



## BACKGROUND PAPER

# Digital Entrepreneurship in Asia for Economic Resilience and Post-Pandemic Recovery: Country Report – Philippines

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# Digital Entrepreneurship in Asia for Economic Resilience and Post-Pandemic Recovery: Country Report – Philippines

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## I. THE PHILIPPINES' ENTREPRENEURIAL ECOSYSTEM

The entrepreneurial ecosystem of the Philippines leaves much to be desired, if we are to go by the Asian Index of Digital Entrepreneurship Systems (AIDES), which indicates a country's digital framework conditions for entrepreneurship. AIDES is composed of eight pillars grouped under two major categories. The following pillars are under general framework conditions: (i) culture and informal institutions; (ii) formal institutions, regulation, and taxation; (iii) market conditions; and (iv) physical infrastructure; while the following pillars are under system framework conditions: (i) human capital, (ii) knowledge creation and dissemination, (iii) finance, and (iv) networking and support.

According to AIDES, the Philippines falls under the category of tailenders, receiving a rank of 79 for digital entrepreneurship stand-up, 81 for digital entrepreneurship start-up, and 76 for digital entrepreneurship scale-up (Table 1).

**Table 1: AIDES Scores of the Philippines**

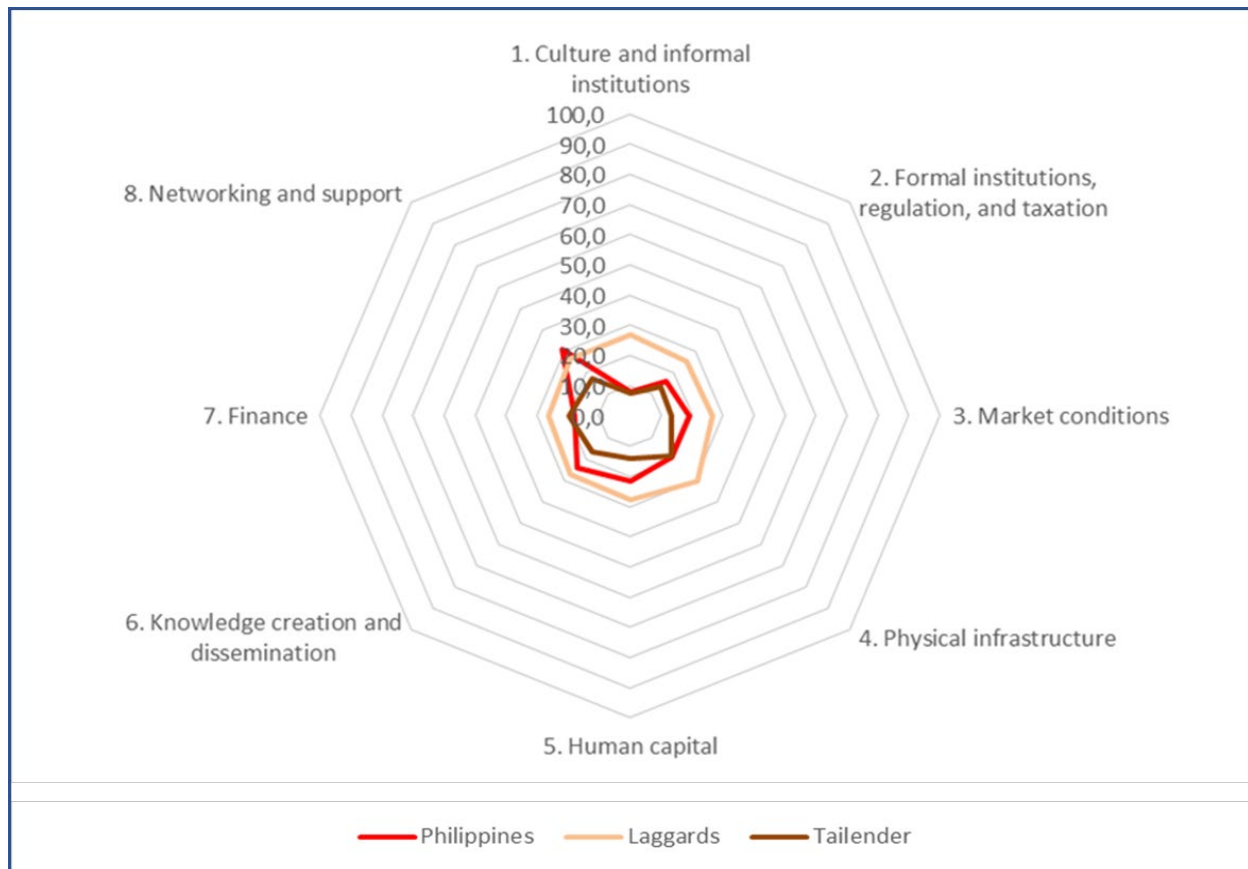
<b>Global / Region / Country</b>	<b>Digital Entrepreneurship Stand-up</b>	<b>Digital Entrepreneurship Start-up</b>	<b>Digital Entrepreneurship Scale-up</b>
Global	31.96	31.91	31.96
ASEAN	35.45	34.20	36.44
Philippines	18.5 (Rank: 79)	16.9 (Rank: 81)	(Rank: 76)

AIDES = Asian Index of Digital Entrepreneurship Systems, ASEAN = Association of Southeast Asian Nations.

Source: From the AIDES data set provided by Erkko Autio, ADB consultant for the Digital Entrepreneurship Survey (2021) project.

Among the eight AIDES pillars, the Philippines' strongest pillar is networking and support, for which it got a score of 30.9; while its weakest pillar is culture and informal institutions, for which it got a score of only 8.0 (Figure 1).

**Figure 1: Position of the Philippines in the Eight AIDES Pillars (Entrepreneurship)**



Source: From the AIDES data set provided by Erkko Autio, ADB consultant for the Digital Entrepreneurship Survey (2021) project.

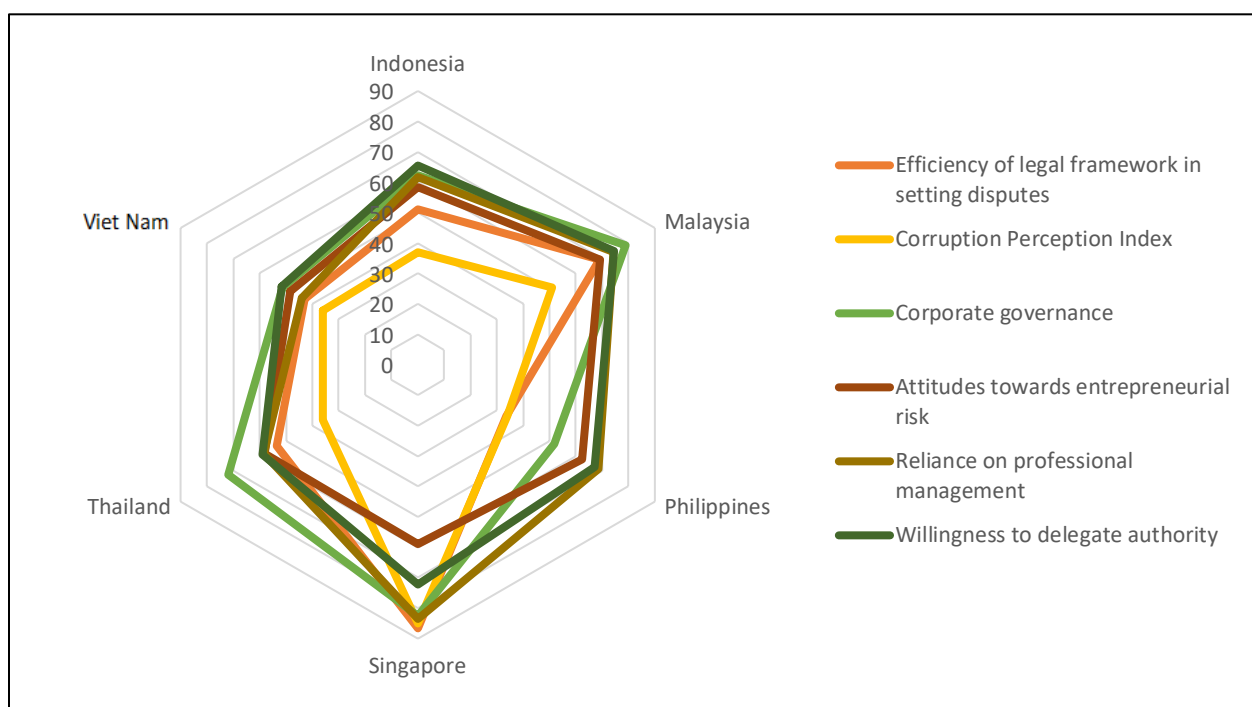
Discussed below are highlights of the performance of the Philippines under each of the eight pillars, drawing information primarily from the Global Competitiveness Report 2019 of the World Economic Forum, as well as from relevant laws, regulations, and government reports of the Philippines.

## A. Pillar 1: Culture and Informal Institutions

Culture and informal institutions refer to the country's legal framework in settling disputes, the level of corruption, corporate governance, and entrepreneurial culture. In terms of the efficiency of the legal framework in settling disputes, the Philippines scored 33.5 out of 100, placing 109<sup>th</sup> among 141 economies included in the rankings. The country got a score of 36 (ranked 85<sup>th</sup>) in terms of incidence of corruption, the worst among the Association of Southeast Asian Nations (ASEAN)-6 economies; and a score of 52 (ranked 100<sup>th</sup>) in terms of corporate governance, just a little better than Viet Nam (Figure 2).

It is in entrepreneurial culture where the Philippines scored very well, scoring 62.4 (ranked 17<sup>th</sup>) in attitudes towards entrepreneurial risk, 67 (ranked 24<sup>th</sup>) in willingness to delegate authority, 65.2 (ranked 20<sup>th</sup>) in growth of innovative companies, and 61.6 (ranked 10<sup>th</sup>) in companies embracing disruptive ideas ([https://www3.weforum.org/docs/wef\\_theglobalcompetitivenessreport2019.pdf](https://www3.weforum.org/docs/wef_theglobalcompetitivenessreport2019.pdf)).

**Figure 2: Culture and Informal Institutions, ASEAN-6 Countries**

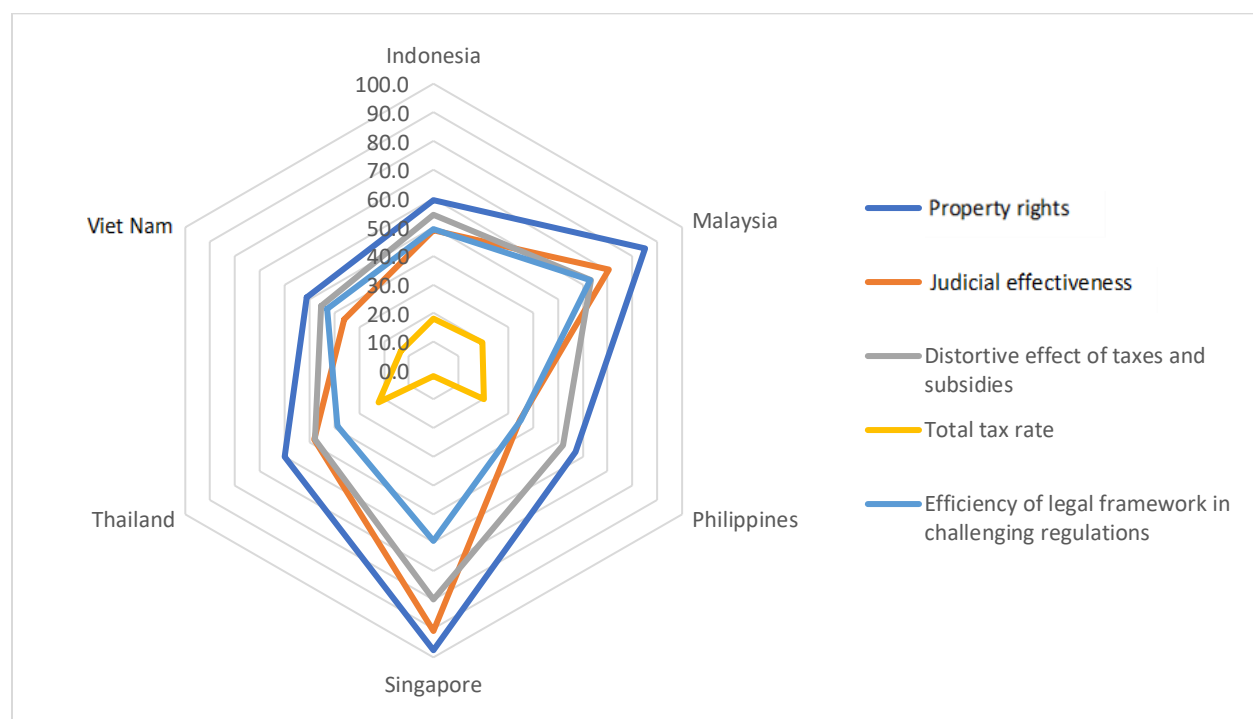


ASEAN = Association of Southeast Asian Nations.  
Source: World Bank, World Economic Forum.

## B. Pillar 2: Formal Institutions, Regulation, and Taxation

This particular pillar refers to rule of law, particularly in terms of property rights and judicial effectiveness; total tax rate, distortive effects of taxes and subsidies; and efficiency of legal framework in challenging regulations. Among the ASEAN-6 countries, the Philippines fared relatively poorly in terms of property rights and distortive effect of taxes and subsidies, just scoring ahead of Viet Nam. It placed last among the six economies in terms of judicial effectiveness, and efficiency of legal framework in challenging regulations (Figure 3).

**Figure 3: Formal Institutions, Regulation, and Taxation, ASEAN-6 Countries**



ASEAN = Association of Southeast Asian Nations.  
Source: World Bank, World Economic Forum.

Worth mentioning, however, are the legislation that support entrepreneurial businesses, particularly micro, small, and medium-sized enterprises (MSMEs). These laws are briefly described below:

- (i) **Barangay Micro Business Enterprise Law of 2002 (R.A. 9178)** aims to integrate businesses in the informal sector with the mainstream economy by rationalizing

bureaucratic restrictions imposed on businesses and by providing them with incentives.

- (ii) **Magna Carta for Micro, Small and Medium Enterprises (R.A. 9501)** provides for the expansion of courses and development programs for MSMEs, as well as preferential procurement arrangements when dealing with government agencies. It also aims to improve the networks and linkages of small businesses, and to facilitate their access to funding, incentives, and support services.
- (iii) **Go Negosyo Act (R.A. 10644)** aims to facilitate ease of doing business in the country by setting up business centers, creating a start-up fund, providing technical assistance, and developing curricula or training programs for businesses, especially for MSMEs.

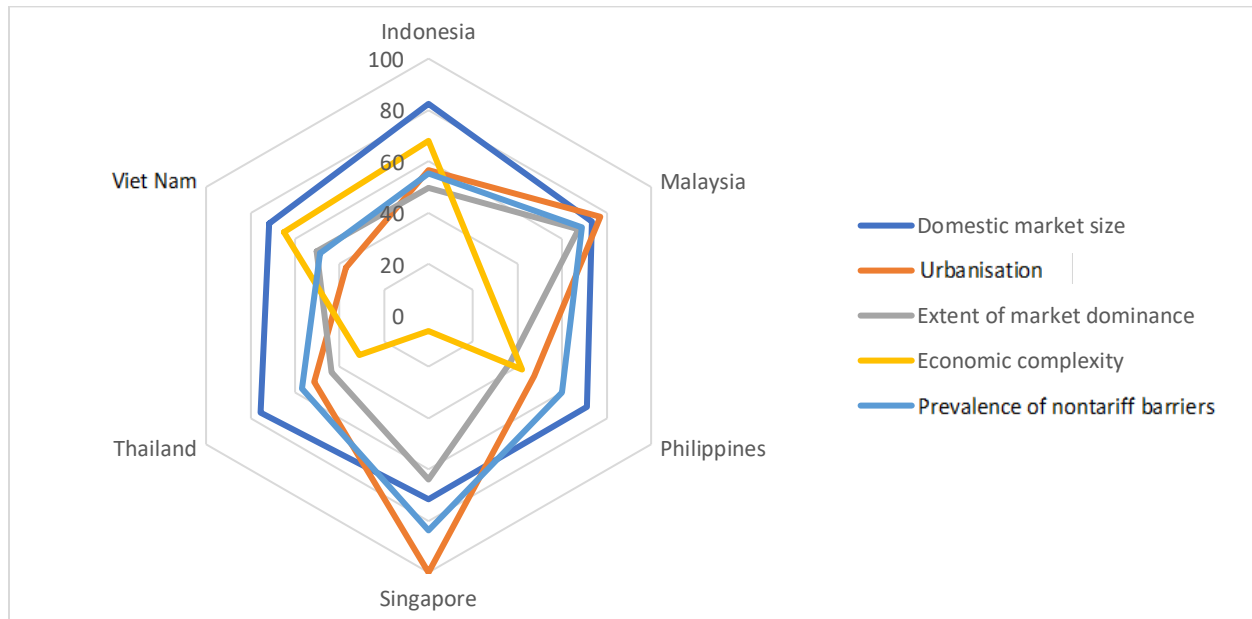
### **C. Pillar 3: Market Conditions**

Market conditions are determined by domestic market size, economic complexity, and extent of market dominance. In 2019, the Philippines was the number 32 economy in the world in terms of gross domestic product (GDP), number 39 in total exports, number 33 in total imports, and number 125 in terms of GDP per capita. It was also the number 42 (out of 146) most complex economy, according to the Economic Complexity Index (<https://oec.world/en/profile/country/phl>). It ranked the lowest among the ASEAN-6 in terms of domestic market size (Figure 4).

According to the Global Competitive Index 2019, the Philippines ranked 78 out of 141 economies in terms of domestic competition. It ranked 64th in terms of competition in services, but ranked only 114th in terms of extent of market dominance. This is in spite of Congress passing Republic Act 10667, or the Philippine Competition Act of 2015, which was intended to “ensure that markets are open and free, challenging anticompetitive business practices while maintaining an

environment where businesses can compete based on the quality of their work” (<https://www.phcc.gov.ph/philippine-competition-law-r-10667/>).

**Figure 4: Market Conditions, ASEAN-6 Countries**



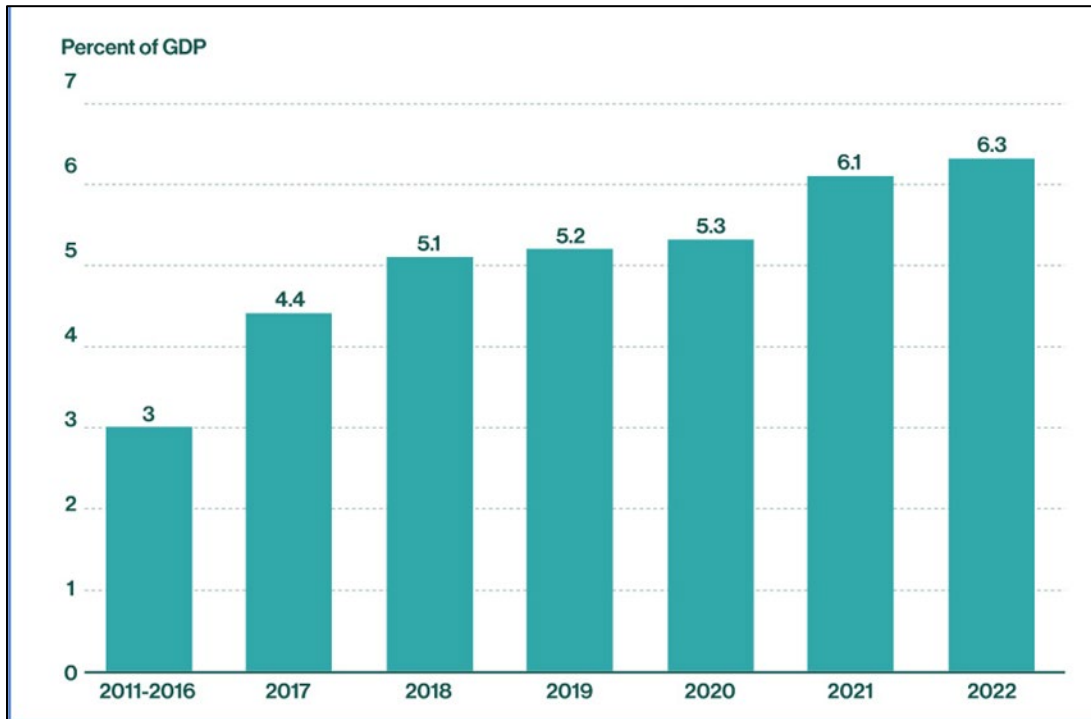
ASEAN = Association of Southeast Asian Nations.  
Source: World Bank, World Economic Forum.

#### **D. Pillar 4: Physical Infrastructure**

The Philippines has made some inroads in terms of infrastructure development, thanks to the investments made by two successive administrations over the past decade, particularly through the Public–Private Partnership Program of the Aquino administration, and the Build, Build, Build (BBB) Program of the Duterte administration.

According to the *ASEAN Post*, the BBB is “one of the top-priority programs of the Duterte Administration, which has been allocated a budget of about ₱8 trillion (US\$164.7 billion) for a 6-year period (2017–2022)... thus far the highest in Philippine history to date.” From 2001 to 2010, the average percentage of infrastructure budget to GDP was 1.6% or ₱100.3 billion (US\$2.06 billion); from 2011 to 2016, it was 3.0% or ₱378.3 billion (US\$7.7 billion) (<https://theaseanpost.com/article/build-build-build-program-amid-pandemic>) (Figure 5).

**Figure 5: Infrastructure Spending of the Philippines (2011–2022)**



ASEAN = Association of Southeast Asian Nations, GDP = gross domestic product.  
Source: <https://theaseanpost.com/article/build-build-build-program-amid-pandemic>.

Not surprisingly, the Philippines gained higher scores in transport infrastructure in the Global Competitiveness Report in 2019. In spite of this, the country still ranked only 102 out of 141 economies. In terms of utility infrastructure, the Philippines ranked 96 in 2019 (Table 2). Compared to the ASEAN-6 economies, the Philippines still lagged behind in terms of both transport and utility infrastructures (Figure 6).

**Table 2: Scores and Rank in Infrastructure of the Philippines**

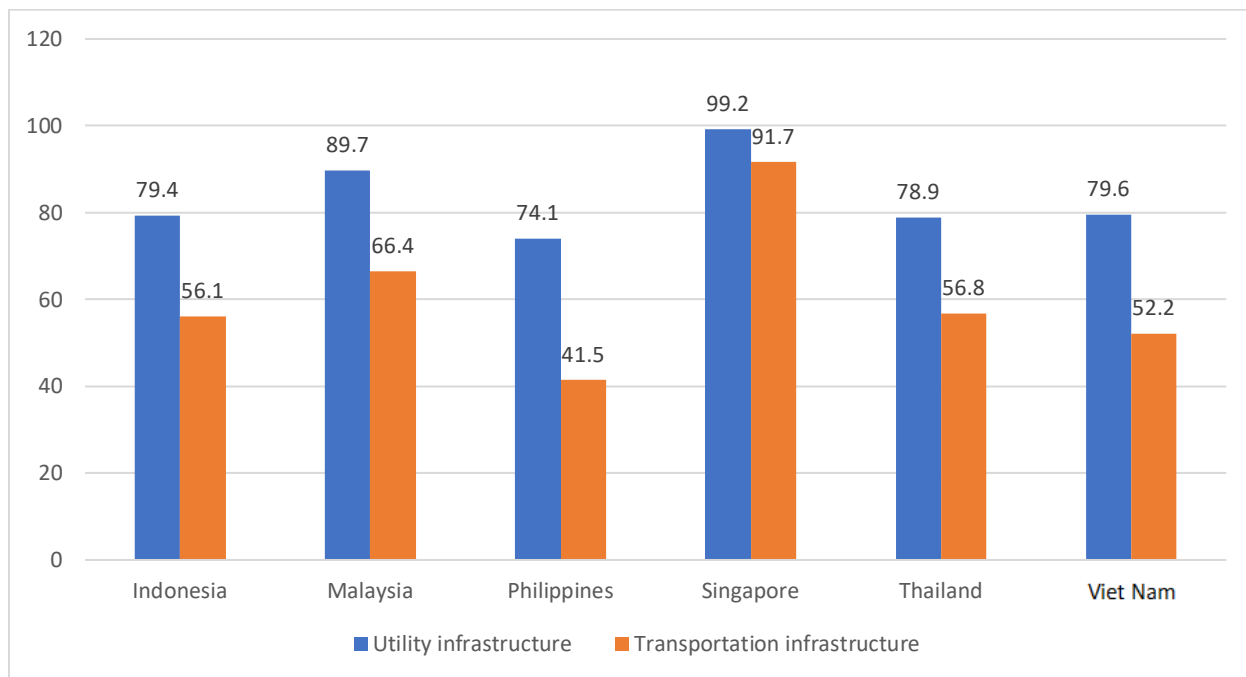
Infrastructure	Score	Rank
<b>Transport infrastructure</b>	<b>41.5 ↑</b>	<b>102</b>
Road connectivity	51.6 ↑	125
Quality of road infrastructure	44.8 ↑	88
Railroad density	4.3 ↑	91
Efficiency of train services	23.0 ↓	88
Airport connectivity	82.6 =	26
Efficiency of air transport services	52.3↑	96
Liner shipping connectivity	29.0 ↑	59



<b>Infrastructure</b>	<b>Score</b>	<b>Rank</b>
Efficiency of seaport services	44.7 ↑	88
<b>Utility infrastructure</b>	<b>74.1↓</b>	<b>96</b>
Electricity access	88.3 ↓	103
Electricity supply quality	94.7↓	53
Exposure to unsafe drinking water	52.0 ↓	105
Reliability of water supply	61.5 ↓	77

Source: Schwab (2019). The Global Competitiveness Report, 2019.

**Figure 6: Infrastructure Scores of the Philippines Compared to ASEAN-6 Economics**



ASEAN = Association of Southeast Asian Nations.

Source: World Bank, World Economic Forum.

## **E. Pillar 5: Human Capital**

In terms of human capital/skills, the Philippines belongs to the upper quartile in terms of skills of current workforce, getting higher scores in the areas of extent of staff training, skillset of graduates, and ease of finding skilled employees. However, the country ranked relatively lower in terms of future workforce, and skills of future workforce in spite of the higher scores it garnered in 2019 (Table 3).

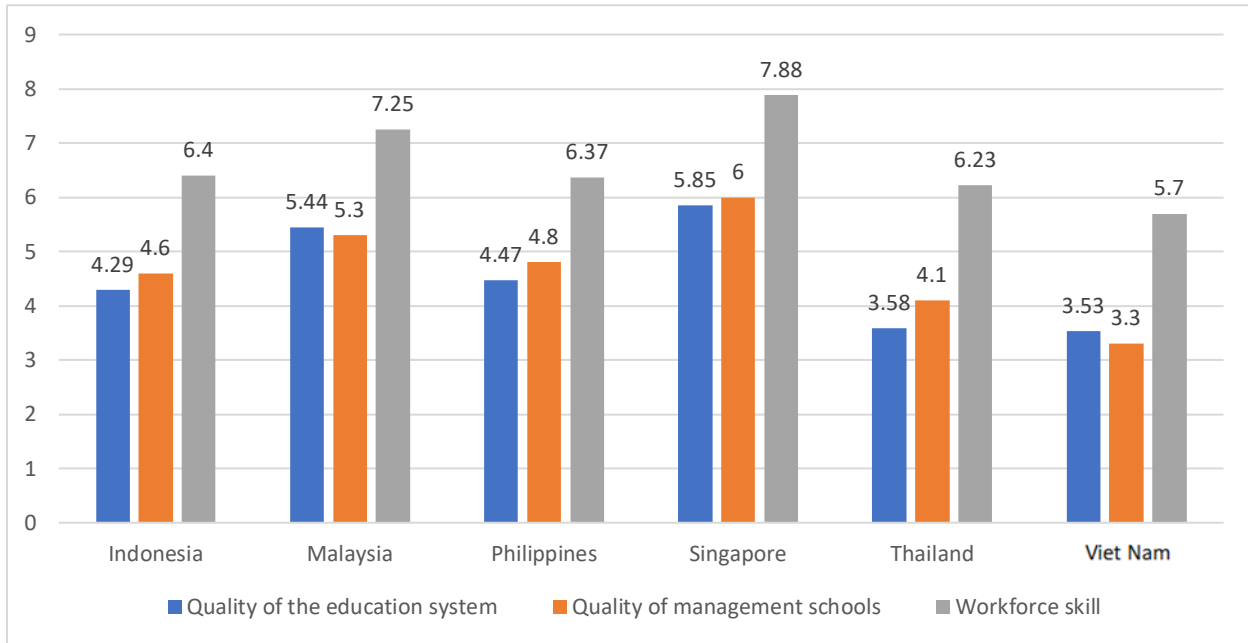
**Table 3: Scores and Rank of the Philippines in Skills**

<b>Skills</b>	<b>Score</b>	<b>Rank</b>
<b>Current workforce</b>	<b>64.9 ↑</b>	<b>40</b>
Mean years of schooling	64.0 =	69
<b>Skills of current workforce</b>	<b>65.9 ↑</b>	<b>19</b>
Extent of staff training	65.7 ↑	18
Quality of vocational training	62.4 ↓	29
Skillset of graduates	66.4 ↑	20
Digital skills among active population	67.7 ↓	22
Ease of finding skilled employees	67.1 ↑	13
<b>Future workforce</b>	<b>62.5 ↑</b>	<b>88</b>
School life expectancy	70.6 ↑	85
<b>Skills of future workforce</b>	<b>54.5 ↑</b>	<b>81</b>
Critical thinking in teaching	56.4 ↑	24
Pupil-to-teacher ratio in primary education	52.5 ↑	105

Source: Schwab (2019). The Global Competitiveness Report, 2019.

Compared to the ASEAN-6, the Philippines ranked fourth in terms of quality of the education system, third in terms of quality of management schools, and fourth in terms of workforce skill (Figure 7).

**Figure 7: Skills Scores of the Philippines Compared to ASEAN-6 Economies**



ASEAN = Association of Southeast Asian Nations.  
Source: Schwab (2019). The Global Competitiveness Report, 2019.

#### **F. Pillar 6: Knowledge Creation and Dissemination**

In terms of knowledge creation and dissemination, the Philippines ranked 87th in terms of research and development (R&D), and also in terms of commercialization (Table 4). These improved scores and rank could be attributed partly to the increased support provided by the Commission on Higher Education and the Department of Science and Technology over the past decade colleges and universities in the Philippines for research, publication, and commercialization activities.

**Table 4: Scores and Rank of the Philippines in Knowledge Creation and Dissemination**

<b>Knowledge Creation</b>	<b>Score</b>	<b>Rank</b>
<b>Research and development</b>	<b>22.9 ↑</b>	<b>87</b>
Scientific publications	79.0 ↑	55
Patent applications	5.7 ↑	79
Research and development expenditures	4.6 ↓	102
Research institutions prominence	2.2 ↑	72
<b>Commercialization</b>	<b>50.8 ↑</b>	<b>87</b>
Buyer sophistication	46.3 ↑	56
Trademark applications	55.3 ↑	98

Source: Schwab (2019). The Global Competitiveness Report, 2019.

Given its mandate “to inspire and enable Philippine higher education institutions in becoming platforms for research and development, innovation and extension in pursuit of inclusive social and economic development”, the Commission on Higher Education offers support to universities through several programs, including the Research and Innovation Grant-in-Aid Program, which provides a competitive enabler grant totaling a maximum of ₱10 million for 1–2 years per research project. The Grant in Aid Program aims “to build a higher education strategic research portfolio through collaborative and disruptive research and innovation projects among Philippine SMEs, particularly in the areas of: (a) food production and security; (b) environment, disaster risk reduction, climate change and energy; (c) terrestrial and marine resources: economy, biodiversity and conservation; (d) smart analytics and engineering innovations; (e) health systems; and (f) education for STEAM” (<https://chedresearch.wordpress.com/>).

Also worth mentioning is the Republic Act 10055 or the Philippine Technology Transfer Act of 2009, which provides the “framework and support system for the ownership, management, use, and commercialization of intellectual property generated from research and development funded by government” (<https://www.dost.gov.ph/knowledge-resources/2014-04-27-01-59-53/republic-acts/file/288-republic-act-no-10055-philippine-technology-transfer-act-of-2009.html>).

#### **G. Pillar 7: Finance**

When it comes to the finance pillar, the Philippines ranks 46th in terms of depth and 48th in terms of the stability of its financial system. The country ranks particularly high in terms of soundness of banks (17th), nonperforming loans (20th), and market capitalization (24th), but could stand to improve in terms of credit gap (130th), banks’ regulatory capital ratio (108th), and venture capital availability (102th) (Table 5).

**Table 5: Scores and Rank of the Philippines in the Financial System**

<b>Financial System</b>	<b>Score</b>	<b>Rank</b>
<b>Depth</b>	<b>50.3 ↑</b>	<b>46</b>
Domestic credit to private sector	48.4 ↑	71
Financing of small and medium-sized enterprises	42.7 ↑	44
Venture capital availability	4.6 ↓	102
Market capitalization	84.3 ↑	24
Insurance premium	29.3 ↑	65
<b>Stability</b>	<b>90.8 ↓</b>	<b>48</b>
Soundness of banks	81.8 ↑	17
Nonperforming loans	97.8 ↑	20
Credit gap	88.2 ↓	130
Banks' regulatory capital ratio	95.3 ↓	108

Source: Schwab (2019). The Global Competitiveness Report, 2019.

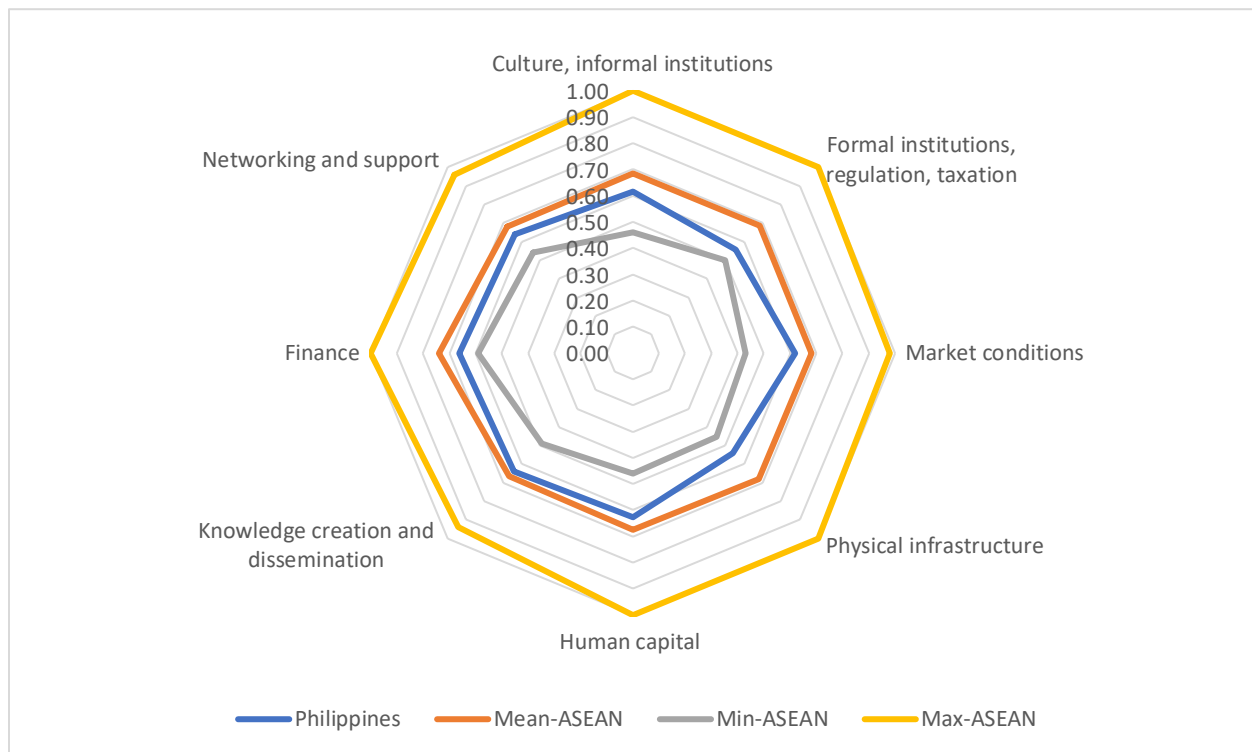
According to the Oxford Business Group, the Philippine banking system has performed relatively well in recent years. It attributes this to the “sound regulation of the sector by the central bank and the global push towards increasing capital”, which have resulted to local institutions being “safe, sound, and profitable.” It added that, while many people in the country remain unbanked, this is “seen as an opportunity for expansion” (<https://oxfordbusinessgroup.com/overview/strong-and-sound-sector-records-solid-performance-amid-push-expand-penetration-and-reduce-number>).

## **H. Pillar 8: Networking and Support**

Networking and support is measured in terms of social capital, which refers to social cohesion and engagement, community and family networks, and political participation and institutional trust. According to the Global Competitiveness Report 2019, the Philippines got a score of 56.1 and a rank of 36 in this area. Only Singapore and Malaysia scored better among the ASEAN-6 economies.

Overall, the Philippines performed relatively poorly compared to other ASEAN economies, scoring only better than Viet Nam and Cambodia in several AIDES pillars. The Philippines scored below the mean score for ASEAN (Figures 8 and 9)

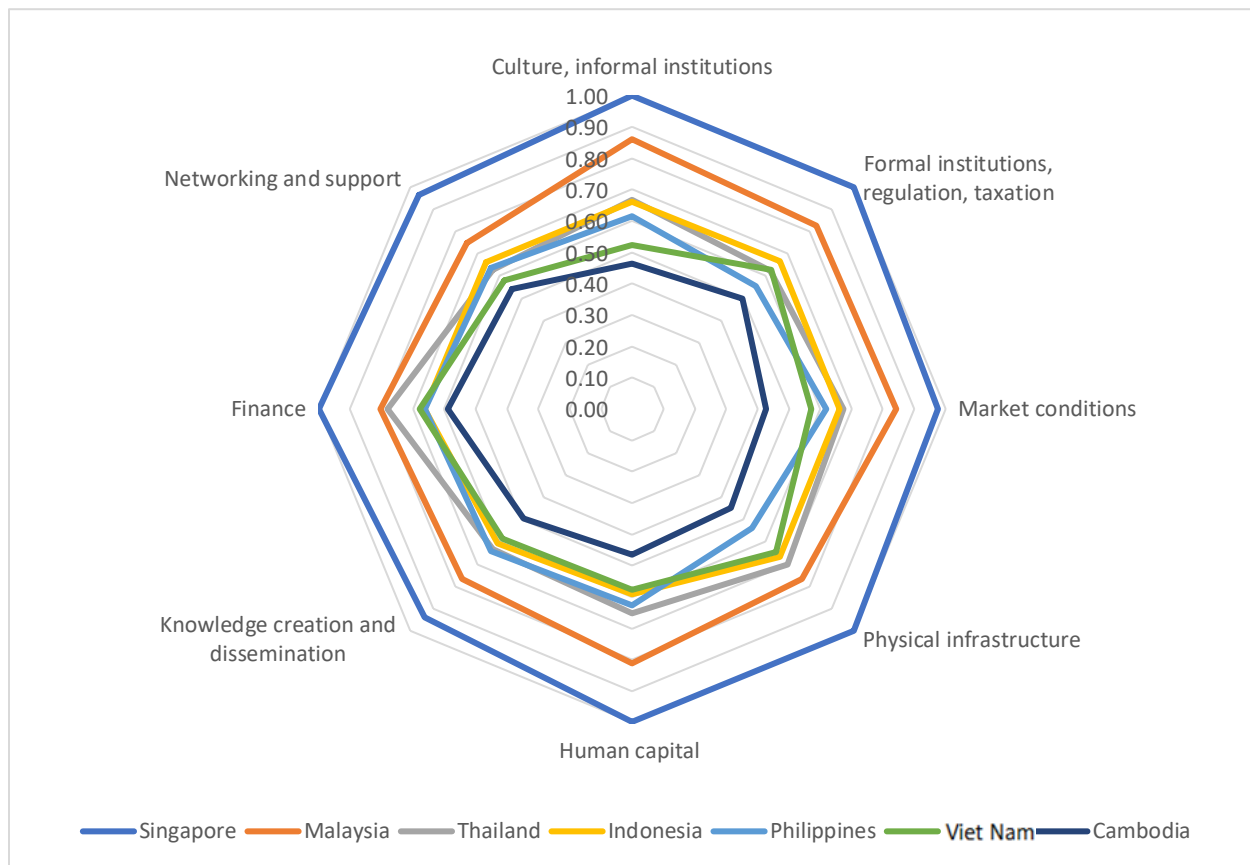
**Figure 8: Pillar Scores of the Philippines Compared to ASEAN**



ASEAN = Association of Southeast Asian Nations, Max = maximum, Min = minimum.

Source: From the AIDES data set provided by Erkko Autio, ADB consultant for the Digital Entrepreneurship Survey (2021) project.

**Figure 9: Pillar Scores of the Philippines Compared to Other ASEAN Countries**



ASEAN = Association of Southeast Asian Nations.

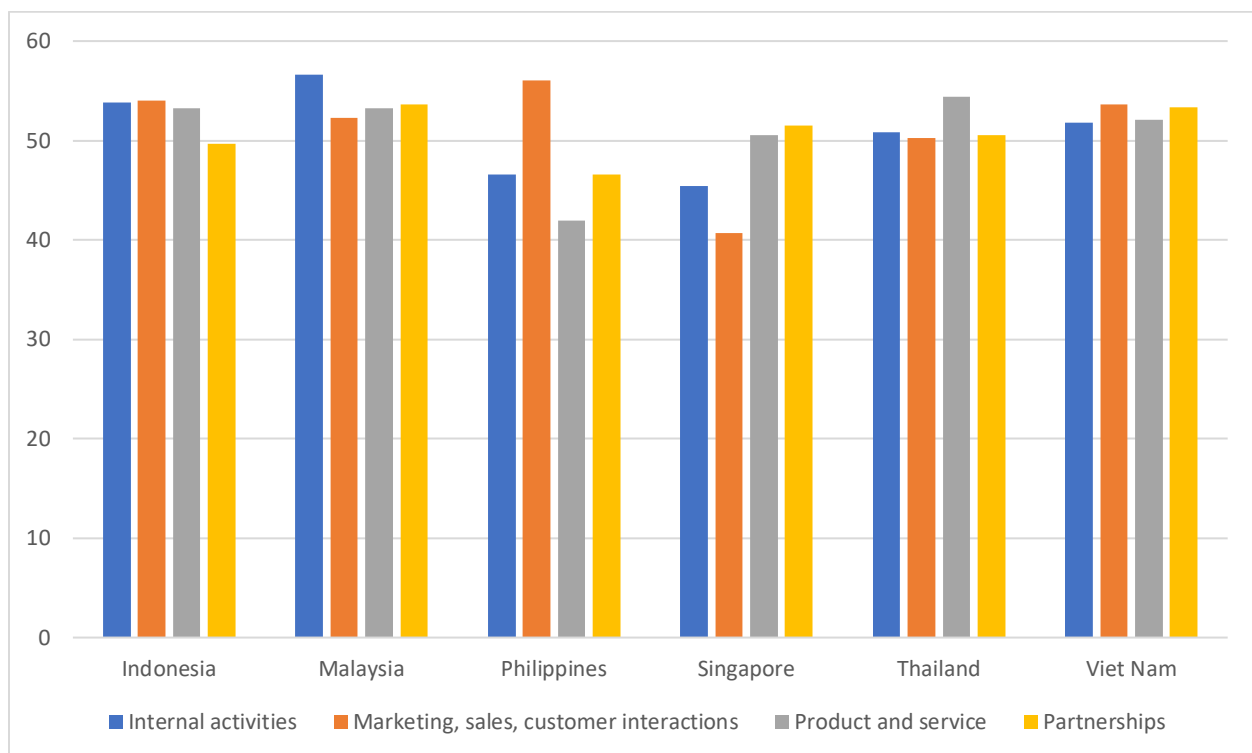
Source: From the AIDES data set provided by Erkki Autio, ADB consultant for the Digital Entrepreneurship Survey (2021) project.

## II. OVERVIEW OF DIGITAL ENTREPRENEURSHIP SURVEY

In 2021, the Asian Development Bank provided support for the conduct of a cross-country Digital Entrepreneurship Survey (DES) that involved interviews with entrepreneurial start-ups in six ASEAN countries; namely, Indonesia, Malaysia, the Philippines, Thailand, Singapore, and Viet Nam. In the Philippines, 108 entrepreneurial businesses were interviewed to determine how they applied digital technologies in various aspects of their operations, and also to gauge how their business models have been influenced by digitalization.

When it comes to the application of digital technologies, the Philippines performed relatively better than other ASEAN economies in terms of marketing, sales, and customer interactions. This involves advertising products and services through digital channels, using social media to interact with customers, and enabling customers to order and/or pay online. However, it performed relatively poorly in terms of internal activities, product and service, and partnerships (Figures 10 and 11).

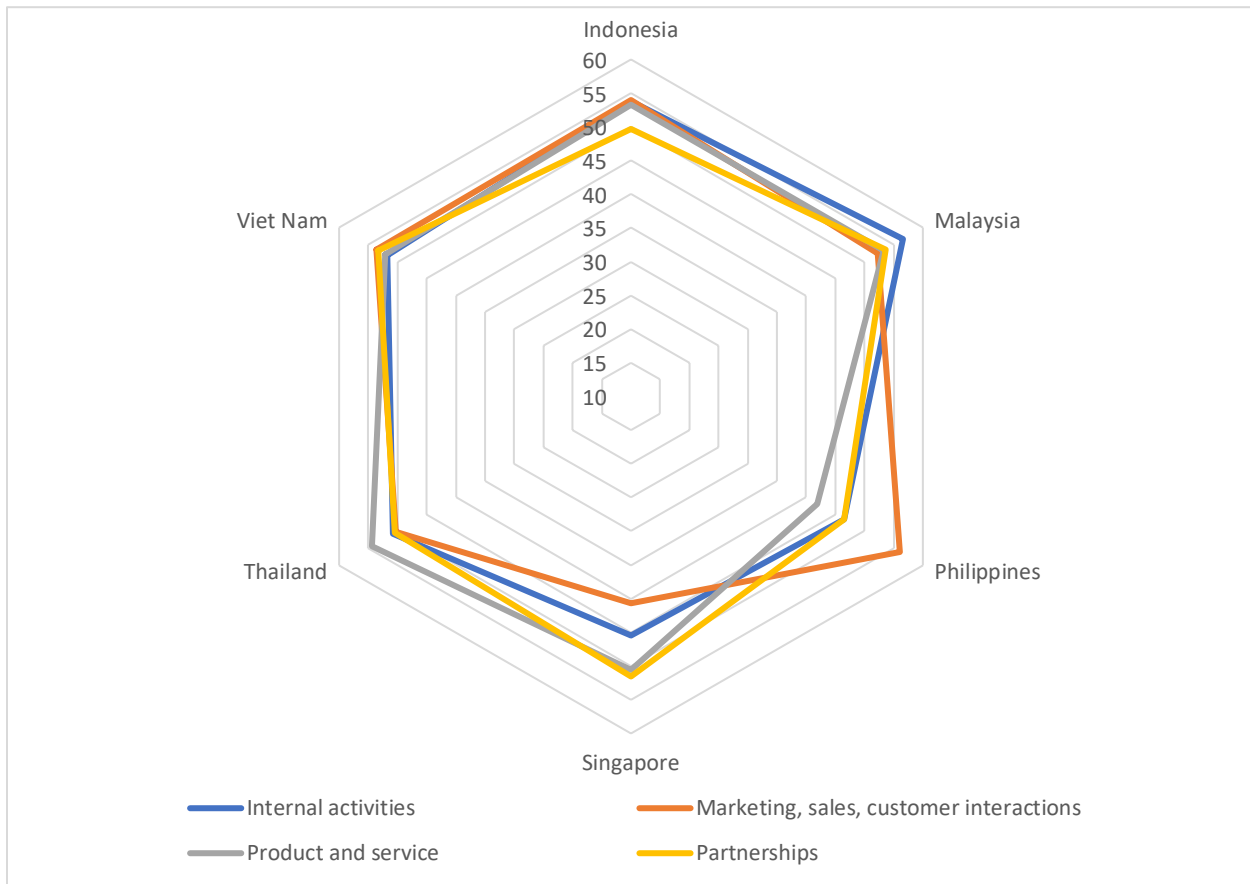
**Figure 10: Application of Digital Technologies in Business (a)**



Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)



**Figure 11: Application of Digital Technologies in Business (b)**

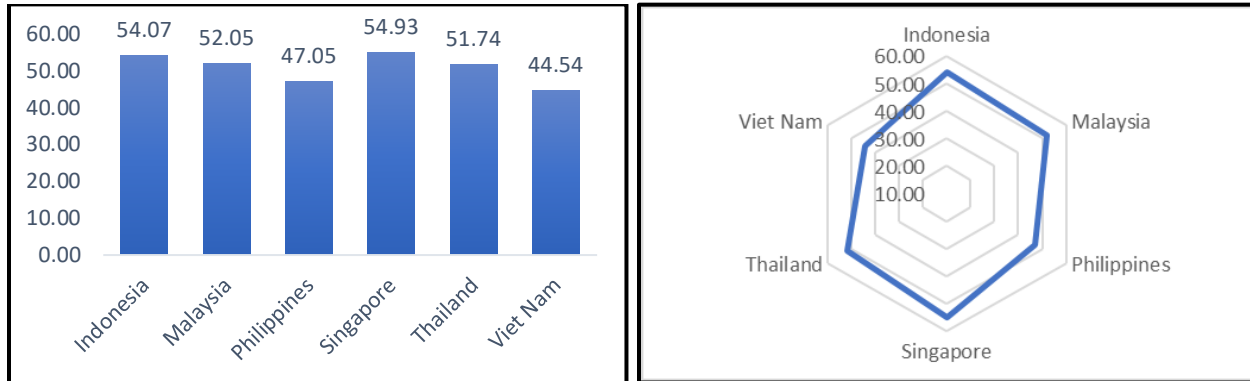


In terms of business model changes, businesses in the Philippines that participated in the survey fared relatively poorly compared to those coming from the other ASEAN countries. Only Viet Nam got a lower score than the Philippines (Figure 12).

Changes in business model could be in terms of a shift in the business' target customers, adjustments in its sales and marketing operations, as well as how it produces and delivers its products and services. Changes could also be in the form of new products and services, as well as in terms of new suppliers and/or business partners. It could also involve a major rethink of how the company organizes its operations. Among the ASEAN-6, the Philippines ranked first in terms

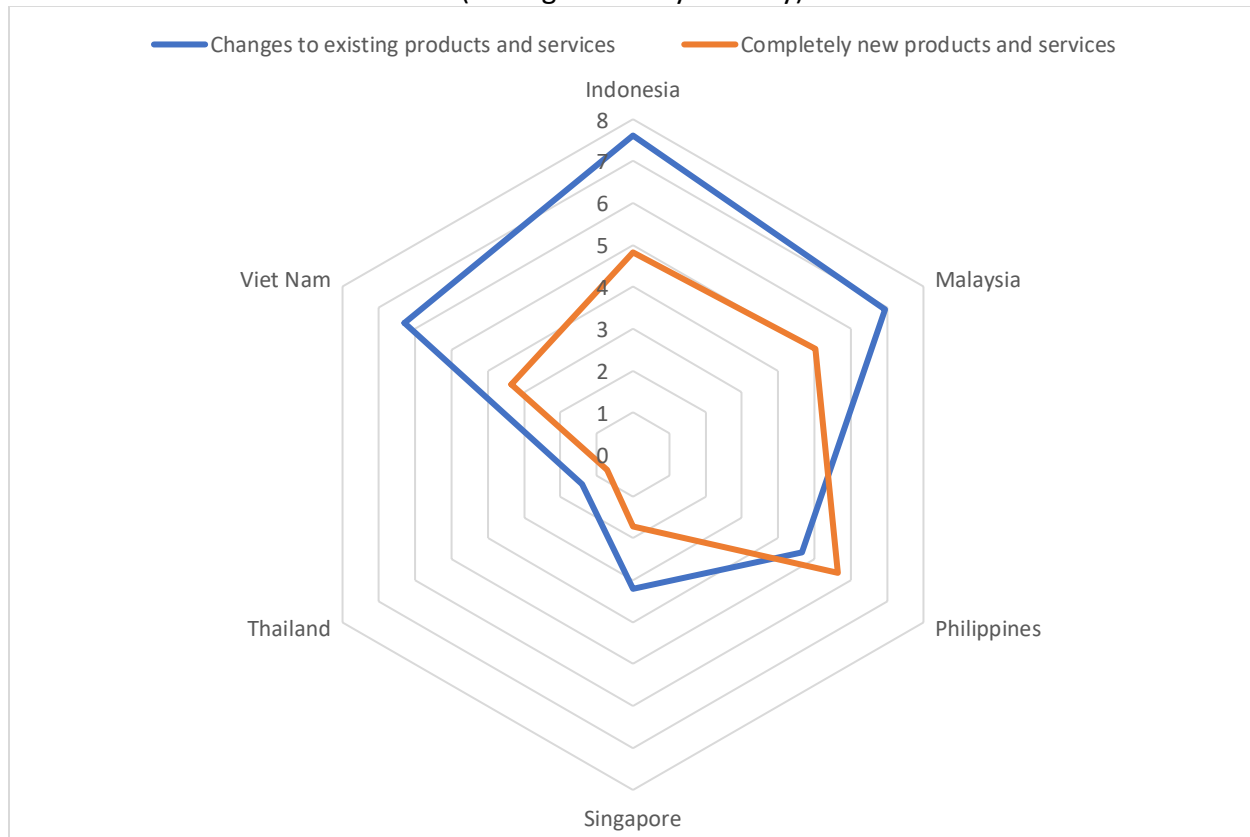
of completely new products and services, but only ranked fourth in terms of changes to existing products and services (Figure 13).

**Figure 12: Business Model Changes**



Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

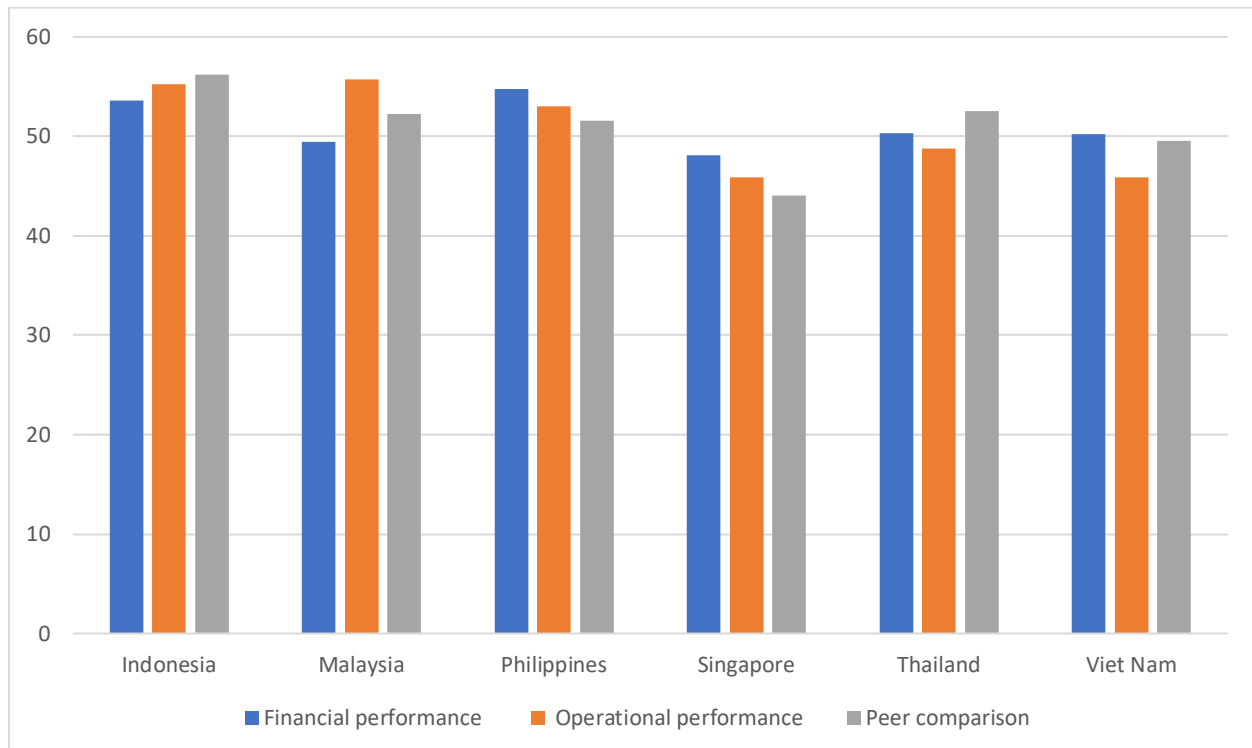
**Figure 13: Number of New Products and Services Idea in the Past 12 Months**  
(average value by country)



Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

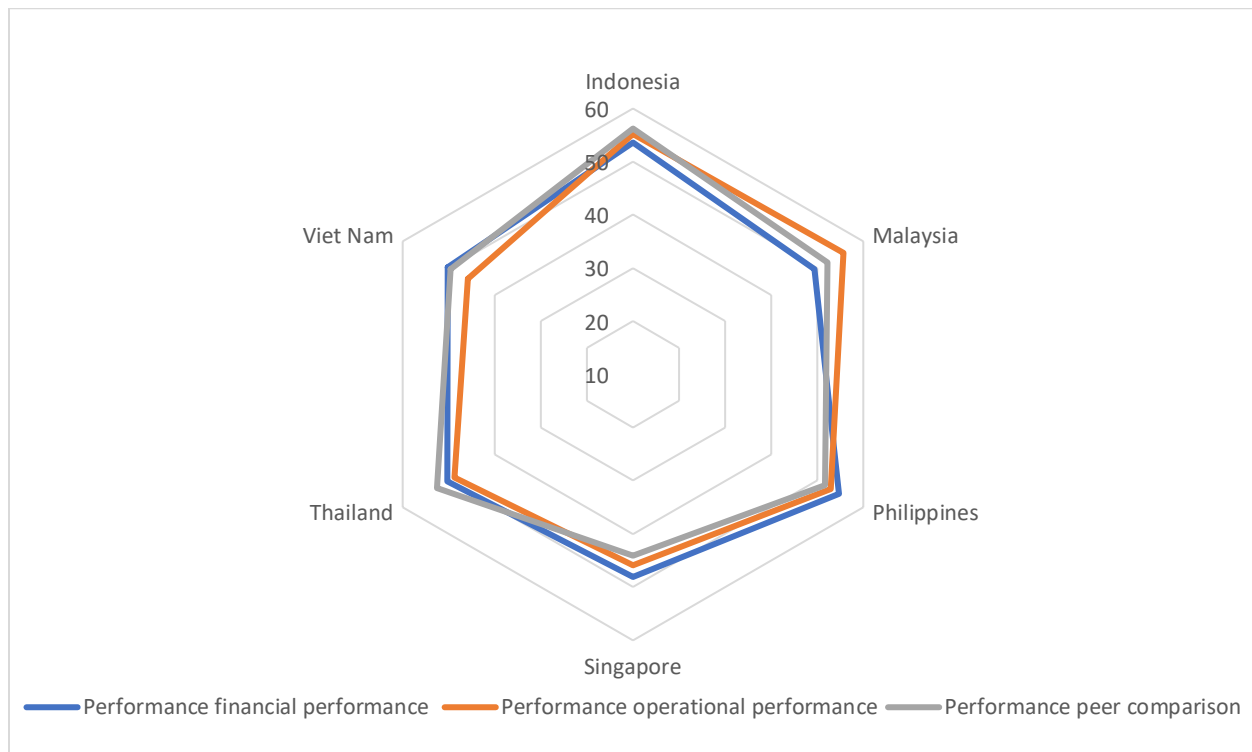
With regard to the respondents' assessment of their business performance over the previous year, the Philippines ranked first among the six countries in terms of financial performance. It ranked third in terms of operational performance, and ranked fourth in terms of peer comparison (Figures 14 and 15).

**Figure 14: Respondents' Assessment of their Financial and Operational Performance (a)**



Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

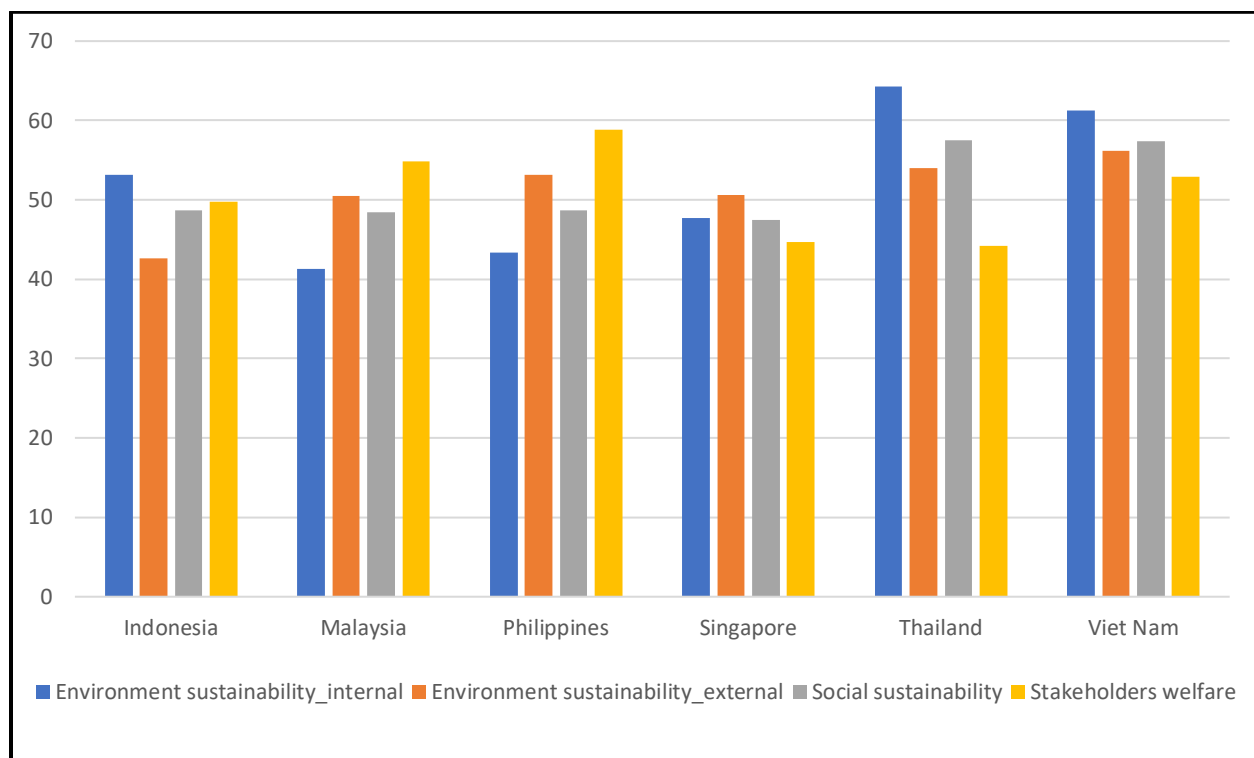
**Figure 15: Respondents' Assessment of their Financial and Operational Performance (b)**



Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

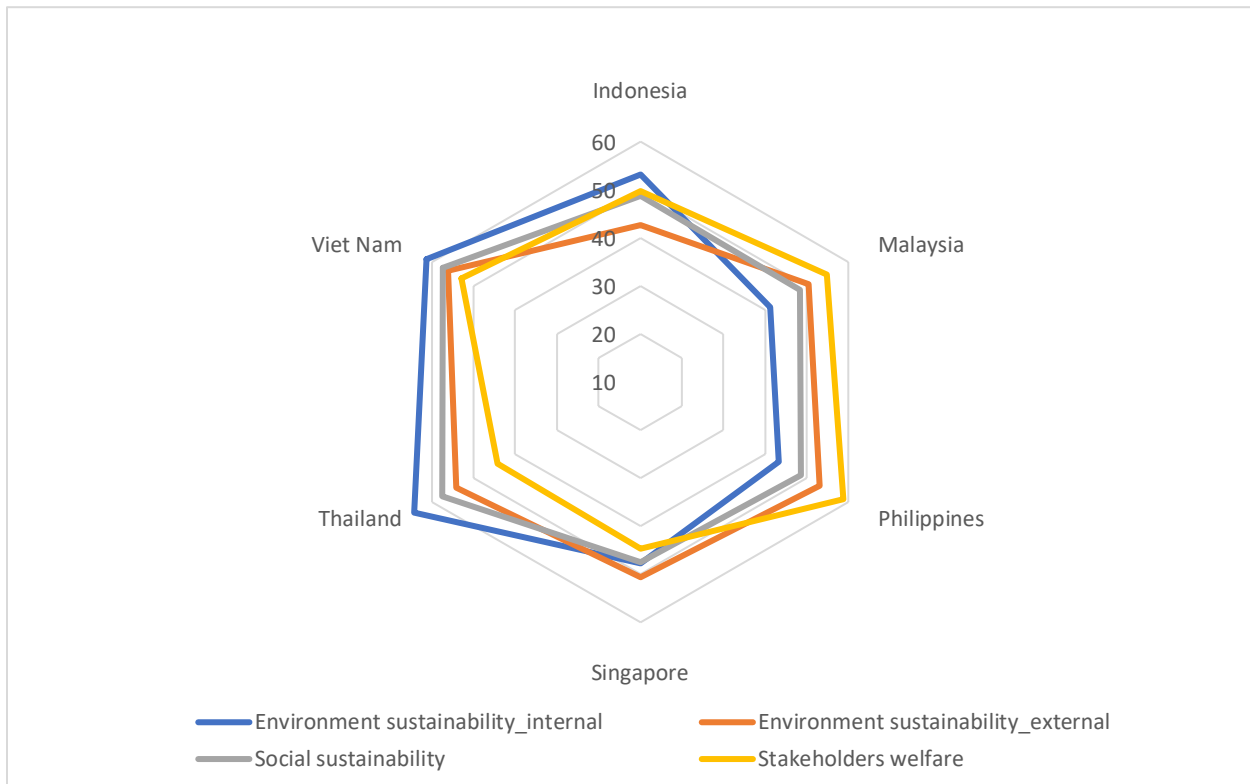
With regard to the respondents' assessment of their sustainability performance over the previous year, the Philippines ranked first among the six countries in terms of stakeholder welfare, third in terms of both environmental sustainability and social sustainability, and fifth in terms of environmental sustainability (Figures 16 and 17).

**Figure 16: Respondents' Assessment of their Sustainability Performance (a)**



Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

**Figure 17: Respondents' Assessment of their Sustainability Performance (b)**



Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

### III. THE CREATIVE ECONOMY AND THE CREATIVE INDUSTRIES

The “creative economy”, a topic introduced by the United Nations Conference on Trade and Development (UNCTAD) in the world economic and development agenda, is an emerging concept that deals “with complex interactions between culture, economics and technology in the contemporary globalized world that is dominated by symbols, texts, sounds, and images” (UNCTAD 2008, p. 4).

In an attempt to define the creative economy, UNCTAD identified the following characteristics:

- (i) it is an evolving concept that is based on creative assets that can potentially generate economic growth and development;
- (ii) it can create jobs, generate income, and increase export earnings, while promoting social inclusion, cultural diversity, and human development;
- (iii) it

embraces economic, cultural, and social aspects interacting with technology, intellectual property, and tourism objectives; and (iv) it is a set of knowledge-based economic activities with a development dimension, and that has crosscutting linkages with the overall economy at the macro and micro levels. UNCTAD's proposition is that the creative economy fosters a development option that offers fresh opportunities for developing economies to leapfrog into emerging high-growth areas of the global economy (UNCTAD 2008).

#### **A. Creative Industries Defined**

At the heart of the creative economy lie the creative industries, which have been defined in various ways. According to UNCTAD (2008), the creative industries are “at the crossroads of the arts, culture, business, and technology”, and involve “the cycle of creation, production, and distribution of goods and services that use intellectual capital as their primary input” (p. 4). For the United Nations Educational, Scientific and Cultural Organization (UNESCO), the cultural and creative industries are those “that combine the creation, production and commercialization of creative contents that are intangible and of a cultural nature” (<https://connectamericas.com/content/orange-economy-how-define-it>).

According to the Department of Culture, Media and Sports of the United Kingdom, the creative industries are those “based on creativity, individual talent and skill, and that have the potential to create jobs and wealth through the generation and exploitation of intellectual property.” A subset of the creative industries are copyright-based industries, which the World Intellectual Property Organization defined as those that are “dedicated, interdependent, or that are directly or indirectly related with the creation, production, representation, exhibition, communication,

distribution or retail of Copyright protected material” (<https://connectamericas.com/content/orange-economy-how-define-it>).

According to UNCTAD (2008), the creative industries can be placed under the following categories: (i) heritage, (ii) arts, (iii) media, and (iv) functional creations. Under heritage are cultural sites (i.e., archeological sites, museums, libraries, exhibitions, etc.) and traditional cultural expressions (i.e., arts and crafts, festivals, and celebrations). Under arts are visual arts (i.e., paintings, sculptures, photograph, and antiques) and performing arts (i.e., live music, theater, dance, opera, circus, puppetry, etc.). Under media are publishing and printed media (i.e., books, press, and other publications) and audiovisuals (i.e., film, television, radio, other broadcasting). Under functional creations are creative services (i.e., architectural, advertising, creative R&D, cultural and recreational).

According to UNESCO (2021), the six cultural domains and related subsectors are (i) cultural and natural heritage, (ii) performance and celebration, (iii) visual arts and crafts, (iv) books and press, (v) audiovisual and interactive media, and (vi) design and creative services (Figure 18). The related domains include tourism, and sports and recreation. Intangible cultural heritage, which cuts across the domains, includes the following activities: education and training, archiving and preserving, and equipment and supporting materials (Figure 19).

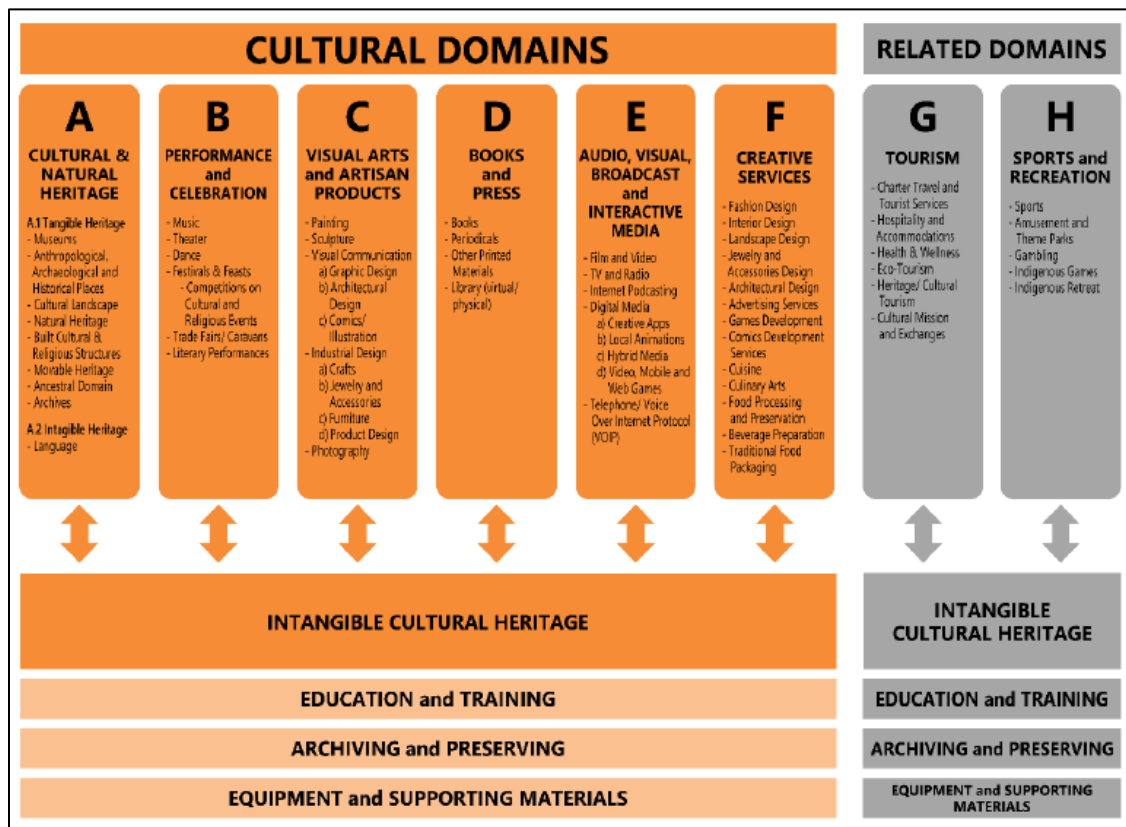


Figure 18: Six Cultural Domains and Related Subsectors



Source: Naylor, et. al. (2021). Cultural and Creative Industries in the Face of COVID-19: An Economic Impact Outlook (UNESCO 2021).

Figure 19: Cultural Domains and Related Domains



Source: [https://www.britishcouncil.ph/sites/default/files/tfcc\\_the\\_philippine\\_creative\\_economy\\_toward\\_a\\_baseline\\_final.pdf](https://www.britishcouncil.ph/sites/default/files/tfcc_the_philippine_creative_economy_toward_a_baseline_final.pdf)

The importance of the creative industries to the global economy cannot be underestimated. UNCTAD (2018) described the world creative economy as “resilient and growing” because, in spite of the impact of the 2008 financial crisis, the creation, production, and distribution of creative goods resulted to an annual average growth rate of 7.34% from 2003 to 2015. Moreover, world exports of creative goods increased and more than doubled from US\$208 billion in 2002 to US\$509 billion in 2015. By 2015, developing economies’ participation in the trade of creative goods (US\$265.08 billion) was higher than developed economies (US\$241.62 billion).

## **B. Creative Industries in the Philippines**

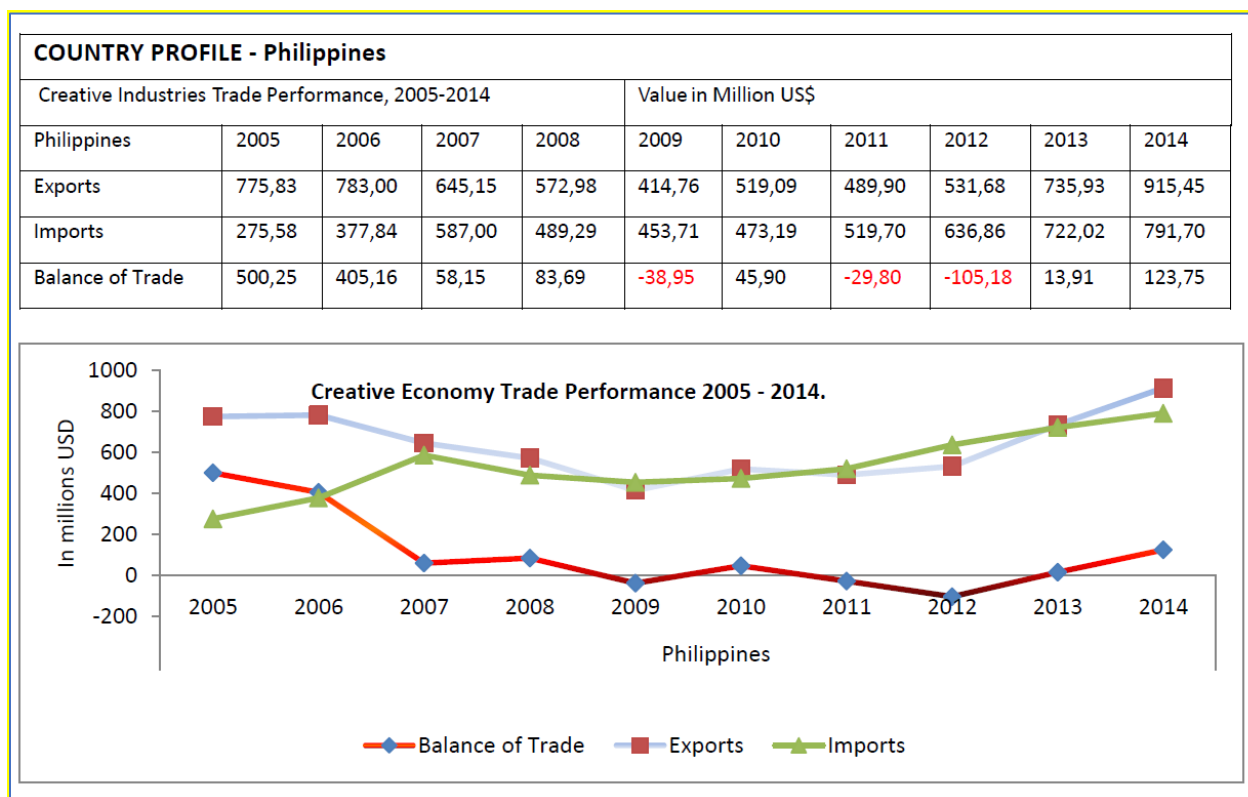
In the Philippines, public discussions regarding the creative industries are guided by the definitions and domains proposed by UNESCO and UNCTAD. In a proposed legislation that seeks to promote the development of the creative industries in the country, creative industries refer “to those industries involving persons, whether natural or juridical, that produce cultural, artistic, and innovative goods, products, and services [that] originate in individual creativity, skill, and talent”, particularly those that have a potential for wealth through the generation and exploitation of intellectual property. It includes industries that are “directly or indirectly involved in the creation, production and manufacturing, performance, broadcasting, communication and exhibition, or distribution and sale works and other subject matter, as protected by intellectual property rights” (House Bill No. 8101).

Given that the creative industries in the Philippines encompass a wide range of sectors and have not been fully mapped out, we can only make inferences about their contributions to the economy. Estimates from the Census of Philippine Business and Industry show that, in 2012, the creative industries generated about ₱689 billion or 6.52% of GDP for that year. It registered

a 12.7% annual growth rate from 1999 to 2010, which was twice the growth rate of the national economy. It is also estimated that the combined creative industries employ about 14% of the labor force (House Bill No. 8101).

In terms of trade performance, the Philippines' exports of creative goods rose from US\$776 million in 2005 to US\$915 million in 2014. Accounting for the largest share of 2014 exports are design goods, with fashion goods at US\$279 million, interior design at US\$221 million, and toys and jewelry combined at US\$116 million. Creative goods imports, on the other hand, reached US\$792 million in 2014. This was driven by the import of design goods (i.e., interior design and fashion accessories), which stood at US\$469 million.

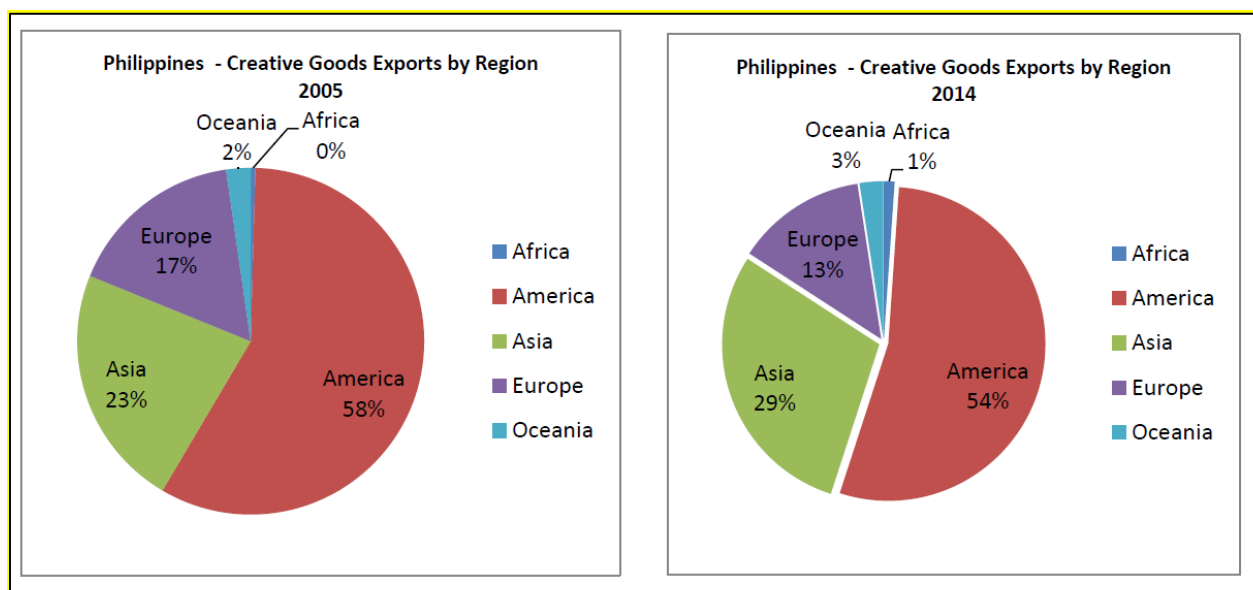
**Figure 20: Trade Performance of the Philippines in the Creative Industries**



Source: Kuku, et. al. (2018). UNCTAD Creative Economy Outlook and Country Profiles (2018).

In 2015, the Philippines was among the top 10 exporters of creative goods among developing economies, exporting a total of US\$1.01 billion worth of goods. However, this constitutes only 2% of the US\$200 billion value of creative goods and services trade from the Asia and Pacific region alone (UNCTAD 2018). The Philippines' top 10 export markets for creative goods are the United States, Japan, the People's Republic of China, Italy, Germany, the United Kingdom, the Netherlands, the Republic of Korea, France, and Australia. Majority of its exports went to the United States (54%) followed by Asia (29%) (Figure 21).

**Figure 21: Creative Goods Exports of the Philippines by Region, 2005 and 2014**



Source: Kuku, et. al. (2018). UNCTAD Creative Economy Outlook and Country Profiles (2018).

In terms of creative services, the value of exports from the Philippines increased from US\$1.97 billion in 2010 to US\$3.24 billion in 2014. A huge part of this is accounted for by telecommunications, computers, and information services (Table 6).

**Table 6: Creative Services Exports of the Philippines, 2010–2014**

<b>PHILIPPINES</b>					
Values in Million US \$	2010	2011	2012	2013	2014
<b>EXPORTS</b>	1.971,0	2.428,3	2.573,2	2.917,3	3.236,5
Charges for the use of intellectual property n.i.e					
Other business Services	14,0	15,8	18,4	14,9	59,3
Research and development (R&D)	14,0	15,8	18,4	14,9	59,3
Personal, cultural and recreational services	27,2	30,0	52,8	66,2	53,7
Audiovisual and related services	27,2	30,0	52,8	66,2	53,7
Telecommunications, computer, and information services	1.929,7	2.382,4	2.501,9	2.836,2	3.123,5
Computer services	1.928,0	2.381,0	2.500,1	2.835,1	3.121,4
Information services	1,7	1,4	1,9	1,1	2,1
<b>IMPORTS</b>	178,4	235,0	235,5	354,3	322,7
Charges for the use of intellectual property n.i.e					
Other business Services	22,5	20,1	56,4	46,6	45,4
Research and development (R&D)	22,5	20,1	56,4	46,6	45,4
Personal, cultural and recreational services	38,7	20,4	23,6	22,0	17,3
Audiovisual and related services	38,7	20,4	23,6	22,0	17,3
Telecommunications, computer, and information services	117,1	194,5	155,5	285,6	260,0
Computer services	111,9	187,2	142,1	282,1	253,4
Information services	5,3	7,2	13,4	3,5	6,6

Source: Kuku, et. al. (2018). UNCTAD Creative Economy Outlook and Country Profiles (2018).

Among developing economies, the Philippines is among the top 10 exporters in 2015 in the following subgroups: (i) visual arts, (ii) design, and (iii) publishing and printed media. For the visual arts subgroup, which includes paintings, sculptures, photographs, and antiques, it ranked eighth, having exported a total of US\$58 million, for a market share of 0.11%. For the design subgroup, which includes interior design, fashion articles, jewellery, glassware, toys, and architectural materials, the Philippines ranked ninth, having exported US\$716 million, for a market share of 0.39%. For the publishing and printed media subgroup, which includes all kinds of literary productions translated into books (novels, poetry, educational, professional, etc.) and the printed media translated into all kinds of news circulated as newspapers, magazines, and others, the Philippines ranked 10th, having exported US\$11 million, for a market share of 0.15%.

### **C. Creative Industries in the Philippines: Opportunities and Challenges**

Clearly, the creative industries provide important opportunities for domestic investment and international trade for the Philippines. It also has huge potential not only for contributing to the growth of the economy but also for promoting cultural distinctiveness, building confidence, and fostering wider processes of civil engagement and innovation. With the rapid developments in digital technologies, creative industries in the Philippines can offer new products and services, as well as tap new distribution channels to reach markets that are dominated currently by producers from North America, Europe, and other parts of Southeast Asia. However, the Philippines has yet to maximize the benefits it can get from a strong and dynamic creative economy. According to the British Council:

Indeed, the story of creative industries in the Philippines and Southeast Asia as a whole seems one of untapped potential, with a domestic market still emerging and a set of strategic, structural, and regulatory elements still to be introduced to overcome barriers to business development and trade, reduce/ameliorate the effects of piracy, and build a culture of entrepreneurialism across the sector.

In 2010, the Government of the Philippines supported various activities that led to an initial Creative Industries Roadmap, which was prepared by the ABS-CBN Foundation (British Council). This road map identified several opportunities and challenges faced by the country's creative industries (Table 7).

**Table 7: Opportunities and Challenges Facing Creative Industries in the Philippines**

<b>Opportunities</b>	<b>Challenges</b>
<p>The country's deeply rooted traditions in music, performing arts, film, crafts, and design</p> <p>Availability of a large, skilled, creative, and educated workforce that is familiar with Western culture and proficient in the English language</p> <p>Internationally recognized talent, which creates an assurance or a trademark of good performance (in case of the performing arts), superior quality, and design</p> <p>A large and expanding metropolis in Manila (and Cebu), which offers an epicenter for sector development, with scope for establishing a critical mass across the creative industries</p> <p>Emerging creative districts in areas such as Makati, which offer a mix of fine grain, historical, and industrial buildings that, with the right enabling conditions, could be very attractive to creative businesses</p> <p>Deregulation of the telecommunications industry – rapid improvements in telecommunications services and the consequent decline of their prices have allowed many information technology-enabled creative services (e.g., animation and games development) to faster connectivity and lower costs</p> <p>Strong place-based appetite to develop the sector (e.g., Cebu, which has played an active role in the ASEAN Creative Cities Program)</p> <p>Several emergent hubs and clusters</p> <p>Clear commitment to partnership and reform from key government agencies; and a shared commitment to improving baseline mapping, piloting targeted research and development activities, and building effective governance structures and investment models, as witnessed in leading creative economies globally</p>	<p>Limited data available, preventing industry players from obtaining a clear picture of the creative industry's market, and from adequately assessing its performance</p> <p>Intellectual property concerns (e.g., copyright infringement); need to ensure the development of a market for creative goods and services that is respectful of the creative and economic integrity of the producer</p> <p>High market entry costs for certain types of creative activities (e.g. film, and some elements of gaming)</p> <p>Distribution issues (e.g., poor internet connectivity beyond the main cities, diseconomy of congestion/poor public transport)</p> <p>One of the highest tax rates in the region: Corporate income tax in the Philippines is 30% compared to the 20%–26% range in Indonesia, Malaysia, and Singapore</p> <p>Very limited approach to supporting creative entrepreneurship and management in the higher education sector, which reduces opportunities for creative business development. Where there is excellence, via certain schools and universities, they are not connected as part of a holistic integrated approach to creative education and skills</p> <p>Lack of dedicated business support, networking, and incubation for the creative industries</p> <p>Lack of value associated with creative careers and creative practice per se; creative jobs are not given the same status as other professions</p> <p>Underdeveloped local market/audience for cultural and creative events, goods, and services</p> <p>Weak local and/or foreign market collaboration</p> <p>Lack of strategic integration of creative industries into urban development agendas</p>

Source: The Philippine Creative Economy: Toward a Baseline and Programme, British Council.

#### **D. Digitalization in the Philippines Creative Industries**

Of the 108 Philippine companies interviewed in the DES, 43 belong to the creative industries. Of these, 34 had less than 10 employees. In terms of age, 19 (or 44%) were less than 2 years old at the time of the interview (Table 8).

**Table 8: Profile of Respondent Companies in the Creative Industries (N=43)**

<b>Company Characteristics</b>	<b>f</b>	<b>%</b>
<b>Number of employees</b>		
Less than 10	34	79.07
11–99	9	20.93
100 or more	0	0.00
<b>Total</b>	<b>43</b>	<b>100.00</b>
<b>Age of firm</b>		
1–2 years old	19	44.19
3–5 years old	14	32.56
6–8 years old	10	23.26
<b>Total</b>	<b>43</b>	<b>100.00</b>

Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

#### **1. Digital Technologies Utilized**

Among the digital technologies identified, the ones that were mostly utilized by the entrepreneurial businesses were fixed line internet (mean score: 4.49), other internet resources (mean score: 4.45), and mobile phones/smartphones (mean score: 4.44). Those that were least utilized were augmented reality/virtual reality (mean score: 1.53), robotics/intelligent machinery (mean score: 1.65), and blockchain/distributed ledgers (mean score: 2.05). Out of the 43 respondent companies belonging to the creative industries, 37 said that they did not rely on cloud computing and cloud services (Table 9 and Figure 22).



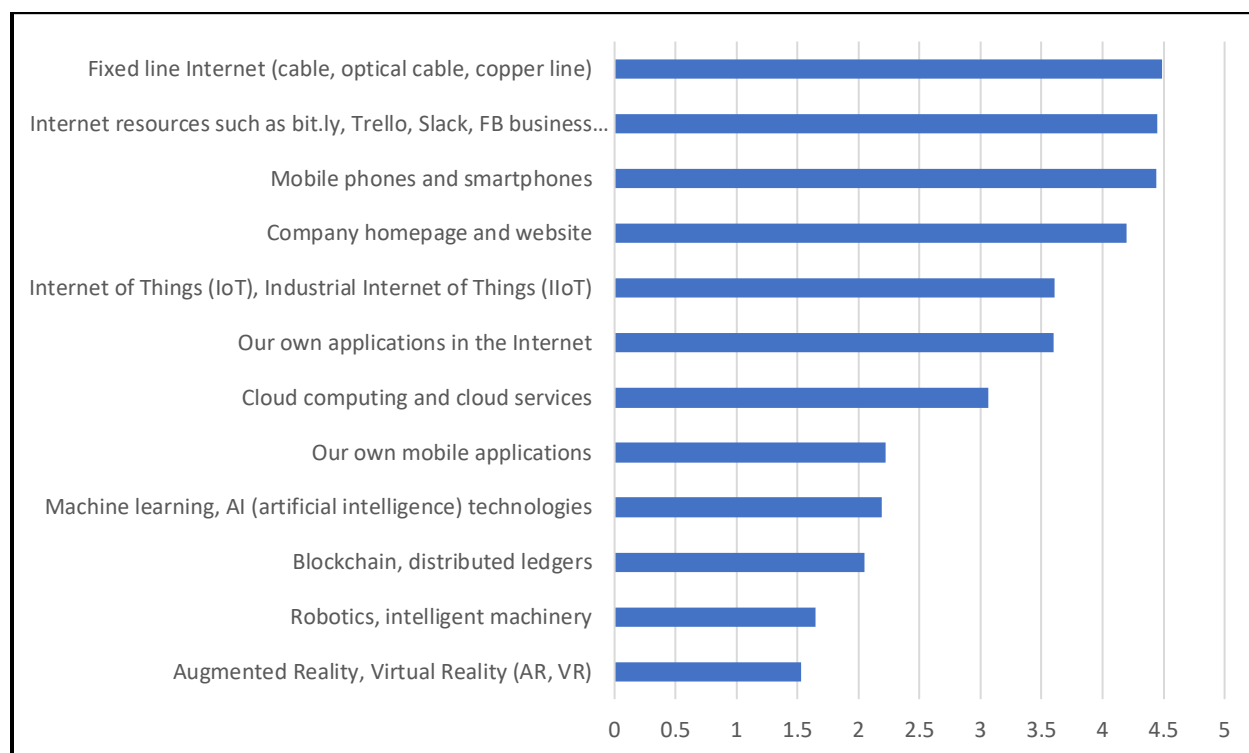
**Table 9: To what extent does your business rely on the following digital technologies?**

Digital Technologies	N (out of 43)	Mean
Fixed line Internet (cable, optical cable, copper line)	43	4.49
Mobile phones and smartphones	43	4.44
Internet resources such as bit.ly, Trello, Slack, FB business suite, Creator studio, Discord, Xero, Google Analytics	40	4.45
Company homepage and website	40	4.20
Our own mobile applications	28	2.22
Machine learning, artificial intelligence technologies	27	2.19
Internet of Things, Industrial Internet of Things	23	3.61
Our own applications in the internet	20	3.60
Blockchain, distributed ledgers	19	2.05
Robotics, intelligent machinery	17	1.65
Augmented reality, virtual reality	17	1.53
Cloud computing and cloud services	6	3.06

Notes: Scale used: 5 = all the time, 1 = not at all, 0 = not relevant. Several respondents indicated that some technologies were not relevant to their business, thus the different counts for computing the mean score.

Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

**Figure 22: Digital Technologies Utilized in the Philippines Creative Industries**



Notes: Scale used: 5 = all the time, 1 = not at all, 0 = not relevant. Mean score computed on the basis of those who considered the digital technology relevant to them.

Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

## 2. Digitalization in Internal Activities

Looking closely at the respondents' answers to eight questions referring to how they use digital technology in certain internal activities, it would seem that the 43 businesses in the creative industries scored better as a group compared to the entire sample of 108 firms. To the item referring to staff working from home with a digital connection, the creative industries' mean score is 4.21 compared to 3.66 of all sectors. To the item referring to the use of digital technologies and data to optimize manufacturing, services, and logistics, the creative industries' mean score is 4.21 compared to 3.69 of all sectors.

The creative industries scored the lowest in terms of using suppliers to manufacture products under their own brand, with a mean score of 2.70, but still higher than the 2.39 of all sectors (Table 10 and Figure 23).

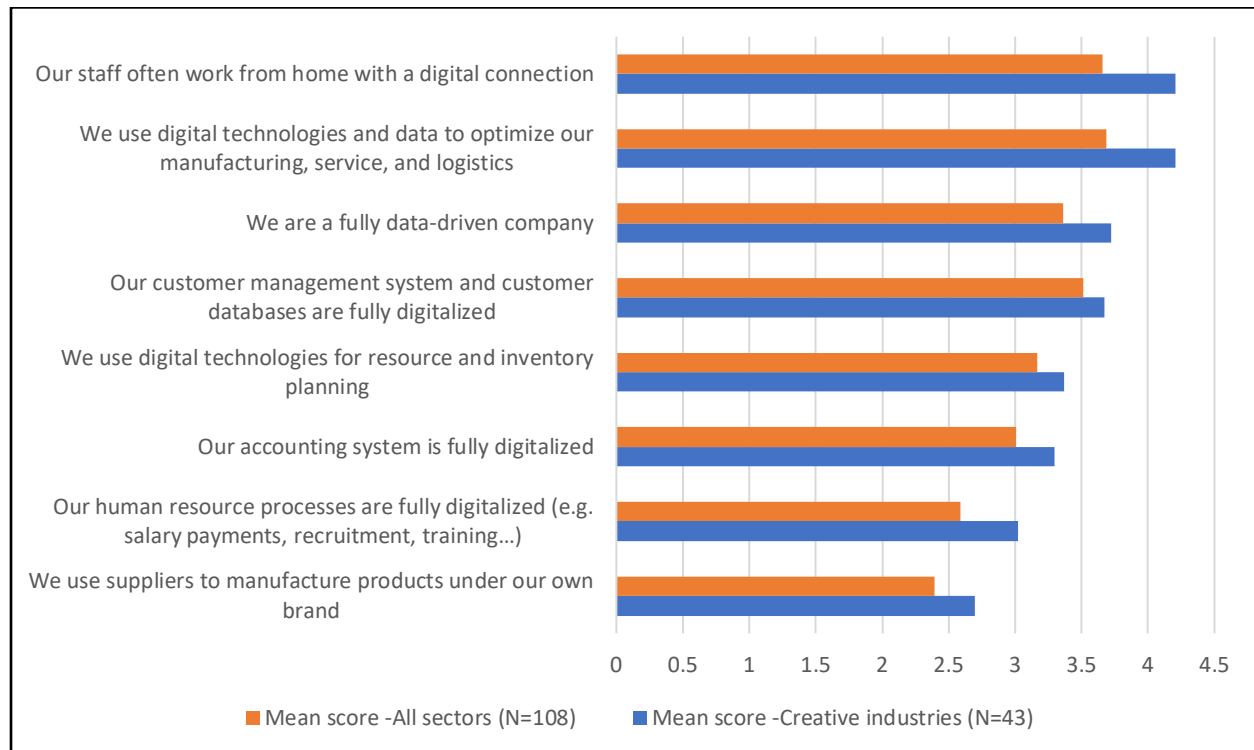
**Table 10: How well do the following statements describe your operations?  
(Internal Activities)**

<b>Internal Activities</b>	<b>Mean Score - Creative Industries (N=43)</b>	<b>Mean Score - All Sectors (N=108)</b>
We use digital technologies and data to optimize our manufacturing, services, and logistics.	4.21	3.69
Our staff often work from home with a digital connection.	4.21	3.66
We are a fully data-driven company.	3.72	3.36
Our customer management system and customer databases are fully digitalized.	3.67	3.51
We use digital technologies for resource and inventory planning.	3.37	3.17
Our accounting system is fully digitalized.	3.30	3.01
Our human resource processes are fully digitalized (e.g., salary payments, recruitment, training...)	3.02	2.59
We use suppliers to manufacture products under our own brand.	2.70	2.39

Note: Scale used: 5 = perfectly, 1 = not at all.

Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

**Figure 23: Utilization of Digital Technologies in Internal Activities:  
Creative Industries versus All Sectors**



Note: Scale used: 5 = perfectly, 1 = not at all.

Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

### **3. Digitalization in Marketing, Sales, and Customer Interactions**

For the use of digital technologies in marketing, sales, and customer interactions, the creative industries scored better in four out of the seven items, compared to all sectors. However, the mean scores were not too far off from each other. For example, the creative industries got a mean score of 4.56 compared to 4.55 of all sectors for the item referring to the constant use of social media (e.g., Facebook, Instagram, TikTok, LinkedIn, Twitter, Line) to interact with customers. Also, it got a mean score of 4.40 compared to 4.39 of all sectors for the item referring to the advertisement of products and services primarily through digital channels.

The creative industries scored lowest in terms of operating their own online user community, as did all sectors. This actually makes sense, given that the social media seem to be adequate platforms for their sales and marketing activities (Table 11 and Figure 24).

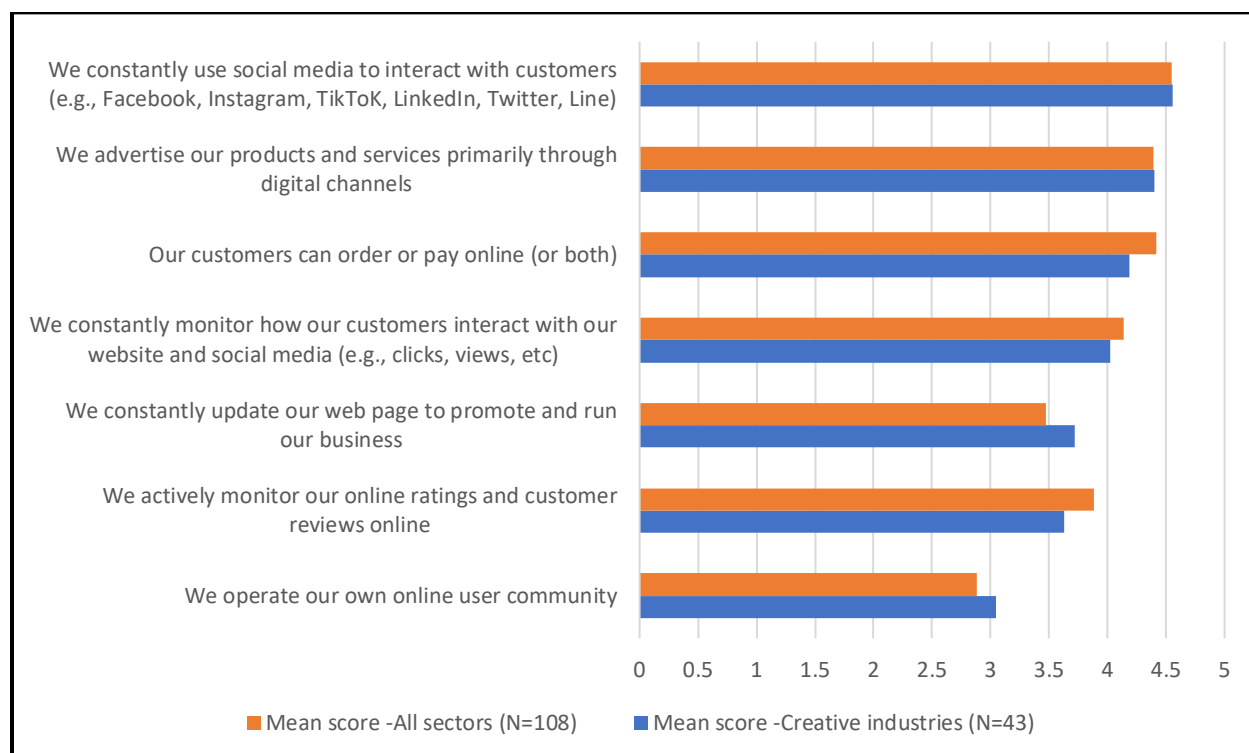
**Table 11: How well do the following statements describe your operations?**  
(Marketing and Sales)

	<b>Mean Score - Creative Industries (N=43)</b>	<b>Mean Score - All Sectors (N=108)</b>
<b>Marketing, Sales, and Customer Interactions</b>		
We constantly use social media to interact with customers (e.g., Facebook, Instagram, TikTok, LinkedIn, Twitter, Line).	4.56	4.55
We advertise our products and services primarily through digital channels.	4.40	4.39
Our customers can order or pay online (or both).	4.19	4.42
We constantly monitor how our customers interact with our website and social media (e.g., clicks, views, etc.).	4.02	4.14
We constantly update our web page to promote and run our business.	3.72	3.47
We actively monitor our online ratings and customer reviews online.	3.63	3.88
We operate our own online user community.	3.05	2.88

Note: Scale used: 5 = perfectly, 1 = not at all.

Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

**Figure 24: Utilization of Digital Technologies in Marketing, Sales, and Customer Interaction: Creative Industries versus All Sectors**



Note: Scale used: 5 = perfectly, 1 = not at all.

Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

#### 4. Digitalization in Products and Services

For the use of digital technologies in products and services, the creative industries scored better in all three items, compared to all sectors (Table 12 and Figure 25).

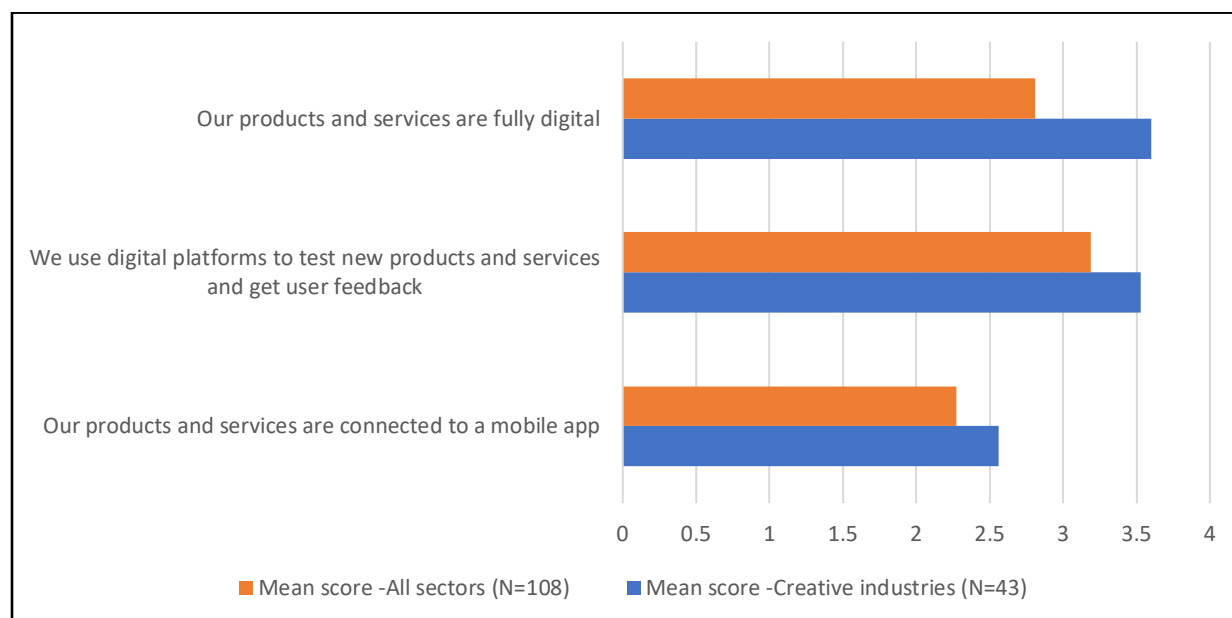
**Table 12: How well do the following statements describe your operations?  
(Products and Services)**

	Mean Score - Creative Industries (N=43)	Mean Score - All Sectors (N=108)
<b>Products and Services</b>		
Our products and services are fully digital.	3.60	2.81
We use digital platforms to test new products and services and get user feedback.	3.53	3.19
Our products and services are connected to a mobile app.	2.56	2.27

Note: Scale used: 5 = perfectly, 1 = not at all.

Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

**Figure 25: Utilization of Digital Technologies in Products and Services:  
Creative Industries versus All Sectors**



Note: Scale used: 5 = perfectly, 1 = not at all.

Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

## 5. Digitalization in Partnerships

For the use of digital technologies in partnerships, the creative industries scored much better in all four items, compared to all sectors (Table 13 and Figure 26). This makes sense as certain companies in the creative industry are able to offer value to customers through collaborative efforts with various individuals (e.g., advertising industry, fashion industry, and music industry).

**Table 13: How well do the following statements describe your operations? (Partnerships)**

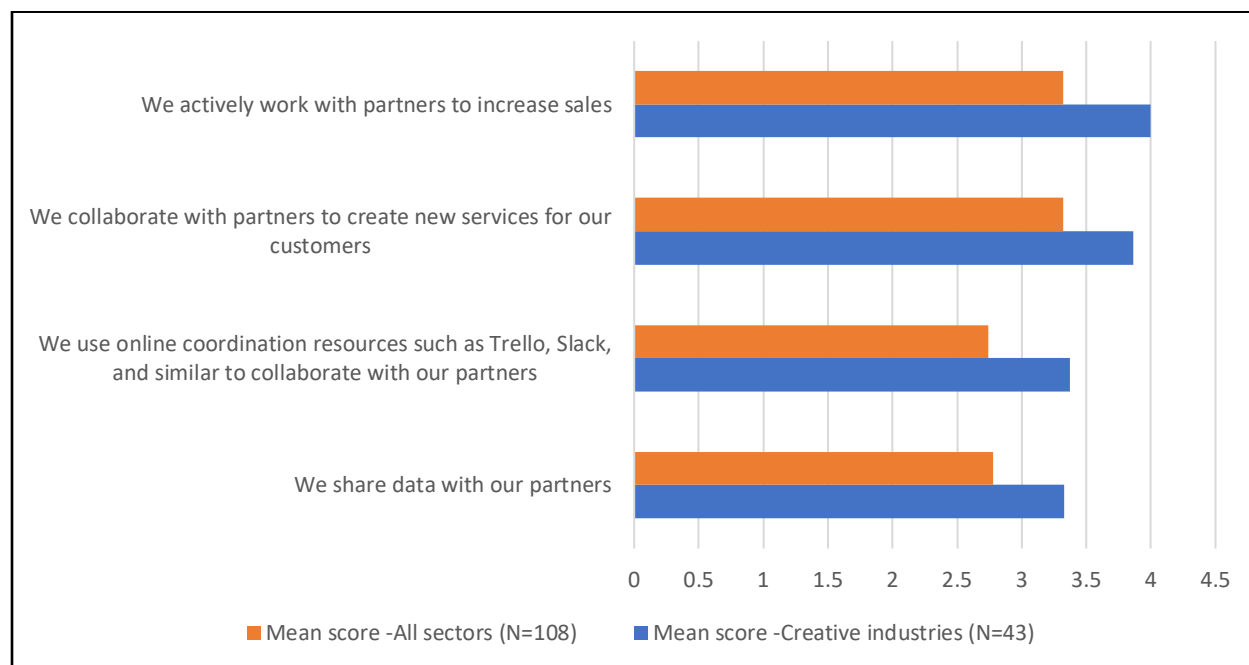
	Mean Score - Creative Industries (N=43)	Mean Score - All Sectors (N=108)
<b>Partnerships</b>		
We actively work with partners to increase sales.	4.00	3.32
We collaborate with partners to create new services for our customers.	3.86	3.32
We use online coordination resources such as Trello, Slack, and similar to collaborate with our partners.	3.37	2.74

We share data with our partners.	3.33	2.78
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Note: Scale used: 5 = perfectly, 1 = not at all.

Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

**Figure 26: Utilization of Digital Technologies in Partnerships:  
Creative Industries versus All Sectors**



Note: Scale used: 5 = perfectly, 1 = not at all.

Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

## 6. Business Model Changes

When asked about which of the elements of their business model they changed over the past year, the respondents from creative industries scored themselves higher across all the items as compared to all sectors. On the average, the creative industries introduced moderate changes in their sales and marketing, their target customers and customer segment, and their products and services (Table 14 and Figure 27).

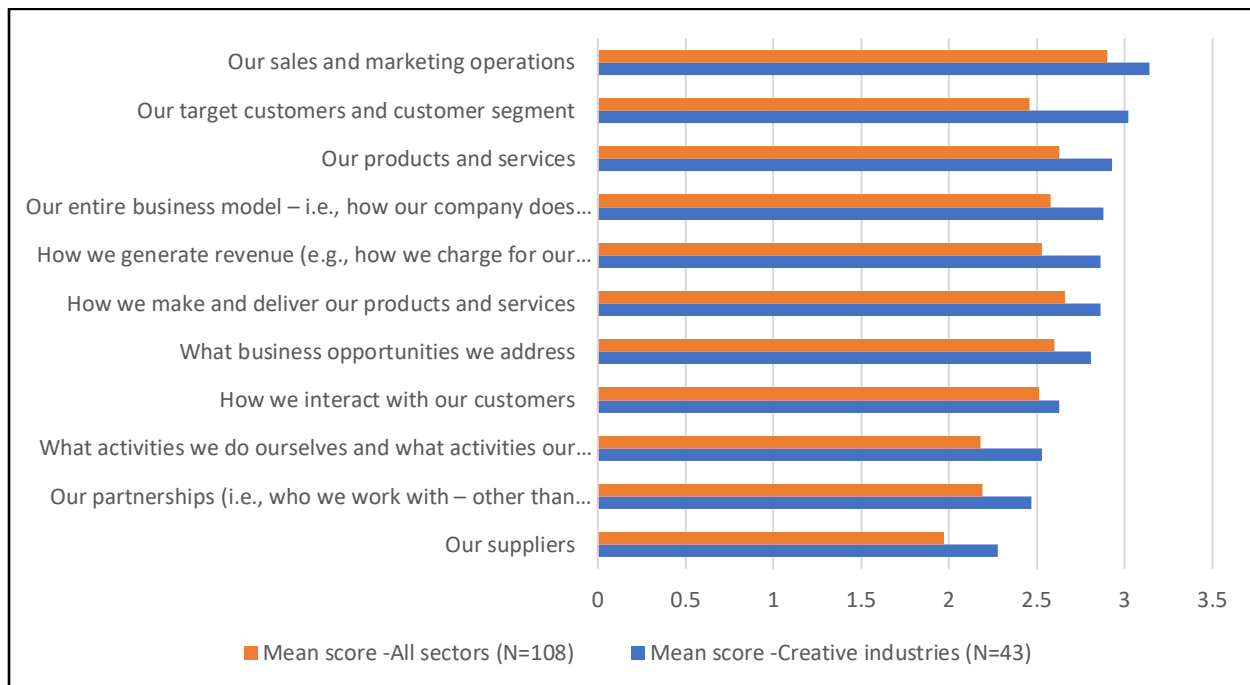
**Table 14: Over the past 12 months, have you changed any of the following elements of your business model?**

<b>Element of Business Model</b>	<b>Mean Score - Creative Industries (N=43)</b>	<b>Mean Score - All Sectors (N=108)</b>
Our sales and marketing operations	3.14	2.90
Our target customers and customer segment	3.02	2.46
Our products and services	2.93	2.63
Our entire business model, i.e., how our company does business and organizes its operations	2.88	2.58
How we make and deliver our products and services	2.86	2.66
How we generate revenue (e.g., how we charge for our products)	2.86	2.53
What business opportunities we address	2.81	2.60
How we interact with our customers	2.63	2.51
What activities we do ourselves and what activities our partners do	2.53	2.18
Our partnerships (i.e., who we work with – other than suppliers)	2.47	2.19
Our suppliers	2.28	1.97

Note: Scale used: 5 = complete rethink, 4 = major changes, 3 = moderate changes, 2 = minor changes, 1 = no change.

Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

**Figure 27: Business Model Changes: Creative Industries versus All Sectors**



Note: Scale used: 5 = complete rethink, 4 = major changes, 3 = moderate changes, 2 = minor changes, 1 = no change.

Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)



## 7. Degree of Innovation

In terms of the novelty of the business model changes that they introduced over the past 12 months, the entrepreneurs in the creative industries thought that many of the changes in their business model “are already practiced by our competitors”. For the item about whether the changes in their business model are “so new that no other company in our country has done similar things before”, the entrepreneurs from the creative industries somewhat disagreed with the statement (Table 15 and Figure 28).

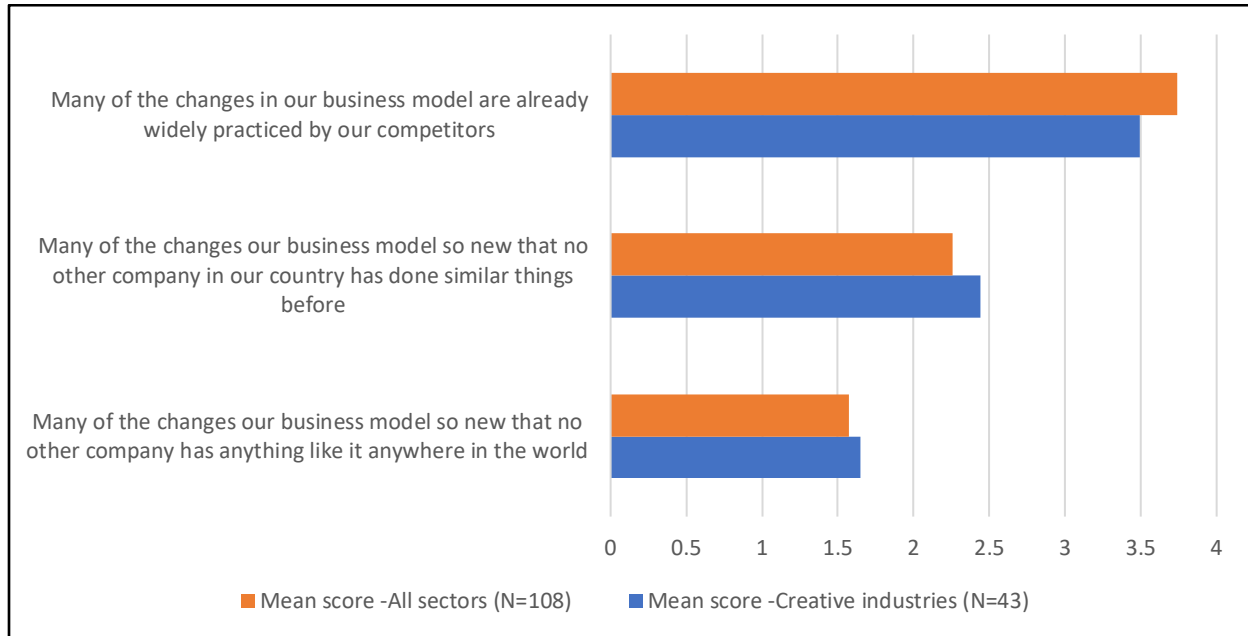
**Table 15: To what extent can the changes in your business model, as mentioned above, be regarded as innovative?**

<b>Degree of Innovation</b>	<b>Mean Score - Creative Industries (N=43)</b>	<b>Mean Score - All Sectors (N=108)</b>
Many of the changes in our business model are already widely practiced by our competitors.	3.49	3.74
Many of the changes in our business model are so new that no other company in our country has done similar things before.	2.44	2.26
Many of the changes in our business model are so new that no other company has anything like it anywhere in the world.	1.65	1.57

Note: Scale used: 5 = agree, 4 = somewhat agree, 3 = neither agree nor disagree, 2 = somewhat disagree, 1 = disagree.

Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

**Figure 28: Degree of Innovation: Creative Industries versus All Sectors**



Note: Scale used: 5 = agree, 4 = somewhat agree, 3 = neither agree nor disagree, 2 = somewhat disagree, 1 = disagree.  
Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

## 8. Sustainability: Environmental, Social, and Stakeholder Welfare

In terms of environmental sustainability, the businesses in the creative industries rated themselves *better* compared to all sectors in seven out of the nine items listed, although their scores were less than “3” out of “5” in six out of the nine items. The creative industries scored highest in terms of going beyond the legal requirements to minimize the negative impact of the business on the environment, and in terms of the use of renewable and environment-friendly materials in their operations (Table 16 and Figure 29).

**Table 16: How well do the following describe your company?  
(Environmental Sustainability)**

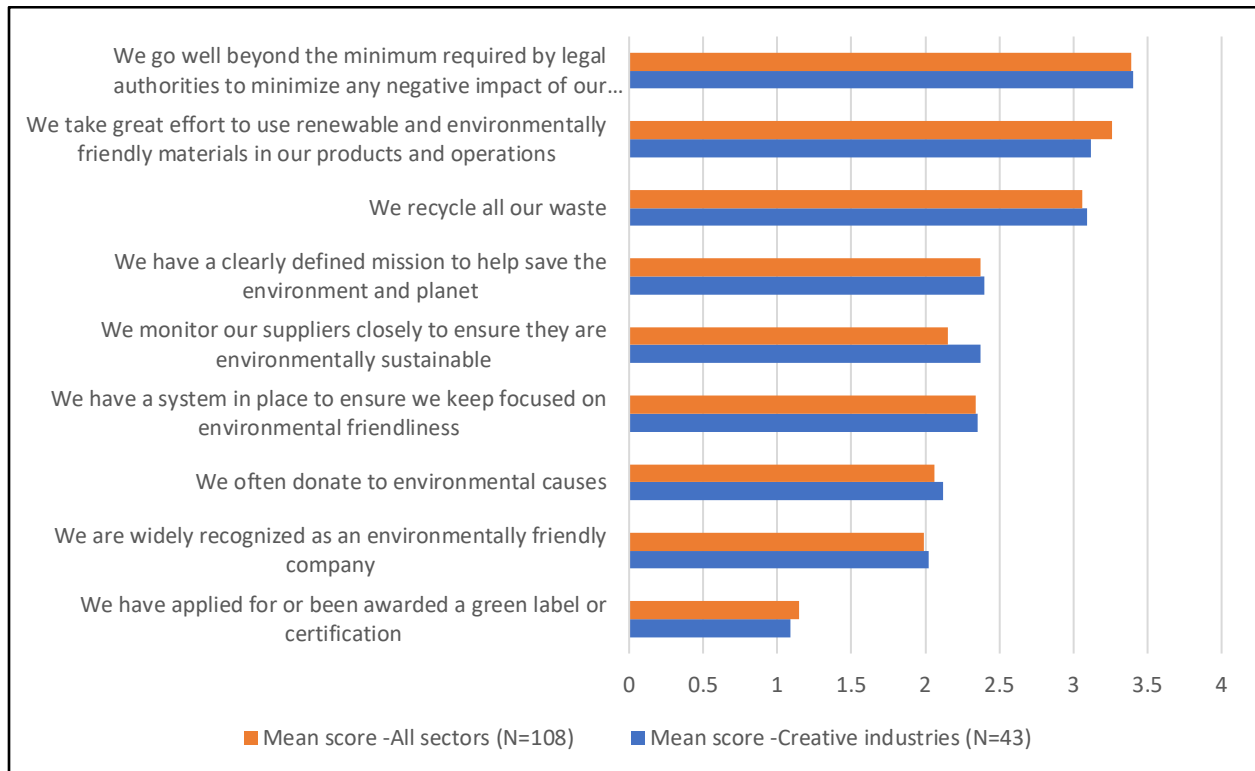
Environmental Sustainability (i.e., how much our business operations impact the natural environment	Mean Score - Creative Industries (N=43)	Mean Score - All Sectors (N=108)
We go well beyond the minimum required by legal authorities to minimize any negative impact of our business on the environment (e.g., waste, recycling, etc.).	3.40	3.39

We take great effort to use renewable and environment-friendly materials in our products and operations.	3.12	3.26
We recycle all our waste.	3.09	3.06
We have a clearly defined mission to help save the environment and the planet.	2.40	2.37
We monitor our suppliers closely to ensure that they are environmentally sustainable.	2.37	2.15
We have a system in place to ensure that we keep focused on being environment friendly.	2.35	2.34
We often donate to environmental causes.	2.12	2.06
We are widely recognized as an environment-friendly company.	2.02	1.99
We have applied for or been awarded a green label or certification.	1.09	1.15

Note: Scale used: 5 = perfectly, 1 = not at all.

Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

**Figure 29: Environmental Sustainability: Creative Industries versus All Sectors**



Note: Scale used: 5 = perfectly, 1 = not at all.

Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

In terms of social sustainability, the businesses in the creative industries scored themselves higher in five out of the six items listed compared to all sectors. On the average, the creative industries deemed it important for them to be good corporate citizens, and claimed to exert effort in making “a positive contribution to the social community where we operate” (Table 17 and Figure 30).

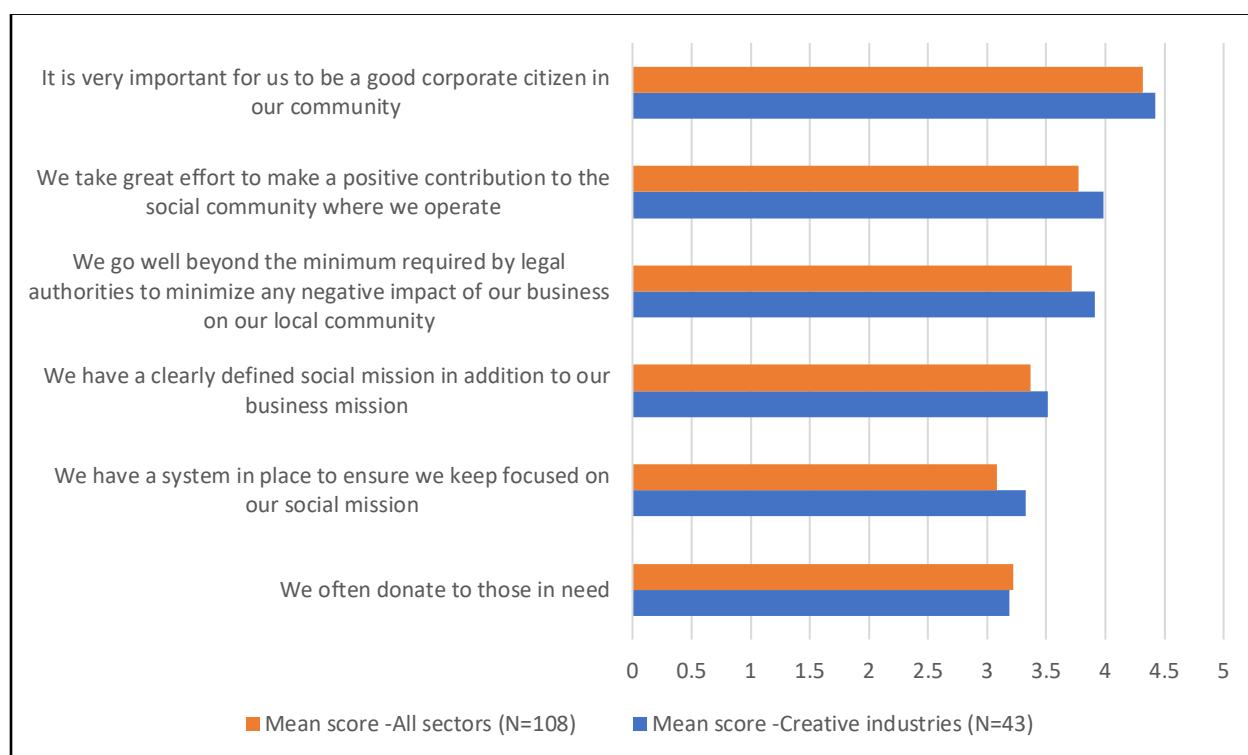
**Table 17: How well do the following describe your company?(Social sustainability)**

<b>Social Sustainability</b>	<b>Mean Score - Creative Industries (N=43)</b>	<b>Mean Score - All Sectors (N=108)</b>
It is very important for us to be a good corporate citizen in our community.	4.42	4.32
We take great effort to make a positive contribution to the social community where we operate.	3.98	3.77
We go well beyond the minimum required by legal authorities to minimize any negative impact of our business on our local community.	3.91	3.72
We have a clearly defined social mission in addition to our business mission.	3.51	3.37
We have a system in place to ensure that we keep focused on our social mission.	3.33	3.08
We often donate to those in need.	3.19	3.22

Note: Scale used: 5 = perfectly, 1 = not at all.

Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

**Figure 30: Social Sustainability: Creative Industries versus All Sectors**



Note: Scale used: 5 = perfectly, 1 = not at all.

Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

In terms of stakeholder welfare, the businesses in the creative industries scored higher compared to all sectors in five out of the six items listed, with most of the scores exceeding “4” (out of “5”). The creative industries did especially well in terms of treating their employees equally regardless of gender, age, ethnicity, or religion, and also in terms of treating their employees well, as if they were family members. They also deemed it important to treat their suppliers and partners fairly, and not to take unfair advantage over them (Table 18 and Figure 31).

**Table 18: How well do the following describe your company? (Stakeholder welfare)**

<b>How we treat our employees, suppliers, and business partners</b>	<b>Mean Score - Creative Industries (N=43)</b>	<b>Mean Score - All Sectors (N=108)</b>
It is important for us to treat all our employees equally regardless of gender, age, ethnicity, or religion.	4.88	4.81
It is very important for us to treat our suppliers and partners fairly and not take unfair advantage over them.	4.74	4.68
We take extra effort to treat our employees well, like family.	4.60	4.52
We pay close attention to workplace safety.	4.47	4.55
We go well beyond the minimum required by legal authorities in treating our employees, partners, and suppliers.	4.42	4.30
As a business, we are widely recognized as a great employer who treats their employees well.	3.58	3.57

Note: Scale used: 5 = perfectly, 1 = not at all.

Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

**Figure 31: Stakeholder Welfare: Creative Industries versus All Sectors**



Note: Scale used: 5 = perfectly, 1 = not at all.

Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

## 9. Business Performance Compared to Expectations

When asked to gauge their business performance in relation to the goals they had a year ago, the businesses from the creative industries did better compared to all sectors in three out of the six items listed. They scored the highest in terms of their ability to cope with the coronavirus disease (COVID-19) crisis, development of new products and services, and sales growth. However, the creative industries rated themselves *below the average* of all sectors in terms of efficiency of operations, number of paying customers, and profitability (Table 19 and Figure 32).

**Table 19: Competing against the goals and expectations you had for the company 1 year ago, how well has your company performed during the past 12 months?**

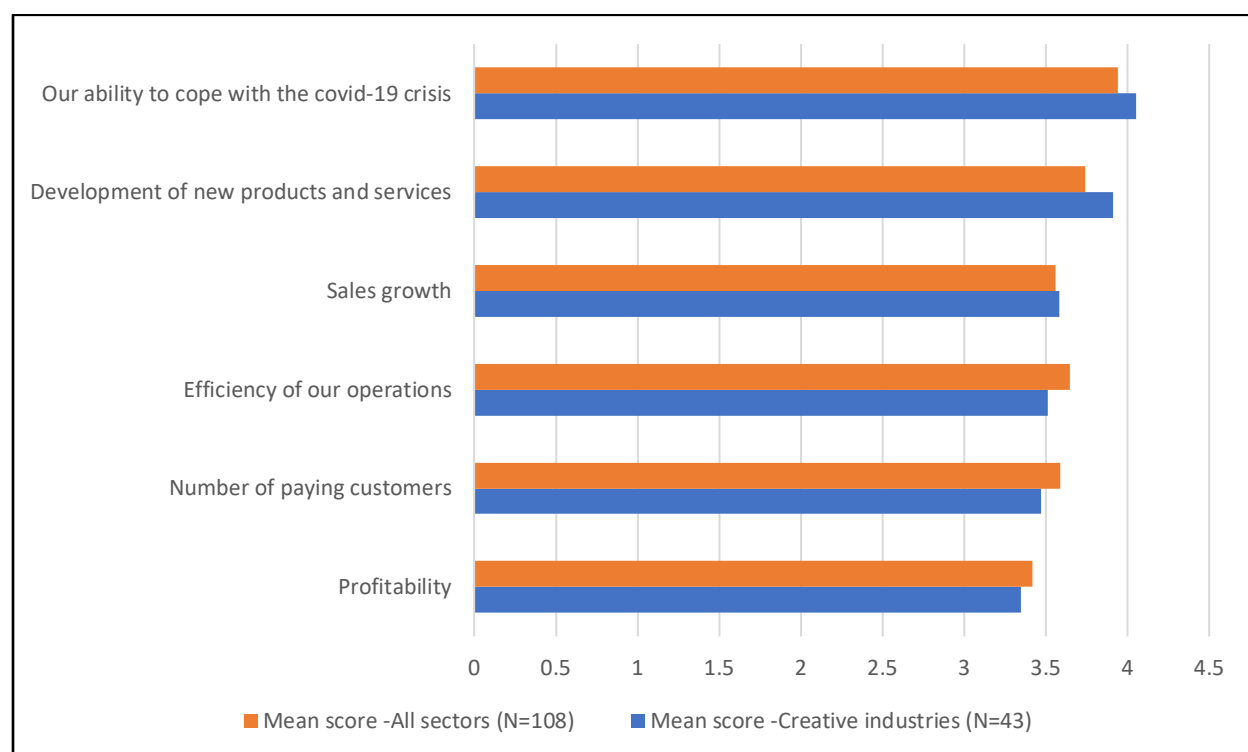
<b>Business Performance Against Expectations</b>	<b>Mean Score - Creative Industries (N=43)</b>	<b>Mean Score - All Sectors (N=108)</b>
Our ability to cope with the COVID-19 crisis	4.05	3.94
Development of new products and services	3.91	3.74
Sales growth	3.58	3.56
Efficiency of our operations	3.51	3.65
Number of paying customers	3.47	3.59
Profitability	3.35	3.42

COVID-19 = coronavirus disease.

Note: Scale used: 5 = much better, 1 = much worse.

Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

**Figure 32: Business Performance Against Expectations:  
Creative Industries versus All Sectors**



COVID-19 = coronavirus disease.

Note: Scale used: 5 = much better, 1 = much worse.

Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)



## 10. Business Performance Compared to Competitors

When asked to gauge their business performance in the past 12 months against their typical competitors, the businesses in the creative industries rated themselves *highest* in terms of their ability to cope with the COVID-19 crisis, and in terms of the development of new products and services. The mean scores of the creative industries were higher in four out of the six items compared to all sectors (Table 20 and Figure 33).

**Table 20: How does your company's performance compare against your typical competitor over the past 12 months?**

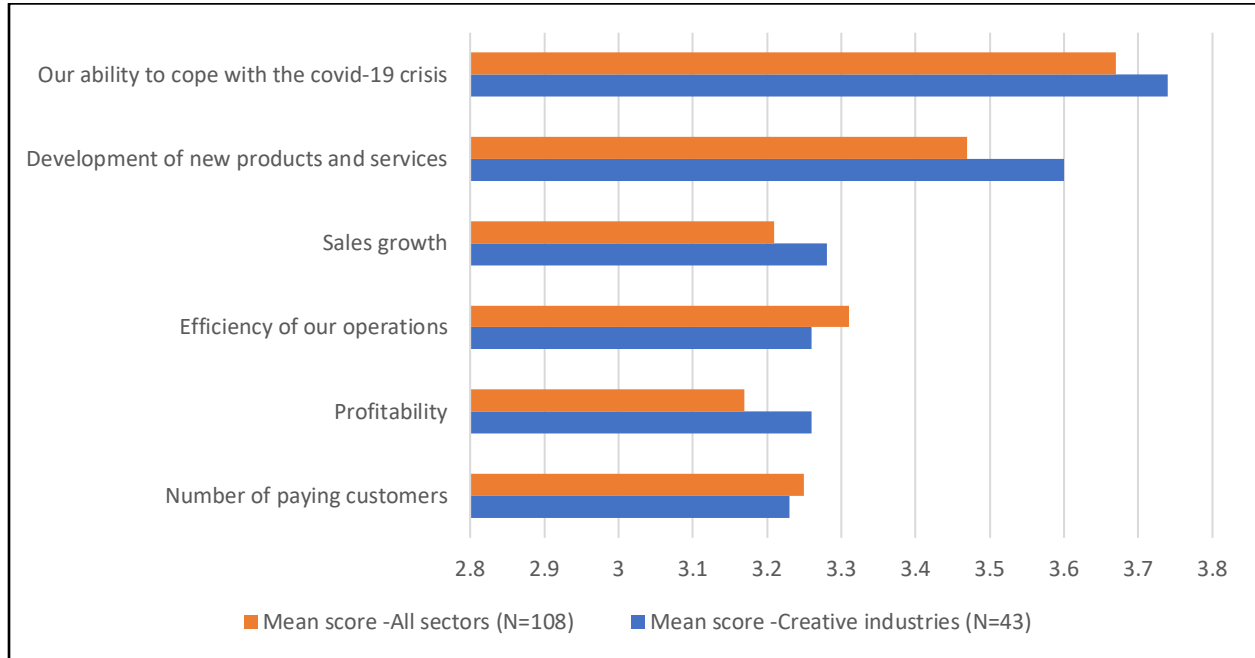
<b>Business Performance Compared to Competitors</b>	<b>Mean Score - Creative Industries (N=43)</b>	<b>Mean Score - All Sectors (N=108)</b>
Our ability to cope with the COVID-19 crisis	3.74	3.67
Development of new products and services	3.60	3.47
Sales growth	3.28	3.21
Profitability	3.26	3.17
Efficiency of our operations	3.26	3.31
Number of paying customers	3.23	3.25

COVID-19 = coronavirus disease.

Note: Scale used: 5 = much better, 1 = much worse.

Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

**Figure 33: Business Performance Compared to Competitors:  
Creative Industries versus All Sectors**



COVID-19 = coronavirus disease.

Note: Scale used: 5 = much better, 1 = much worse.

Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

## 11. Sustainability Performance Compared to Competitors

When asked to gauge their sustainability performance in the past 12 months against their typical competitors, the businesses in the creative industries rated themselves *highest* in terms of the welfare of their employees and suppliers, and *lowest* in terms of environmental sustainability. The mean scores of the creative industries are not much different compared to all sectors (Table 21 and Figure 34).

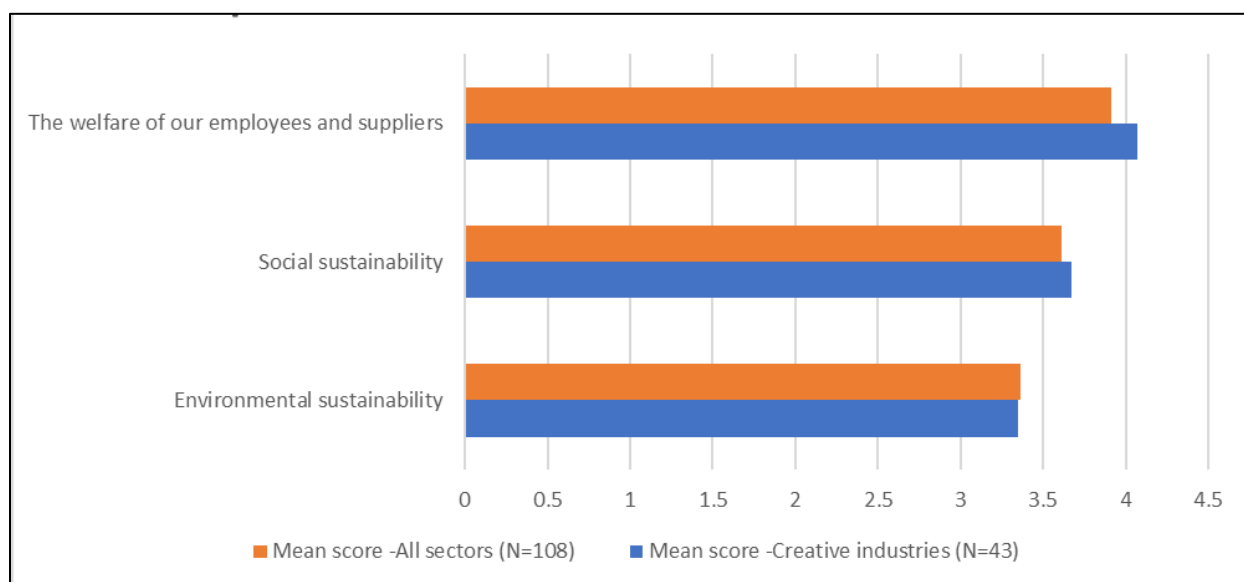
**Table 21: Thinking about your company’s environmental and social sustainability, how does your company compare against a typical close competitor?**

<b>Sustainability Performance Compared to Competitors</b>	<b>Mean Score - Creative Industries (N=43)</b>	<b>Mean Score - All Sectors (N=108)</b>
Welfare of our employees and suppliers	4.07	3.91
Social sustainability	3.67	3.61
Environmental sustainability	3.35	3.36

Note: Scale used: 5 = much better, 1 = much worse.

Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

**Figure 34: Sustainability Performance Compared to Competitors:  
Creative Industries versus All Sectors**



Note: Scale used: 5 = much better, 1 = much worse.

Source: From data generated by the ADB Digital Entrepreneurship Survey (2021)

#### IV. VIGNETTES OF SELECTED FIRMS

This section includes five case studies of entrepreneurial businesses that were among the respondents of the DES in the Philippines. Of these, four belong to the creative industries; namely, Carlene Designs, Chimes Consulting, Clarisse Provideo, and Homonym. The fifth, JazzyPay, is a financial services firm. These vignettes provide a glimpse of how these entrepreneurial start-ups

in the Philippines leveraged digital technology to help grow their businesses amidst the changing business landscape brought about by the COVID-19 pandemic.

**A. Carlene Designs: Fashion Forward** (written by Retchell Rubin Morales)

Being slender and petite, Carlene had her share of challenges in looking for clothes that fit and satisfy her taste. But, as a fashion enthusiast and an artist herself, the pain point became a business opportunity that led to Carlene Designs, an online fashion house that she started right after high school. “I got tired of looking for clothes that weren’t available in different stores,” says Carlene. “Timeless, elegant, exclusive pieces that celebrate the female silhouette” (Carlene Designs 2018). Carlene Designs is a chic, fashionable lifestyle brand that exudes both confidence and individuality in each design. It takes pride in its slow fashion motif, sustainable packaging, and personally designed pieces ranging from dresses, tops, bottoms, customized clothes, and face masks. She also sells time-limited collections each season.

Being a young entrepreneur, Carlene started by doing everything by herself. She initially promoted her designs using Instagram and took orders, and closed sales through Google Forms. So it was a pleasant surprise for Carlene that it did not take her much time to get many orders when she started the business. After that, however, things became harder to manage because of the influx of orders. It was difficult for her to manage multiple tasks at the same time. Things quickly became complex. It was hard for her to keep track of the company’s marketing, finance, and operations.

Carlene decided to set up her website. Relying heavily on its website as its shop, and social media like Facebook and Instagram as its marketing platforms, Carlene Designs’ activities mostly involved technology. After the clothes are conceptualized by the designer and handmade by the artisans, technology communicates value to the customers by giving life to the clothes through digital photography. Then the website allows her to collect valuable information that empowers

her to make better decisions, makes her tasks more manageable and less tedious, from customer information to inventory and sales reports.

An exciting opportunity arose for Carlene Designs because of its use of widely adopted social media platforms. The company invested in professional web design, content marketing, campaigns on social media platforms, and email marketing specific to its market segment. Because of this, customers from abroad saw the company's Instagram posts, liked the designs, and orders from abroad started coming in. Digital technology allowed the business to grow and expand to other markets. Now the company also sells and ships its products worldwide.

Because of the growing number of customers, Carlene decided to invest in other technologies to help her manage the business. For example, she employed data-driven tools to help her keep track of her finances, customer relationships, logistics, and inventory. Also, most of her staff can work remotely through the internet.

The company's business model is constantly evolving. In 2021, the company added multiple products and services to its offerings: bespoke clothing and face masks. In addition, it shifted from solely using images posted on its social media accounts to market its products to producing videos to promote the latest collection. The business has leveraged technology to optimize its operations. This setup allows the company to operate with few disruptions and take advantage of more opportunities for fueling its growth.

Carlene's success comes from her willingness to innovate and adapt. Being open and keeping up-to-date with technology has allowed her to grow her business in a challenging environment. The adoption and integration of technology allowed Carlene Designs to thrive, flourish, and strengthen its brand despite the pandemic.

**B. Chimes Consulting: Leveraging on Digital Technology**  
(written by Jessica Jaye Ranieses)

Chimes Consulting provides businesses and entrepreneurs with digital marketing and information technology (IT) solutions. Founded in 2019 by Chief Executive Officer (CEO) and Managing Director Jeannievilyn "Lyn" Ola, the company currently employs 25 people. The team is made up of a diverse group of individuals known as Chimes consultants who take pride in their ability to swiftly recognize their clients' difficulties and propose design solutions to address them.

Recognizing the importance of technology in today's world, Chimes Consulting provides a comprehensive range of IT solutions to its clients, including IT project management, software development, and website design and development. The company takes pride in its ability to create customized IT solutions that are tailored to the client's specific requirements, enabling the client to conduct business effectively while remaining competitive in its industry.

Apart from its IT solutions, Chimes Consulting also offers a varied range of marketing services to its clients. With the purpose of assisting businesses that are thriving in a competitive environment by establishing a distinctive brand, it offers marketing consultancy, marketing project management, and website analytics. It also offers digital marketing services, such as social media marketing, search engine marketing, and content marketing.

With a broad set of services built on IT and digital marketing, the company's clientele comes from a variety of industries, including schools, mobile banking, online groceries, and marketing agencies in the Philippines and abroad. Chimes Consulting acquired its first international client in 2020 and now generates 15% of its revenue from sales outside the Philippines. The company made this possible even as it operated in a fully remote setup, where the use of digital technologies is maximized.

Chimes Consulting operates without a physical location, with all team members working from their homes. The company relies largely on digital technology such as mobile phone communication and online platforms accessible via the internet. Internal operations of the company are also totally digitalized, from financial systems to resource and inventory planning. Owing to the fact that the services it provides are also largely focused on IT and digital marketing, its business model is also heavily reliant on digital technologies. It has maximized the use of the company website to attract potential clients, and has kept its material updated on a regular basis to market its business. As a provider of digital marketing solutions, it also sets an example for social media marketing by utilizing social media to promote and communicate with both prospective and existing clients.

The company monitors client interaction on its website and social media pages on a regular basis. Additionally, Chimes Consulting takes pride in having a fully digitalized customer management system. As a result, its consumers remain satisfied, and the company is able to live up to its promise of being a partner rather than a supplier to its clients.

Despite the pandemic, Chimes Consulting retained its current business model, with the exception of newly explored business opportunities. While many firms have been badly impacted by COVID-19, Chimes Consulting says that its financial performance has improved. While the company's performance has not yet reached the level of its competitors, the company attributes its success over the last 12 months to the core capabilities it has developed, which are enabled by their successful use of digital technologies.

**C. Clarisse Provideo: Gen-Z Digital Artist, Creative Entrepreneur, and Global Filipina**  
(written by Paz Esperanza Poblador)

Clarisse Provideo has come out of her shell. The 23 year-old fashion major at Parson's School of Design recently declared, "I am not shy!" As a graphic designer, she is also a certified Square

Space webpage developer, successfully sealing deals with new clients despite the omnipresent challenges of the COVID-19 pandemic. As a Gen-Z digital native, Clarisse uses social media platforms Facebook and Instagram to promote her services, which then drives engagement to her site, [www.clarisseprovido.com](http://www.clarisseprovido.com).

On the landing page, one is welcomed by a quote from Status Magazine, an edgy youth culture publication, which describes her as “A creative embracing high-speed society while stitching practical undertones” ([www.clarisseprovido.com](http://www.clarisseprovido.com)). Clarisse is indeed an authentic creative, as she is both multiskilled and extraordinarily innovative. In a sea of many other influencers, she has managed to truly differentiate herself by mixing vintage themes and contemporary design iterations, with her own ephemeral illustrations, expressive of the diaspora experience.

Before she left the Philippines for New York in 2019, she was actively producing one-of-a-kind fashion items such as girlish blouses and high-end purses. This eclecticism is exemplified by her brand. Genuine creatives successfully produce new products by exploring various combinations of different techniques and materials. In her debut portfolio, she presents The Cling Bag Collection, explained as follows:

What is “Cling”?

Cling (verb); (of a person or animal) hold on tightly to.

Synonyms: hold on to, clutch, grip, attach oneself to, hang on

The action-“cling(ing) to nature” is the act of grasping to the more conscious use of available sustainable materials like brass—used as hardware and accessories in the collection, the design inspired by nature—the endangered species, flora, and fauna of the Philippines and creating bags maximizing the use of locally available native materials, which are gifts of nature to us. (Clarisse the Label, Spring/Summer 2019, p. 1).



Included in this maiden collection is The *Hiyas* Bag, a clutch shaped like the Giant Clam. Though nearly extinct, and considered the largest in the world, these bivalves are also found in the oceans of the Philippine archipelago. Its hardcase is covered with woven *nito* and *raffia*, embellished with simple beadwork. “The red accent strap made of upcycled fabric with polished brass details like the buckle and button, finished with perfectly imperfect abaca jute fringe creates a conversational detail — just enough elegance to be with you during your more formal beach and summer gatherings” (Clarisse the Label, Spring/Summer 2019, p. 8).

A natural flare for cohesive branding is one of her inimitable core competencies. Her trademark’s identity clearly articulates her advocacies of cultural sustainability and community development. At present, products available on her website are more suited to the current business climate. T-shirts, shawls, face masks, prints of photo illustrations, and buttons are offered alongside free downloadable guidebooks for self-care, and blogs on mental health and nesting. Proceeds from sales are donated to her chosen causes.

As the sole proprietor of her enterprise, she is equipped to mitigate these uncertain times by combining graphic design and website development services with fashion and novelty products, relevant to a discriminating and increasingly prudent international market. Francis and Hoefel (2018) mention in their McKinsey online article “True Gen”: Generation Z and its implications for companies, “The possibilities now emerging for companies are as transformational as they are challenging. Businesses must rethink how they deliver value to the consumer, rebalance scale and mass production against personalization, and—more than ever—practice what they preach when they address marketing issues and work ethics” (para. 4). Clarisse’s tenacity, passion, and self-discipline are undeniably integral to her success, and makes this True Gen and global Filipina a legitimate hope for the future.

**D. Homonym: ‘Now Streaming’** (written by Ian Benedict Mia)

Hybridism Media Inc., publicly known as Homonym, is a music consultancy business in the Philippines that started in 2016 “as a response to the many gaps in music business in the local and international market”. Homonym consists of three divisions: Hyphen, the entertainment arm; Hum, the music and digital technology arm; Heard, the music influencer and music solutions arm.

In the Philippines, the music industry works as a network of partnerships between individuals and companies (singers, songwriters, and producers); customer relationships (digital streaming and public performance platforms); and businesses (record labels, managers, publicists, and distributors). With several years in the music industry, the founders of Homonym understood the gaps in this network—one being the lack of support for artists in the independent music scene, as well as music industry workers. With this, the company has developed a business model that serves brands, agencies, and artists with music solutions that are backed by data—from local to international.

Today, Homonym provides an array of services in the areas of music licensing, artist booking and curation, music consultancy, music production, events and activations, and identity and branding. With the rise of major music streaming platforms such as Spotify, Soundcloud, Bandcamp, and YouTube, the company has actively developed its digital technology capabilities.

In a social media post, Homonym said:

The battle for 2022 is going to be on digital. Over 90% of events and meetings are moving to online platforms, and an overwhelming majority of marketing and advertising is moving to social media. If you need a song that won't be taken down because of copyright, we'll take care of all the licensing and legal work, so you can focus on the rest.”

The company is also no stranger to other digital platforms, including livestreaming, short-form online videos, and podcasts. Recently, the company started a podcast, which aims to answer its listeners' questions about the music industry and the music business. In the coming years, Homonym expects podcasts and audio content to grow further and attract more audiences.

During the COVID-19 pandemic, the Philippine music industry is among those significantly affected. In line with this, Homonym conducted a study on the state of the industry (<http://homonym.ph/music-data>), which investigated how musicians and music lovers were coping with the pandemic and surveyed how music consumption was affected by the crisis. In an interview with *adobomagazine*, Homonym Founder and CEO Mike Constantino shared:

We certainly kept ourselves busy during the lockdown. It was the perfect opportunity for us to refresh our landmark music preference and consumer behavior study within the context of a pandemic. We felt it was important to share this information to help our partners make strategic creative decisions, while giving hope to our friends in the music industry. (<https://adobomagazine.com/music/insight-ph-music-agency-homonym-releases-study-on-pandemic-affected-industry/>).

This COVID-19-related study was a follow-through of a landmark study that Homonym conducted in 2016–2018 in partnership with the 18th Congress of the Philippines. The study looked into the buying habits of Filipino music lovers based on their music preferences, as well as gathered data for the Creative Industry Welfare Protection Act, which identified how the industry can develop initiatives to support musicians and music workers.

Since its inception, Homonym has implemented multiple changes in its existing products, services, and initiatives. The company is also poised to grow in the coming years as it continues to develop its digital capabilities to address the changing demands of the music industry.

**E.     `JazzyPay: Cashless Solutions for Underserved Businesses**  
(written by Raymund Habaradas)

Joshua “Josh” Martin Marindo, CEO of JazzyPay, started work on countless software development projects for both local and international clients when he was a college student. Armed with a strong technological background, he set up his first entrepreneurial venture, Tekibears Software Solutions, Inc., a company that provided software development service and surveillance solutions to its clients.

While Tekibears grew steadily, Josh decided to start another business, driven by his desire to make a difference in the country’s current financial infrastructure. This led to the creation of JazzyPay, a payments solutions provider that seeks to facilitate financial transactions for small merchants across the country. Josh co-founded the company with Katherine “Kath” Acosta, who is now its chief operating officer.

According to its website, JazzyPay envisions a world “where even the smallest businesses can grow through modern digital payments solutions” (<https://jazzypay.com/About>). In an interview with *BusinessWorld*, a major Philippine broadsheet, Josh said:

Knowing that we could make a difference by making effective payment solutions available to establishments that offer the most essential services, I just couldn’t ignore the idea of creating JazzyPay. We had a clear purpose for this service that can help so many people, and that’s all the reason I needed to push through with JazzyPay. Everyday, I’m motivated to work because I know that we’re running towards a worthwhile cause.

Josh added that most fintech institutions in the Philippines tap mainstream businesses, especially large retail establishments, boutiques, and restaurants. “We’re supporting the underserved businesses,” Josh said, “especially essential service providers.” Initially targeting health and educational institutions as clients, Jazzy Pay has since forged partnerships with businesses in other industries, such as tourism and recreation.

JazzyPay was initially conceptualized to respond to the experiences of Filipino families who sometimes have to wait for remittances from family members working abroad (or who seek help from other relatives) to pay for tuition fees or hospital bills. For urgent needs, the transfer of funds through traditional means has proven unreliable.

Through JazzyPay’s app or through its website, relatives from abroad or other parts of the country can pay real-time using their credit card without even having to sign up for an account. It charges on a per transaction basis—3% for the merchants and 1% plus a P15 transaction fee for the customers. Payments coursed through JazzyPay may be done via credit and debit cards, e-wallets, bank transfers, and over-the-counter transactions (<https://www.bworldonline.com/jazzypay-looks-to-diversify-partner-merchants-for-e-payments/>).

While JazzyPay prioritizes merchants in education and health-related industries, it has also provided service to firms from other industries, including auto garage, travel agencies, spas, and gyms. According to Josh, “we expect more merchants that will be driving more transactions by next year, especially the travel agencies as they are preparing for the opening of the tourism industry”.

In 2020, JazzyPay raised US\$500,000 (about ₱25 million) from a seed financing round from Cocoon Capital. The company used the funds to improve its platform and to support its marketing efforts. Josh and Kath have since been approached by several venture capital firms across

Southeast Asia, which wanted to explore business with them. They see some opportunities in the Southeast Asian region, especially Vietnam, where they observed some trends similar to those in the Philippines.

“We are not closing our doors to opportunities,” Kath said, “but we want to focus on the Philippines for now.” If given the chance for those plans to proceed earlier, though, they will gladly take them on.

## **V. RECOMMENDATIONS FOR POLICY AND PRACTICE**

Given the insights derived from the situationers provided by the UNCTAD Creative Economy Outlook (2018), the British Council’s Report on the Philippine Creative Economy, and the Asian Development Bank’s DES, 2021, it would seem that the priority areas for policy and action are (i) improve the policy and regulatory environment through the enactment of appropriate legislation (e.g., House Bill No. 8101 – An Act Providing for the Promotion and Development of the Philippine Creative Industries and Providing Funds Therefor) that will streamline government efforts that support the creative industries; (ii) improve infrastructure to facilitate the free flow of creative goods both physically and in the digital environment; (iii) support the digitalization of the creative industries by providing access to digital services and digital training platforms for small businesses and freelancers; (iv) provide dedicated business support, networking, and incubation for the creative industries, especially in emerging creative districts such as Cebu, Makati, and Manila; (v) speed up the mapping of the creative industries to allow industry players to obtain a clearer picture of the creative industry’s market, and to adequately assess its performance across the creative value chain; (vi) come up with a directed marketing and promotional campaign not only to develop the local market/audience for cultural events, goods and services, but also to

strengthen the value associated with creative careers and creative practice; (vii) ensure the sustained quantity and quality of labor supply, particularly with regards to technical skills in certain subsectors (e.g., scriptwriting, gaming, and audiovisual); and (viii) support creative entrepreneurship and management in the higher education sector to encourage creative business development.

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