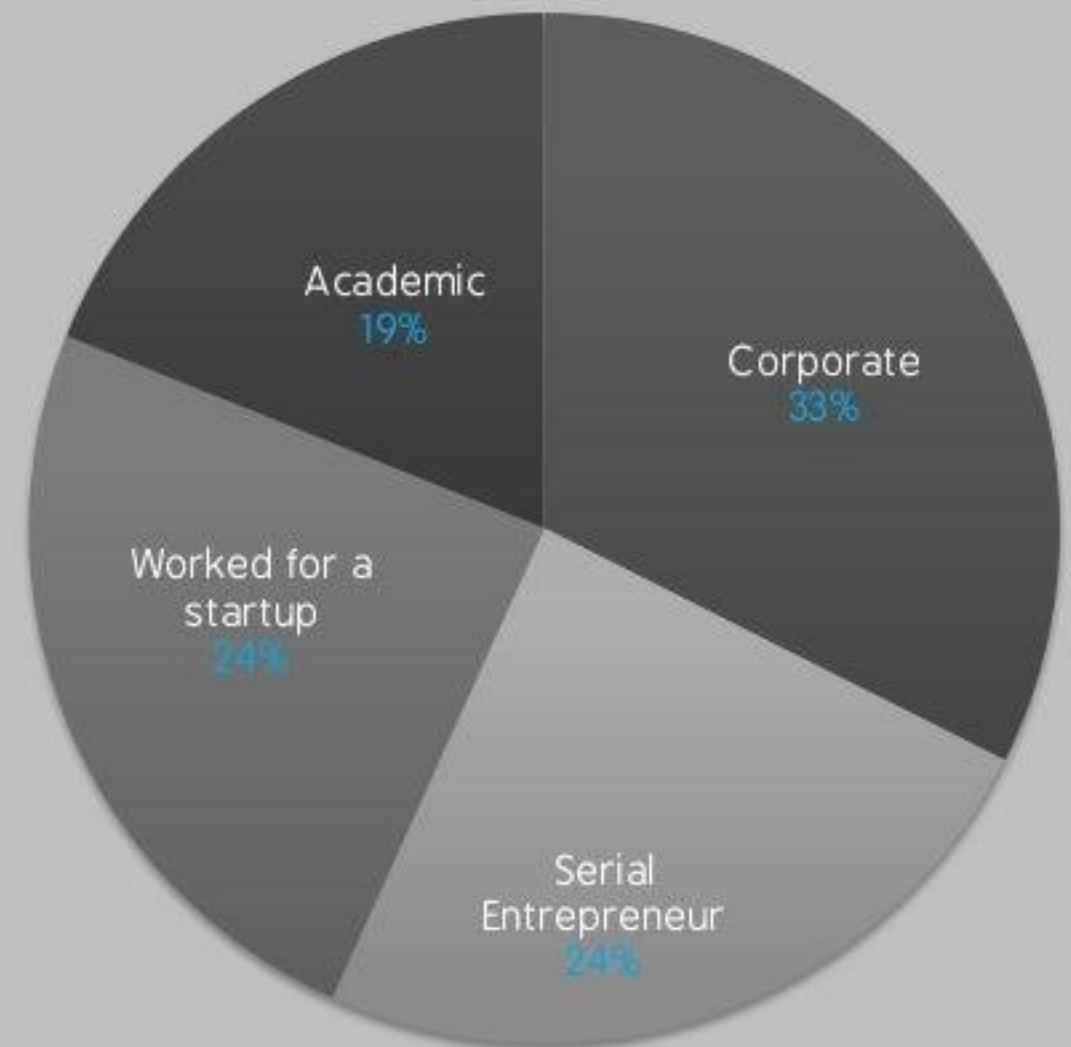
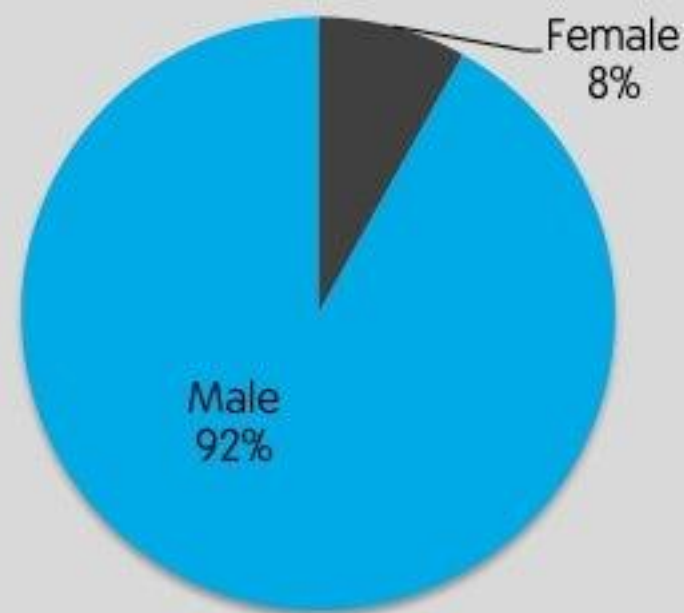
SOURCE OF FUNDING




FOUNDERS BACKGROUND



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 / Mastercard 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	JOBS 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