

JGB 1749**Online Groceries in the Philippines: Treading the Post-pandemic Market Landscape***Porschia Marie Mendijar & Kristine Joy Ramos**De La Salle University, Manila**porschia_mendijar@dlsu.edu.ph, kristine_joy_ramos@dlsu.edu.ph***Abstract**

The lockdown ruling in the Philippines brought by the Covid-19 pandemic has pushed Filipinos to find ways and build their sources of income while being restricted to the confines of their homes. The country may be opening up again, but the practices created during lockdown remain to this day. This research examined a startup company providing online goods delivery within and outside Metro Manila. The online grocery utilizes drop ship retail and partners with multiple suppliers across Luzon and international exports. This research seeks to analyze how online grocery stores can still thrive and adapt to the current needs of consumers. The data gathering for the study includes a survey of 111 respondents, a review of related literature for the specific business industry, a comparative analysis of direct competitors, and first-hand information from the interview conducted with the business owners. The researchers utilized the Task-Technology Fit (TTF) framework as proposed by Goodhue and Thompson (1995) in bridging the gap between the demands of the market, the current capabilities of the online grocery focused on in the study, and the factors of how the business can still be relevant to this day. Furthermore, the researchers explored integrated marketing communications to create a more strategic sales and marketing approach to boost the brand's equity.

Keywords: *Integrated marketing communications, startup, online grocery, Covid-19, e-commerce*

Introduction

The demand for online food shopping has increased during the COVID-19 pandemic as people were led to purchase food online to follow government-implemented rules such as social distancing and lockdowns. Customers preferred to buy online and receive the ordered items through delivery couriers rather than going to physical stores and risking contracting the virus (Alaimo, 2020). Online grocery shopping became a vital component of households in the Philippines as it provided a safer alternative to procuring basic needs (Efrati, 2021).

The study examined an online grocery in Metro Manila established in 2020. It was one of the startup businesses born during the pandemic's peak. The business operation was affected when the Philippines traversed back to normalcy, and establishments were allowed to operate at 100% capacity with mandated safety protocols by the government. This has manifested through a decline in the company's orders. The business's current challenge is adapting to the changing climate of consumer preferences post-pandemic.

Statement of the Problem

This research aims to find a solution/s to the following question:

1. What action steps should the online grocery in focus take to encourage continued online shopping in the post-pandemic market landscape?

Significance of the Study

In a similar study conducted by Bauerová and Klepek (2018), data and research show a continuous rise in Internet usage to purchase online grocery items. One major factor that motivates consumers' intention is the convenience of online grocery apps (Bauerová & Klepek, 2018).

The grocery delivery segment in the Philippines is projected to reach US\$1.59 billion in 2022 and will continue to grow until 2027. This segment includes food and non-food items that consumers routinely purchase from a grocery store, such as food and beverages, pet food,

household cleaning products, personal care products, and other household consumables. Multiple sales channels are available to purchase groceries, including omnichannel, quick commerce, and the store itself. However, due to the uncertain macroeconomic climate in 2022, consumers have become more price-conscious and reduced their discretionary spending (Statista, 2022).

These recent data suggest that the e-commerce food and beverage industry in the Philippines is still in its growth stage of the industry life cycle and provides insight that the online grocery in focus is targeting a viable market. Considering this, the results of this research will post a beneficial contribution to local businesses that offer online purchase options for grocery items. Furthermore, some of the analysis may also input additional insights into the country as it gradually explores the e-commerce domain.

Review of Related Literature

Online Grocery Shopping in the Covid-19 Period

When the lockdowns were enforced in the emergence of the Covid-19 pandemic in 2020, most businesses were compelled to take their operations online as consumers had to look for ways to procure products and services amidst the restrictions. This brought about an increase in e-commerce, especially for necessities such as food and groceries.

According to a study by Gumasing (2022) on online grocery shopping applications in the Philippines, food and groceries only account for 5% of online retailing. Some of the reasons for this are (1) consumers prefer to see and touch the food they purchase; (2) consumers find online grocery delivery speed and methods inconvenient; and (3) consumers believe that food shopping is more complicated online than in-store (Gumasing, 2022, p. 2). Despite these, online grocery shopping was utilized as this was seen as a safer alternative than going to grocery stores.

This research focuses on a small online enterprise that provides delivery of fresh produce to private individuals, SME establishments, and other businesses around Metro Manila. It was

established in 2020 by the owner when the lockdown was issued nationwide brought by the Covid-19 pandemic. Since its inception, the owner has maintained management of the business. Its three primary services are 1) door-to-door fresh produce delivery, 2) customized gift baskets, and 3) B2B services. The online grocery's main headquarters is in Metro Manila, which also serves as the origin point of delivery and storage area.

Further, the online grocery in focus acts as a drop-ship retail business where online manual orders are taken from customers via direct messages (Viber et al., etc.). Its partner suppliers range from local farms to international exporters of specific products. While there have been talks about developing a website for the online grocery, the business is currently banking on its social media pages and Viber community for manual orders and community building.

The owner's experience handling customers' demands, connecting with various suppliers, and maintaining high-quality products has helped the business grow, particularly during the pandemic. One of the business' value propositions is supplying only the freshest and highest quality products, guaranteeing excellent quality in all their deliverables. On top of that, the brand also promises convenience, personalized services, fast and friendly delivery, and special product offerings.

Currently, the business's target market includes (1) primary - those who are aged 30 to 39 years old, male or female, single or married, living in Metro Manila, with an income of ₱80,000 to ₱350,000 per month, and (2) secondary - those who are aged 20-29 years old, male or female, with an income range from ₱18,000 to ₱30,999 per month.

One of the main challenges of the online grocery being studied is its limited source of business, which are its current network and referrals. With the reopening of the Philippine economy and the relaxing COVID-19 regulations, the company witnessed a modest fall in weekly sales as customers reverted to in-store transactions.

E-commerce in the Philippines

E-commerce in the country is still in the early stages of development, but the country's steady economic growth, rising middle class and young populations, and high internet penetration and smartphone use rates bolster the e-commerce industry (Amman, 2021). Since the pandemic, traditional supermarket chains and third-party marketplaces have entered the e-commerce landscape and have begun establishing their presence in online grocery applications. These new apps have much to improve, and big players focus on improving their services and the quality of products because of the industry's high profitability, which benefits both retailers and consumers (Gumasing, 2022). Understanding consumers' motivations for online purchases will help retailers adapt and improve their services.

Influence of Social Media Marketing on E-commerce Customer Loyalty

Social media marketing has been widely used as a strategic tool to build brand image and strengthen customer relationships. Social media platforms enable users to connect and interact, reach a wide range of audiences, are low-cost, and have become an indispensable part of people's lives, making them useful to companies in ensuring the appeal of marketing activities, creating customer awareness, and building virtual brand communities (Wibowo et al., 2021).

Using social media for marketing is an effective tool in building and retaining e-commerce customers, as well as in enhancing customer loyalty, particularly when traditional methods are employed, such as excellent e-commerce customer service, quality, and variety of available products, among others (Yadav & Rahman, 2018).

When effectively used together, social media marketing activities and customer experience contribute to achieving a brand's marketing objectives by building strong relationships between the brand and its customers, leading to positive customer behavior. Because of this relationship, the cost and effort of attracting and maintaining customers will be minimized because a good

relationship enhances the customers' willingness to purchase and participate in the brands programs (Wibowo et al., 2021).

Framework

The Task-Technology Fit Model

The Task-Technology Fit (TTF) concept was developed by Goodhue and Thompson (1995) to explain the relationship between task performance and technology use and contends that users will utilize a certain technology as long as it better supports their task (Al-Hattami, 2021). This model is frequently used in studies that predict technology usage and consumer purchase patterns, particularly in online shopping.

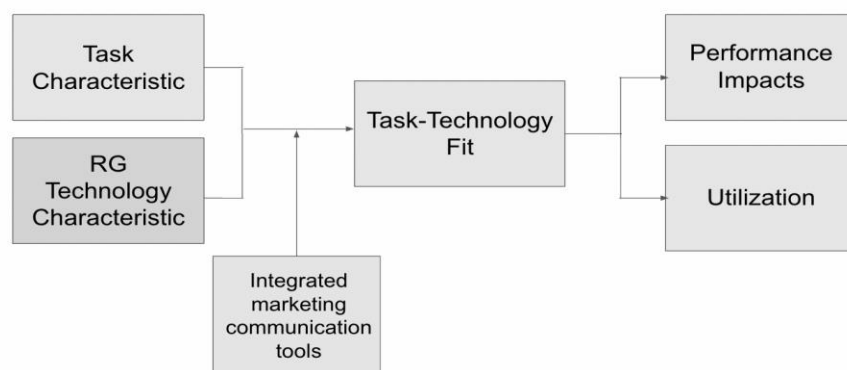
Research Model

This study proposes using the TTF model to determine the steps that the online grocery being studied needs to take to encourage the continued use of online grocery shopping (task), taking into consideration the systems it currently employs (technology).

The researchers suggest that using integrated marketing tools will help the business achieve a higher level of task-technology fit that will lead to positive performance impacts and utilization.

Figure 1

Conceptual Framework based on the TTF Model



Methodology

An in-depth interview with the owner of the online grocery being studied was performed at the beginning of the research to position the foundation of the study. The researchers determined the problem and objectives of the business to guide the specific frameworks and research methods to be utilized. A critical review of related studies and other similar business phenomena, as well as conducting of UAI survey and comparative analysis of competitors' performance, were done to aid the research for the online grocery being studied in the context of the post-pandemic market landscape.

UAI Survey

The survey consists of 111 respondents residing within Metro Manila. They were provided with 24 questions divided into sections focusing on (1) demographic segmentation and (2) consumer buying preferences.

Respondents' Demographic Segmentation

Regarding age distribution, the majority (59.5%) of the 111 respondents are aged between 20 to 29 years old. This is followed by the 30 to 39 age group with 30.6%, the 40 to 49 age group with 5.4%, and the 50 and above age group with 4.5%. Based on this data, the researchers found that the online grocery being studied has untapped Gen Z and Millennial markets from 20 to 39.

The researchers included the question, "How much of your budget is allocated for groceries?" in their survey to determine the population's purchasing power regarding food. The majority of respondents (44.1%), according to poll results, spend between two thousand and five hundred pesos (P2,500) and six thousand and four hundred ninety-nine pesos (P6,499) on groceries. This is followed by the bracket from five hundred pesos (P500) to two thousand four hundred ninety-nine pesos (P2,499) (23.4%), and the bracket from six thousand five hundred pesos (P6,500) to eight thousand four hundred ninety-nine pesos (P8,499) (13.5%). Even though most

respondents are between 20 and 29 and 30 and 39, their spending power is comparable to that of the current customer group of the studied online grocery.

Respondents' Online Grocery Buying Preferences

In order to determine the demand for online grocery shopping, the researchers included the question, "Have you tried buying your groceries online?" in the survey. Of 111 respondents, 64.9% have experience purchasing groceries online, while 35.1% have not. This suggests that most of the population has at least shopped once for groceries online, which means there is viable demand for online grocery shopping. To identify buyer preferences in purchasing groceries in-store or online, the researchers included a poll on the survey, which resulted in a 70.3% preference for in-store grocery shopping vs. online groceries. To determine customers' preferences for what might motivate them to purchase groceries online, researchers asked respondents to select at least one of the options. Seventy percent (70%) of respondents would purchase groceries online if the online store offered promotions or discounts.

Even though most respondents preferred discounts, other options, such as an ordering system, various payment options, an accessible product selection through online channels, and a more extensive selection of products, also received more than 50% of the vote. These responses will directly influence the researchers' recommendations for the online grocery strategy being studied.

Comparative Analysis of Competitors

Based on the interview with the business owner, the researchers focused on the top competitors in the online grocery delivery segment. An analysis was conducted through a strategic management tool to identify the business model of the named competitors, differentiate the fundamental elements of each brand from the online grocery being studied, and how these factors can contribute to its current practices. The competing brands offer fresh, internationally, and

locally sourced produce and same-day delivery options. The comparative analysis aims to create an insight into how the business can position itself strategically and effectively in the market.

Discussion of Results

It can be deduced that there is a viable market and demand for online grocery shopping in Metro Manila, particularly for the online grocery that is the subject of this study. Most respondents came from the age bracket of 20-29 years old. The majority are residents of Quezon City, with an allotted budget of 2,500php - 6,499php. The top factors that would enhance their probability of patronizing online groceries in a post-pandemic time are (1) convenience, (2) crowd avoidance, and (3) online discounts and promos.

The three competing brands showed similar models and elements used in their business. Their online presence and approach to their customers/audience separates them from one another. One glaring factor that they all possess, and that online grocery being studied do not, is their use of a centralized or automated ordering system.

IMC Recommendations

Based on all the data gathered and incorporating the TTF perspective, the researchers recommend the following action plans, highlighting the use of integrated marketing communications component in each step:

- 1. Establish e-commerce by building a website and integrating online shops into social media platforms.***

E-commerce, often known as electronic commerce or online commerce, refers to the purchase and sale of goods and services through the Internet and the transmission of funds and data to facilitate these transactions. E-commerce is frequently used to refer to the online sale of tangible goods, but it can also refer to any economic transaction facilitated by the Internet (Firestone, n.d.). One factor that needs to be added to the online grocery business paradigm is e-

commerce. Based on the interview with the owners, implementing this component has been part of their plan to address the product range and accessibility demands of the target market and create an efficient avenue for ordering systems for the consumers. In comparison, many of their competitors have already adopted e-commerce in their day-to-day operations, resulting in ease of use and convenience for the buyers, versus the manual order-taking of the online grocery in focus. The goal of incorporating e-commerce is to also establish automation and systems on order-taking and sales invoicing for ease of processing or orders.

The online grocery in focus needs a dedicated website. A website will help the brand build its legitimacy and reliability and create a main sales channel for the company. After the website is built, it can be utilized across other online platforms, particularly on social media.

The website must be functional, visually appealing, and easy to use. According to Liu et al. (2017), website appeal affects the positive relationship between product appeal and consumers' purchase intention. Trust in e-commerce sites increases purchase intention directly and reinforces the positive relationship to purchase intention (p. 752).

As trust is an important factor for online shoppers, providing information about products, payment security, refund policy, and customer service will foster trustworthiness (Krishnamoorthy & Vigram, 2020) and should be implemented when creating the e-commerce website.

Integrating various online payment methods can also be applied to creating the company's website. Digital payments comprised 27% of the total payments in the Philippines in 2020 (Fintech News Philippines, 2021). Including digital payment options such as bank payments, e-wallets, and credit and debit card payments will provide flexibility and convenience to the consumers' purchase experience. It will also increase the brand's reach, making the purchase possible regardless of location.

After creating a website and integrating multiple payment options, the business will be able to integrate the e-commerce website into its social media online shops, particularly on Facebook and Instagram. Social commerce (Facebook et al. shops) is the second most preferred online sales channel among consumers in 2022, following e-commerce marketplaces such as Shopee and Lazada. With Facebook having the largest social media market share in the Philippines at 91%, it will benefit the business also to build its presence in this sales channel. By doing so, the business's social media marketing platforms also become sales channels, enabling customers to seek further information about the products and the actual purchase of products at the same venue.

2. *Social media marketing*

This research recommends the continued use of social media as one of the tools for marketing. They recommend shifting the focus of all marketing communications to ads about convenience when buying fresh produce. From the survey conducted, the sample population chose the option of convenience as their major deciding factor in opting for an online grocery (94.1%), 85.3% of the same population chose crowd avoidance as their second determining factor, followed by choices of online promos and discounts (70.6%), and lastly, the additional convenience of same-day delivery (50%). These features should be highlighted in marketing campaigns, as exhibited in the data collected. With the current market demand for their product offerings, the online grocery can also make its brand more relatable and trustworthy by providing a human element to its branding and customer service.

The researchers also propose a year-long campaign divided into 4 phases: (1) kicking off the first quarter of the year to increase brand awareness, (2) establishing the brand as trustworthy and likable through appropriate storytelling activities and marketing communications, and the last phases (3-4) will be focusing on seasonal or holiday promotions.

3. Utilization of direct marketing through print advertising.

Another recommended IMC tool for promoting the business is the distribution of printed brochures and flyers. Despite the popularity and usefulness of digital media, flyers and brochures are preferred for the brand as print is the durable, persistent, and pervasive medium in this electronic world (Pimlott, 2011). This will benefit the business' brand awareness and recall, as well as in advertising products, services, and other sales promotions, which are top consumer considerations, as shown in the survey results.

Flyers are also a supplementary tool because they are integral in 'pushing' people towards websites and other online channels, increasing new media's reach through the 'push-pull' connection of print and electronic technologies (Pimlott, 2011, p.522). Employing and distributing flyers and brochures will bridge the business' online and e-commerce efforts with offline audiences and other new segments.

Distributing these print materials in strategic locations such as condominiums and other businesses near the business' headquarters will help maximize fresh produce's delivery range and quality.

Conclusions

This study analyzed how the online grocery in focus can sustain its operations in the post-pandemic market. To adapt to the changing landscape of online purchasing behavior of Filipino consumers, the business has to adapt its ways to the market's current demand. It is recommended that the business establish its e-commerce platform, create relevant social media campaigns, and incorporate integrated marketing communication tools to achieve a higher task-technology fit that will lead to positive consumer behavior. The analysis and recommendations in this study can also be used by other related small e-commerce businesses in the Philippines.

Limitations and Recommendations for future research

This study has several limitations that can be further discussed in future research. The study is limited to one online grocery, its operations, and its target consumers. As the analyses and recommended action plans in this research focused on achieving task-technology fit, further evaluation of performance impacts and utilization as they relate to task-technology fit can provide more in-depth insight into consumers' intention to continue online grocery shopping and e-commerce.

The survey was conducted through purposive sampling. It would yield more generalized results if the sample was larger and would allow for a better understanding of consumer usage if samples from different demographic, geographic, or psychographic backgrounds were studied.

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