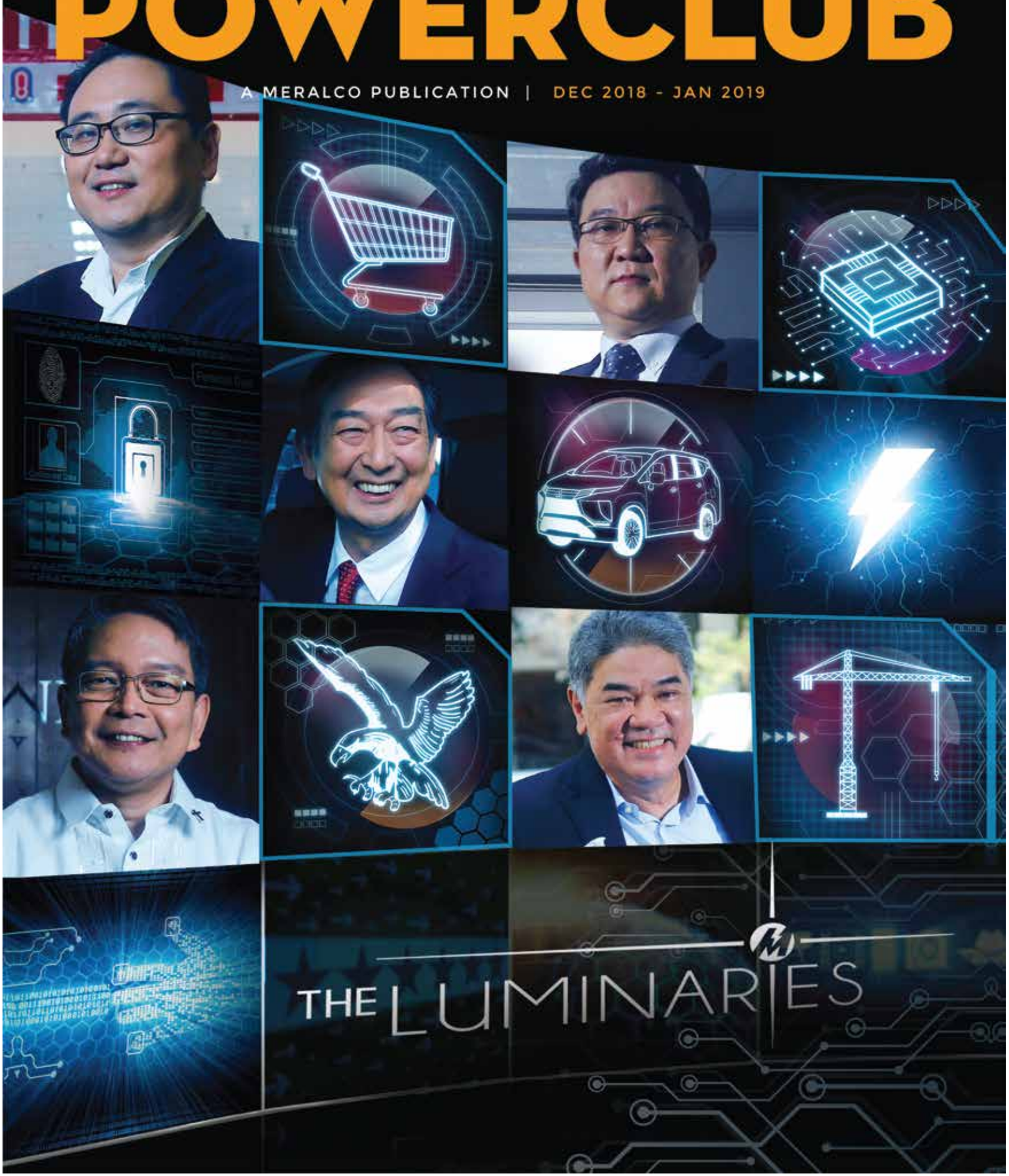
POWERCLUB

A MERALCO PUBLICATION | DEC 2018 - JAN 2019



THE LUMINARIES

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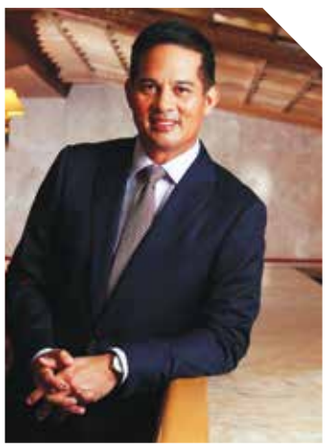
MESSAGES

BEACONS OF EXCELLENCE



ALFREDO S. PANLILIO
SENIOR VICE PRESIDENT AND HEAD, CUSTOMER RETAIL SERVICES AND CORPORATE COMMUNICATIONS

In a flash, the Meralco Luminary Awards is on its 7th year! Back when we began the program, our mission was to present Meralco as more than just a name on a bill customers see at the end of every month. We wanted our customers to view Meralco as an integral part of building their businesses and strengthening the economy.

Our successful partnerships with government and private sectors have given the Luminaries a degree of prominence and prestige. It also fortified Meralco's relationships with all our stakeholders, leading to greater, more innovative collaborations. These, in turn, have elevated us to an end-to-end energy-solutions partner, customizing each client's requirements to ensure energy efficiency and business competitiveness. Take, for example, our food-manufacturing customers. They rely on us to maintain power quality and reliability to assure critical aspects of storage, handling, and production.

Selecting a Luminary is becoming more challenging every year. To be considered as a Luminary, companies must be engaged in a critical project or projects with Meralco for at least two years. These projects must positively impact lives, communities, the environment, or the economy. Above all, these projects must be about improving the lives of Filipinos and the betterment of our country.

Yes, choosing the Luminaries is more stringent. Yet I am always heartened by the response whenever we invite our partners to participate. It is encouraging to witness that our relationship with our customers has gone from strength to strength. The projects and advocacies they pursue are all so noteworthy.

Our customers are also moving up the value chain and business relationships are also becoming more complex. Competition is now beyond our borders, enterprises are consolidating, and those who were once competitors are also business partners. So Meralco also has to keep up with the needs of its customers and the business landscape, and sustain this for the long run.

UNFAMILIAR TERRITORY

VICTOR S. GENUINO
VICE PRESIDENT AND HEAD, CORPORATE BUSINESS GROUP

Change is the only thing that's constant.

Markets and consumers are changing all the time. The digital lifestyle and easy access to information have certainly influenced or even disrupted the way we consume information and goods.

Just look at the snack-food industry, for instance; it needs to constantly evolve to meet the fast-paced mobile lifestyles of millennials and the Gen Z set. I seem to see new flavors and new formats every time I take my children to visit the snack-food section at the supermarket!

Changes are evident across many businesses as well – manufacturing, travel and tourism, services, even construction. Despite bumps in our tourism sector, we still see significant growth for the hotel industry in the number of new hotels under construction or opening soon.

In circular fashion, all these changes push us at Meralco to remain dynamic as well, to meet, even anticipate, our customers' demands. To address this, Meralco established a number of subsidiaries to better support the particular needs of any customer: MSERV, for beyond-the-meter energy services; Spectrum, for solar power and other renewable-energy systems; Miescor for large-scale, power-related civil works, and E-sakay, to provide e-transport and related charging solutions. These give us the platforms to be involved with our customers through all stages of their projects: from planning to construction, from energization to operations, for maintenance and beyond.

While the economy faces high inflation and a weaker peso, some things continue to remain the same. Consumers will continue to consume, and people will always want new things and new experiences. Business will try to meet those demands, and we will always strive to keep our customers competitive.

POWERCLUB
A MERALCO PUBLICATION
VOLUME 8 ISSUE 2
PUBLISHER: SUMMIT MEDIA

A joint project with Meralco's Corporate Business Group, Marketing, Customer Solutions and Product Development. Published two times a year for key officers of Meralco corporate accounts.

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ACKNOWLEDGEMENTS: Holiday Inn Makati Director of Public Relations Lady Bess Howe for interview and photo shoot location ("Crunching Numbers to Create More Rooms")

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The 7th Luminaries awardees (clockwise from top left): WM Shopping Center Management Inc. Chairman Abraham Uy; Samsung Electro-Mechanics Phils. Corp. Overseas President Sang Hyuk Kim; Makati Development Corp. President Dan Abando; Ateneo de Manila University President Fr. Jose Ramon Villarin SJ, and Mitsubishi Motors Phils. Corp. President and CEO Mutsuhiro Oshikiri

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ANALYSIS

CRUNCHING NUMBERS TO CREATE MORE ROOMS

Hotels are making profit but struggle to keep up with demand

BY RIZAL RAOUL REYES AND MA. STELLA F. ARNALDO

The year 2018 is, to put it mildly, a rather interesting one for the Philippines. The peso is down, the cost of fuel is up, inflation is accelerating, and Congress underwent a dramatic change of leadership. Boracay, one of the country's crown jewels for tourism, recently reopened after a six-month rehabilitation to restore its environment.

Nevertheless, bright spots continue to shine. The Department of Tourism (DOT) reported that the tourism industry earned some P2.36 trillion in 2017, and accounted for 12.2 percent of the country's gross domestic product (GDP). In that same year, foreign visitor arrivals reached an historic high of 6.6 million, and domestic travelers grew to 96.7 million.

Under its National Tourism Development Plan (NTDP) for 2016-2022, the DOT projects the industry's earnings to rise to P2.6 trillion in 2018, growing by an average of 10 percent annually to almost P4 trillion by 2022.

The DOT also reports foreign visitor arrivals rising by 8.32 percent to some 5.4 million in January to September 2018, with tourists from China, South Korea, the United States, Japan, and Australia leading the pack. For September 2018 alone, foreign tourists grew by 6.76 percent to 512,240, with members of the Association of Southeast Asian Nations (Asean) accounting for a 8.4-percent slice, while East Asian markets (China, Hong Kong, Japan, South Korea, Macau, and Taiwan) contributed 59.6 percent of total arrivals.

The Philippine Chamber of Commerce and Industry (PCCI), the country's largest group of business leaders, wants that share to grow even faster.

A BIGGER SLICE OF THE PIE

Samie Lim, PCCI director for retail, tourism and franchise, reveals their program aims to attract 20 million foreign and 100 million domestic tourists to boost the country's tourism and leisure industry.

"The plan is to raise US$20 billion (P1.08 trillion) from private organizations to invest in thousands of tourism enterprises," he outlines. "This will employ 15 million Filipinos in 20 world-class destinations."

This investment will bank on the enormous attraction of Philippine travel and tourism to local and foreign investors, not only for directly related industries such as hotels, resorts, and airlines, but also for supply and support businesses.

"Tourism is the next big thing," Lim continues. "An investment of US$20 billion can yield a return of US$150 billion (P8.1 trillion) over 10 years; it's better than investing in stocks."

KEEPING UP WITH THE DEMAND

By the DOT's estimates, there were some 9,329 hotels, resorts and other accommodation establishments

ACKNOWLEDGEMENTS: HOLIDAY INN MAKATI DIRECTOR OF RELATIONS LADY BESS HOWE FOR INTERVIEW AND PHOTO SHOOT LOCATION

'THE PLAN IS TO RAISE US$20 BILLION TO INVEST IN TOURISM ENTERPRISES AND EMPLOY 15 MILLION FILIPINOS.'

SAMIE LIM
DIRECTOR FOR RETAIL, TOURISM AND FRANCHISE
PHIL. CHAMBER OF COMMERCE AND INDUSTRY

with 216,088 rooms as of 2015. Assuming an average occupancy rate of 70 percent, DOT Undersecretary for Tourism Regulation Coordination and Resource Generation Arturo P. Boncato Jr. said, "an additional 677,806 rooms from 2016 to 2022" are needed to be able to accommodate the agency's targeted increase in foreign visitor arrivals to 12 million and domestic travelers to 89.2 million by 2022.

Of these, Central Philippines will require the most number of additional rooms totalling 274,332 units, accounting for some 41 percent of the total additional room requirements, due to vast improvements in connectivity and accessibility to tourism destinations.

But building bigger, better, and more hotels won't automatically bring in more visitors. Hotels in the Philippines need to remain competitive, particularly against its counterparts in the Asean region.

"Across Asean, member countries are promoting their respective travel destinations," asserts Fenady Uriarte, Southeast Asia business development manager for STR, the leading global provider of data and insights for the hotel industry. "They are building more hotels to accommodate more visitors."

The investments in the accommodations sector are expanding for sure, but the pace has not kept up with the demand as more foreign tourists continue to pour in, and domestic travelers grow. According to STR data, demand for hotel rooms grew by 6.5 percent, whereas supply had only risen by 4.9 percent from January to July 2018. ▸▸▸

TOP VISITOR ARRIVALS TO THE PHILIPPINES, SEPTEMBER 2018

TOTAL FOREIGN TOURISTS 512,240
Grew by 6.76%

EAST ASIAN MARKETS
Account for 4.32% of total arrivals

ASEAN MARKETS
Account for 8.4% of total arrivals

5.36 MILLION
Foreign tourists rose 8.32% in the nine months to September 2018.

Source: Department of Tourism

'[OUR REGIONAL NEIGHBORS] ARE BUILDING MORE HOTELS TO ACCOMMODATE MORE VISITORS.'

FENADY URIARTE
SOUTHEAST ASIA BUSINESS DEVELOPMENT MANAGER, STR

This is probably the reason Philippine hotels have felt comfortable to raise their rates—up to an average of P5,250 a night (as of July 2018)—as occupancy is close to exceeding the 70-percent mark.

CONSTANT SUPPORT

A key consideration in the development and profitability of any hotel is the quality of the energy it can access.

The Manila Electric Co. (Meralco) has long worked closely with the hotel and leisure industry to provide timely energization to new projects, as well as stable and reliable electricity to all its customers.

These cover a wide range of infrastructure projects, including the construction of the Meralco Pagcor-1 Substation, serving the hotels and resorts at the Entertainment City in Aseana, on Manila Bay (*see "A Future-Forward City" in the Q2 2015 issue of Power Club*). These include the City of Dreams, Solaire, and Okada. A substation transforms power into high voltage to low voltage, or the reverse, to ensure consistent and reliable supply of electricity to its clients.

Meralco also facilitated the construction and installation of substations and underground power infrastructure for big developments such as Bonifacio Global City (BGC) and Filinvest City. The distribution utility likewise provides continuous support to major Metro Manila hotels such as Seda, Grand Hyatt, Shangri-La at the Fort in BGC, and the Hop Inn Chain, to name a few.

Meralco remains committed to the future growth of the hotel and resort industry. To link the Ninoy Aquino International Airport (Naia) to more destinations, it is engaged in the initial stages of constructing the Naia-Malibay Tieline to serve Newport City Hotels. It is nearly finished building the Naia new feeder power line to serve Travellers International Hotel's phase three development (Okura, Hilton, Sheraton, and additional gaming spaces), also located in Newport City.

Building bigger, better, and more hotels won't automatically bring in more visitors. Hotels in the Philippines need to remain competitive, particularly against its counterparts in the Asean region.

KNOWING THE MARKET

While our tourism numbers have yet to equal those of our neighbors, the Philippine hotel industry remains competitive in terms of average daily rate (ADR) and revenue per available room (RevPAR), as per data provided by STR.

In the 12 months to July 2018, hotels in the Philippines are averaging US$100 per

PHOTOGRAPHY BY JUN PINZON.
GROOMING BY ELAIINE GANUELAS

day, just a tad higher than Malaysia (US$90/day), but lower than the Asean tourism powerhouse, Thailand (US$125/day).

In terms of profitability, the Philippines posted a 3.5-percent increase in RevPAR, in dollar terms, in the first half of 2018, higher than Malaysia, which saw its RevPAR slip by 0.3 percent. While Indonesia's RevPAR rose 3.6 percent, its hotels have been recording hotel occupancy rates and ADRs much lower than the Philippines'.

STR likewise reported RevPAR in the Philippines has been been on an uptrend since 2017, posting a 5-percent increase in the 12 months to July 2018 in local currency, matching the rising supply and demand for rooms.

Uriarte thinks Philippine hotels are better equipped to help them analyze whether or not to raise their rates, or implement more focused promotional strategies targetting specific market segments. "More hotels, even independent establishments, are now employing revenue managers, compared to 5-10 years ago. Previously, only the director of sales and the general manager decided on the pricing. Now the revenue manager studies the trends and other relevant data," such as holidays of the foreign clientele's home countries, how many days guests are expected to stay in town, market segments, and the like, in deciding whether or not to tweak rates or undertake new marketing schemes.

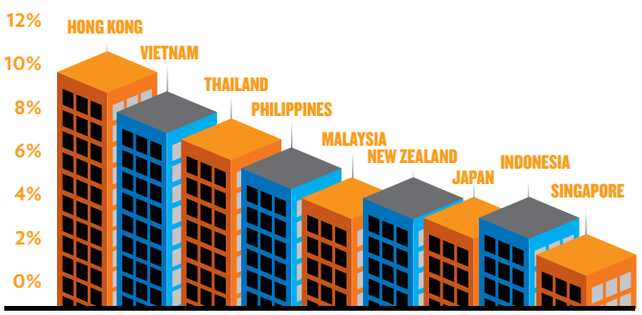
Achieving profitability is good news for investors, but means nothing to the industry as a whole unless it translates into more visitors. While Philippine hotels are considered affordable, like its Asean neighbors, it may no longer be a question of price points. Singapore, for instance, despite its high ADR exceeding $200 per night, continues to attract visitors, more than double that of the Philippines', because of its perceived stability. "It's safe," Uriarte points out.

To stand out against the competition, she said the Philippines should embrace what we consider as our own culture and our food, citing Thailand and Vietnam as examples.

Also, she notes, "We cannot compare to the tourism arrivals in other Asean countries," she points out, "unless we can improve travel connectivity. We need more airports to hasten the connection between the tourists and their destinations."

MODERATE GROWTH IN THE PHILIPPINES

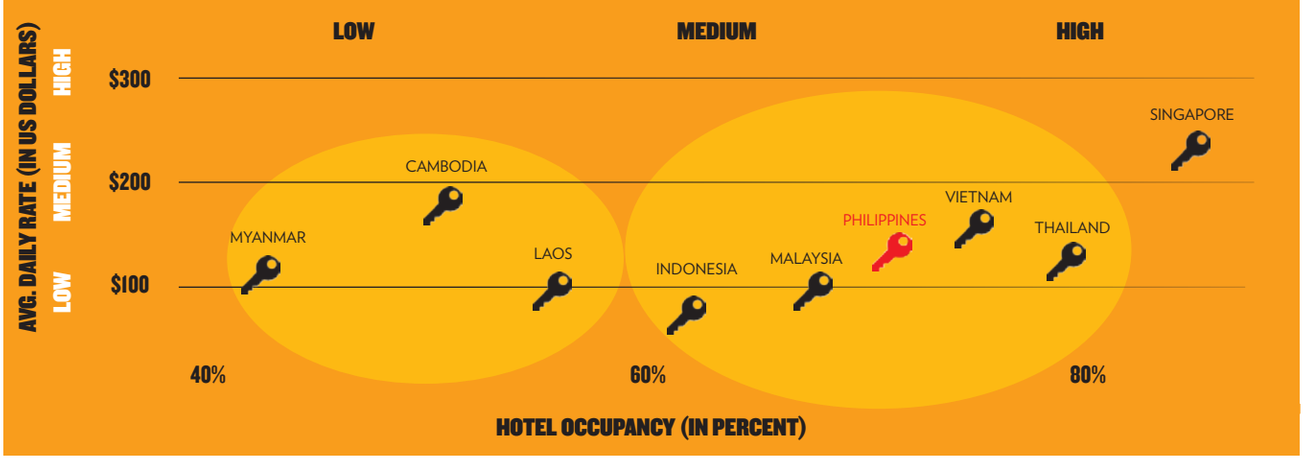
R12 July 2018, Local Currency Country Revenue Per Room



BY THE DEPARTMENT OF TOURISM'S ESTIMATES, THE COUNTRY NEEDS AN ADDITIONAL 677,806 HOTEL ROOMS FROM 2016 TO 2022 TO BE ABLE TO HIT THE AGENCY'S TARGETED 12 MILLION FOREIGN AND 89.2 MILLION DOMESTIC TOURISTS BY 2022.

SELECT REGIONAL ROOM RATES

As of July 2018



SOURCE: STR

BIZ SPOTLIGHT

BEAUTY REVITALIZED

Ever Bilena makes the art of looking good affordable for everyone

It can be argued that the impulse for self-ornamentation is deeply embedded in our DNA. Evidence proves women and men have adorned and painted their bodies for over 7,000 years, and there are no signs this is ever going to change.

Today, cosmetics and personal-care products annually comprise a US$160-billion (P8.64 trillion) global industry, one to which Filipinos eagerly contribute. According to Statista, in 2018 local consumers spent US$3.04 billion (P164.2 billion) in the health and beauty products aisles.

The obsession with personal beauty doesn't change, but beauty standards do, and cosmetics companies that are sitting pretty one moment can find things going ugly the next.

This was an early lesson for the then 25-year-old Dioceldo Sy, who witnessed his grandfather's once prosperous pomade and cosmetics company decline.

OPPORTUNITY IN A VACUUM

The year 1983 was a politically and economically uncertain time, but neither it nor his youth dissuaded Sy from starting his own venture, Ever Bilena Cosmetics Inc.

"That crisis became an opportunity," he recalls, "because there was a vacuum that made me able to penetrate the business more easily."

It wasn't all easy sailing. The first Ever Bilena product, nail polish, was rejected for department-store consignment because it was an unknown brand. When Sy turned to smaller outlets and the budget-shopper's favorite, Divisoria, his products were warmly received by consumers who appreciated its high quality and great value for money.

The success of the nail-polish line blazed the trail for Ever Bilena's success. By 1985, it posted a 200-percent annual growth and expanded to a full cosmetics line. Soon, it employed over 200 beauty consultants in major department stores across the country, with exclusive distributorships in the Visayas and Mindanao.

DIOCELDO SY, PRESIDENT/OWNER EVER BILENA COSMETICS INC.

PHOTOGRAPHY BY TOTO LABRADOR, EICON THEODORE JOSON

SUSTAINABLE GROWTH

Sy carefully steered Ever Bilena over the decades, and what was once an unknown brand is now a household name. Its more than 1,000 items are distributed to over 3,000 outlets nationwide by 285,000 direct sellers.

The company operates about 700 business centers. It is also building a modern business compound, with a six-story office building and a 22,000-square-meter warehouse to house its growing inventory.

"We needed a dedicated power supply," admits Sy, "to support construction and, eventually, regular operations. That's why we involved the Meralco Biz Partners in the planning stages."

The Manila Electric Co. (Meralco) also made several recommendations to help Ever Bilena improve its operating efficiencies, prompting the company to use LED lighting in the new office and warehouse and acquire inverter-technology air conditioners.

It also installed triple low-e double-glazed solar photo-voltaic (PV) panels. The microscopically thin coating on low emissivity glass minimizes the ultraviolet and infrared light that passes through it without compromising the visible light it transmits. Put simply, low-e panels boost energy efficiency by keeping interior temperatures warm or cold.

Meralco Biz Partners assisted Ever Bilena with its Net-Metering application. A program under the Renewable Energy Act, Net-Metering allows those customers with solar and other renewable-energy systems that generate up to 100 kilowatts (kW), to connect to the grid and export excess electricity to distribution utility companies like Meralco.

MERALCO BIZ PARTNERS

Meralco Biz Partners serves the energy needs of customers with a contracted capacity of 5 to 499 kW.

> 'SUSTAINABLE ENERGY IS A LONG-TERM INVESTMENT FOR US. IT HELPS LOWER OUR POWER NEEDS AND IT'S BETTER FOR THE ENVIRONMENT.'

"Sustainable energy is a long-term investment for us," the Ever Bilena chief explains. "It helps lower our power needs and it's better for the environment."

Meralco also conducted a Customer Renewable-Energy Compatibility Assessment (Creca) to ensure that the 50kW solar panels installed in one of Ever Bilena's warehouses are safe and pose no hazard to neighboring electrical facilities.

For its resilience and innovative spirit, Ever Bilena was recognized at the 6th Meralco Luminaries Awards Night in 2017.

"Ever Bilena has proven not only its resilience in 33 years of operations, but also a desire to better serve its consumers and protect the environment," according to Meralco SAVP and Biz Partners Head Cecille M. Domingo. "Naming them a Meralco Luminary is truly an honor for us."

"We're very thankful for the recognition Meralco gave us," Sy declares. "I hope they continue inspiring more Filipino entrepreneurs like me to work hard and achieve the unexpected."

IN SPARKLING COMPANY

The bright lights of the business community gather for Meralco's 7th Luminaries Awards

BY LIO MANGUBAT

The world is indeed going digital.

Oscar S. Reyes, president and chief executive officer of the Manila Electric Co. (Meralco), brandished his mobile phone at the end of a speech to take a "groufie" with the assembled audience. He then requested guests to upload their photos of the event last March 8 on social media.

"Use the hashtag #MeralcoLuminaries!" he gamely reminded them. ▸▸▸

TOP LEFT: Meralco President and CEO OSCAR S. REYES, Meralco Chairman MANNY V. PANGILINAN, and Meralco Senior VP and Head, Customer Retail Services and Corporate Communications ALFREDO S. PANLILIO

ABOVE: OSCAR S. REYES addresses the audience.

LEFT: OSCAR S. REYES onstage with WM Shopping Center Management Inc. Managing Director WILSON LIM JR. and Chairman ABRAHAM UY, Makati Development Corp. President DAN ABANDO, Ateneo de Manila University President JOSE RAMON VILLARIN SJ, and ALFREDO S. PANLILIO

ABOVE: OSCAR S. REYES, Pag-Asa Steel President WELLINGTON TONG and Midland Steel Corp. President and GM RICHARD LIM

LEFT: Meralco Relationship Manager MARC SY; Meralco Food & Beverage Industry Team Lead, Private Sector-CBG RENE SUA; D.M. Wenceslao and Associates Inc. CEO DELFIN WENCESLAO; Meralco Leisure & Entertainment Industry Team Lead, Private Sector-CBG BERNICE GARCIA

ABOVE: Meralco VP and Head of Marketing; Customer Solutions and Product Development JOSE ANTONIO T. VALDEZ is flanked by Ayala Land VP and Estate Head of Makati and BGC MANNY BLAS and wife ROWENA BLAS

LEFT: OSCAR S. REYES, Samsung Electro-Mechanics Phils. Corp. Overseas President SANG HYUK KIM, Mitsubishi Motors Phils. Corp. President and CEO MUTSUHIRO OSHIKIRI, and ALFREDO S. PANLILIO

BELOW: Meralco Relationship Manager RICK PANES and First Gen Corp. CFO and Treasurer EMMANUEL SINGSON

The yearly tribute to operating excellence, the Luminaries Awards celebrates notable partnerships between Meralco and its customers. These collaborations include innovations and efficiencies that help drive the nation's progress. As their end-to-end energy-solutions partner (E2E ESP), Meralco helps them achieve these goals. Five corporate partners were honored during the event: Ateneo de Manila University, Waltermart Malls, and Makati Development Corp., in the Corporate Commercial Category; and Samsung Electro-Mechanics Phils. Corp., and Mitsubishi Motors Phils. Corp. in the Corporate Industrial category.

1 Meralco Consumer Products Industry Team Lead, Private Sector-CBG CESAR DEWANA, Terumo Phils. Corp. Deputy President TSUNEYASU FUKUSAWA, Meralco Relationship Manager KATHERINE TAGUDIN, and Terumo Phils. Corp. President MUNEHIRO TAKAHASHI

2 Meralco VP and Head, Corporate Business Group VICTOR S. GENUINO and DAN ABANDO

3 CW Marketing & Development Corp. Chairman VICTOR CHAN with wife and Chairwoman VERONICA CHAN, Meralco Relationship Manager SARAH GARROVILLAS, and Meralco Team Lead, Construction Industry, Private Sector-CBG GILBERT VALLE

4 OSCAR S. REYES with MGen President ROGELIO L. SINGSON

5 Meralco Electronics & Automotive Industry Team Lead, Private Sector-CBG MARVIN JOVERO; Meralco Head, Private Sector Relationship Management VICTOR RISMA IV; MUTSUHIRO OSHIKIRI, VICTOR S. GENUINO; and Meralco Relationship Manager PATRICK PANLILIO

6 First Philec Inc. President ARIEL ONG; Ayala Land Inc. SVP and Head, Residential Business Group ROBERT LAO; and Meralco Team Lead, Real Estate Industry, Private Sector-CBG DARRYL FRANCISCO

7 City of Dreams Manila Director for Public Relations ROMINA GERVACIO, City of Dreams Manila COO KEVIN BENNING, and Meralco Relationship Manager ARNOLD DE GUZMAN

8 Ever Bilena Cosmetics Inc. President and Owner DIOCELDO SY, ALFREDO S. PANLILIO, and WM Shopping Center Management Inc. Chairman ABRAHAM UY with wife JENNILYN LIM UY

9 Ateneo de Manila University VP for Finance and Treasurer JOSE SANTOS; Meralco Marketing-Corporate Business Group Manager NINA V. POSADAS; FR. JOSE RAMON VILLARIN SJ; and Megaworld Corp. SVP, Commercial Division KEVIN TAN

10 Social Security System President and CEO EMMANUEL F. DOOC; VICTOR S. GENUINO; Meralco Head, Public Sector Relationship Management GERALYN SOLIDUM

11 Semiconductor and Electronics Industries in the Phils. President DAN LACHICA (center) with wife BERNIE LACHICA and Meralco Relationship Manager MICHAEL GARCIA

12 SANG HYUK KIM and Samsung Electro-Mechanics Phils. Corp. Facilities Senior Manager HYOUNGUK JEONG

13 Integrated Micro-electronics Inc. VP and Head, Philippine Operations MARIO BERNARDO SANTOS; SARAH GAROVILLAS; Integrated Micro-electronics Inc. Deputy CFO JAIME SANCHEZ

14 KEVIN BENNING confers with Melco Resorts Phils. Foundation Corp. President ARMIN RAQUEL SANTOS

13

14

15

16

15 Hitachi Asia Ltd. Philippines General Manager MITSUHIKO SHIMIZU, Meralco Chief Technology Advisor GAVIN BARFIELD, Robinsons Retail Holdings VP for Procurement and Administration MARK TANSIONGKUN, and RENE SUA

16 Representatives of the Corporate Commercial Luminaries, ABRAHAM UY and DAN ABANDO

INDUSTRIAL LUMINARIES

THE FUTURE IS ELECTRIC

Mitsubishi Motors Philippines predicts the road ahead will be green

BY MA. MELIN C.Y. DORIA

If some people believe there is no truer reflection of themselves than the kind of car they drive, then many choose a Mitsubishi to say everything about them. From the steadfast, streetwise Lancer to the smart, sporty Montero, the brand gives motorists several different ways to get from A to wheee!

It's a love affair that goes back more than half a century, and in this country, since 1965. Today, Mitsubishi Motors Phils. Corp. (MMPC) makes its home at a 229,613-square-meter facility in Sta. Rosa, Laguna.

Things have certainly changed greatly in the 50 years of Mitsubishi's domestic presence, not least in terms of consumer attitudes and behavior.

"Today, owning a car is like owning a mobile phone," declares Mutsuhiro Oshikiri, president and chief executive officer of MMPC. "Once you see the benefits of a new model, you want to upgrade."

'WE NEED TO START REDUCING OUR CARBON FOOTPRINT NOW, FOR THE BENEFIT OF FUTURE GENERATIONS.'

MUTSUHIRO OSHIKIRI
PRESIDENT AND CEO
MITSUBISHI MOTORS PHILS. CORP.

DRIVING AMBITION

Urban traffic across the country seems maddeningly congested and yet, Oshikiri points out, the ratio of vehicles to people is only one for every 334. In contrast, that ratio in Australia is one for every two people.

He therefore sees it as Mitsubishi's duty to give every Filipino the opportunity to own a car.

To realize this vision, Mitsubishi aims to increase its production by 100 percent – or about 100,000 units – per year. It's an ambitious target coming from 2017's sales increase of 20 percent, or 73,590 units, over the previous year.

MMPC currently ranks second in total vehicle sales in the country, with a 17.5-percent market share as of June 2018, according to a report from the Chamber of Automotive Manufacturers of the Philippines (Campi) and Association of Vehicle Importers and Distributors (Avid).

These healthy numbers are tempered by the less-than-rosy prospects seen for the Philippine automotive industry as a whole.

The latest figures compiled from Campi, Avid, and the Truck Manufacturers Association show that total sales in the first half of 2018 is 191,470 units. This is a decline of 12.24 percent from the 218,170 units sold in the first half of 2017. The trend continues in the third quarter of 2018, with 28,060 units sold in July, down 4.4 percent from June's 29,395 units.

Oshikiri believes Mitsubishi will boost its sales by offering cars at affordable prices. The Laguna plant focuses on assembling the Mirage, a compact car suited to local roads, designed for the Asian climate, and priced for first-time car owners.

MORE MUSCLE BEHIND EACH CAR

Many components are produced on-site to keep the car's price easy on the pocket. At its Sta. Rosa plant, MMPC installed a 2,000-ton stamping machine to turn out heavier vehicle parts. This behemoth piece of equipment is the largest in the Philippine automotive industry.

This road to expansion took considerable effort, a task that involved the engineers of both Mitsubishi and the Manila Electric ▸▸▸

PHOTOGRAPHY BY JUN PINZON, VINCENT COSCOLLUELA, TOTO LABRAODR
GROOMING BY ARLENE ADTO

Meralco Senior Vice President and Head, Customer Retail Services and Corporate Communications Alfredo S. Panlilio, MMC General Manager for Philippine Business Minoru Kinoshita, Oshikiri, and DENR Undersecretary for Policy, Planning and International Affairs Jonas R. Leones pose next to the Outlander PHEV as it receives its first ceremonial charge.

Co. (Meralco).

Right-sizing electrical facilities in preparation for setting up sensitive equipment is one of many projects Meralco and its energy-solutions subsidiary, MSERV, undertakes with MMPC. MSERV frequently participates in regular technical consultations, ensuring reliable and efficient operations.

"We partnered with them for the construction of our power supply," Oshikiri recounts. "They also helped set up the Mirage welding line, by priming our plant for additional load to meet our anticipated increase in energy requirements. They've even recommended solar-panel solutions to reduce our energy costs."

It can be said that ensuring a reliable supply of electricity is definitely just one of the many services Meralco provides for Mitsubishi.

In the meantime, Oshikiri views electricity as that which drives the future of the automobile.

CLEAN POWER

About 1.2 billion vehicles run all over the world today, the vast majority propelled by gasoline-fueled internal combustion engines. This figure is projected to rise to 2 billion by 2035, and since a typical passenger vehicle annually generates about 4.6 metric tons of carbon dioxide, its environmental impact can only get worse.

This worrisome trend impels Mitsubishi to rethink the entire concept of the car. In 2009, it showcased the i-MiEV (Mitsubishi Innovative Electric Vehicle), a five-door hatchback with an average range of about 160 kilometers per charge.

Although electric vehicles (EVs) are not yet commercially available in the Philippines, mother company Mitsubishi Motors Corp. (MMC) brought in five i-MiEVs and five Outlander Plug-in Hybrid Electric Vehicles (PHEV) for relevant government agencies to try. These shall be used for evaluation and demonstration purposes when driven in the Philippines's tropical climate conditions. These were distributed among the Department of Environment and Natural Resources (DENR) head office in Quezon City, and regional offices in Davao and Cebu; and the Department of Trade and Industry in Makati.

For years, Meralco has championed the shift towards EVs. It pioneered the installation of EV charging stations in the Net Lima and Net Park buildings at BGC, Taguig (*see "Personalizing Buildings" in the Q3 2017 issue of Power Club*), and on the campuses of Ateneo de Manila (*"Going Green for Bluer Skies," Q2 2015*), and of De La Salle Laguna (*"A Green Move," H1 2018*).

In addition, MMC also donated CHAdeMO-brand quick chargers at the aforementioned locations. MSERV built EV charging stations to power the i-MiEVs and other EVs donated by MMC.

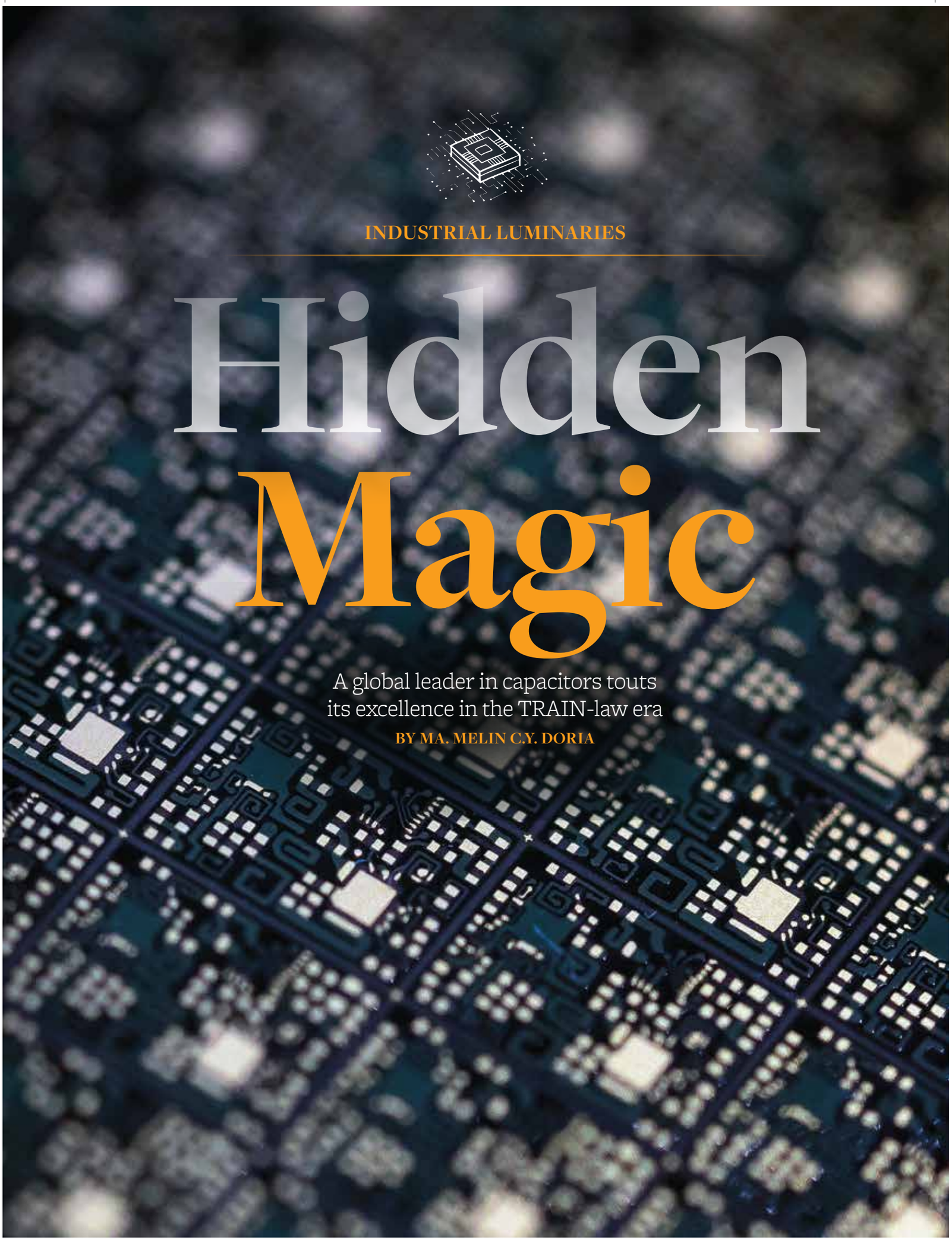
Many factors pose a challenge to the widespread use of EVs here and around the world, not the least of which is affordability. Oshikiri, however, looks forward to the day when driving electric is for everyone.

"We have been experiencing rising temperatures, stronger typhoons and higher floods over recent years," he emphasizes. "We need to start reducing our carbon footprint now, for the benefit of future generations."

RATIO OF VEHICLES TO PEOPLE

PHILIPPINES

AUSTRALIA



INDUSTRIAL LUMINARIES

Hidden Magic

A global leader in capacitors touts its excellence in the TRAIN-law era

BY MA. MELIN C.Y. DORIA

Science-fiction writer and futurist Arthur C. Clarke observed, "Any sufficiently advanced technology is indistinguishable from magic," and this is truer than ever. Imagine time-traveling back just 50 years and showing off a smartphone.

Today's digital breakthroughs seem like wonderfully mysterious bars and tablets that deliver so much out of thin air, with the littlest unseen things making the magic happen. Silicon microchips. Batteries filled with lithium. Ceramic capacitors.

The last item is perhaps the most hidden of all: among gadget makers boasting of processor speeds and battery capacity, few mention the types or quantities of capacitors involved.

Digital gizmos run on capacitors that store packets of energy to regulate power whenever a device or operation needs it. And judging by the growing business of Samsung Electro-Mechanics Phils. Corp. (Semphil), the demand for these capacitors is going through the roof.

AT LARGE IN THE MARKET

"Change. Innovate. Challenge." Emblazoned on the main building of Semphil in Laguna, these words capture the spirit that drives the company onward. (*See "Going Big in Microelectronics" in the Q4 2017 issue of Power Club.*)

"Our biggest challenge in 2017 was expanding our capacity," confides Semphil Overseas President Sang Hyuk Kim. "Not only did we meet it, we exceeded it!"

The year's production-growth target was set at 30 percent, but this reached nearly 50 percent. Much of the output consists of multi-layered ceramic capacitors (MLCCs), of which Semphil produces billions of units monthly. The company ranks second to China as a leading global producer of MLCCs.

In its July 2018 report, "Philippine Electronics Export Performance," the Semiconductor and Electronics Industries in the Philippines (Seipi) shows the industry sent out US$ 3.28 billion (P 176.4 trillion) worth of goods, accounting for 56 percent of total Philippine exports. This is up from the US$ 3.114 billion (P168.9 trillion) generated for the same period in 2017.

Kim sees rosy prospects in automotive electronics, as new car models require smaller and smaller MLCCs with capabilities similar to older designs. "A big portion of our budget is allotted for research and development," he reveals, "to keep our products superior to that of our competitors."

He also considers improved production and operational efficiency key to cost competitiveness. Optimized machinery and equipment performance, and improved energy usage, are all on the agenda.

A TIMELY PARTNERSHIP

While MLCCs and other microelectronics are unseen to most consumers, a key ingredient in its manufacture is invisible: electricity.

Ironically, the manufacture of MLCCs requires megawatts of energy. To keep all that juice flowing 24/7, Semphil works in close partnership with the Manila Electric Co. (Meralco).

The delivery of stable electricity is one among many services provided by Meralco. It brought in its subsidiary, MSERV, which specializes in beyond-the-meter energy solutions, to conduct preventive electrical infrastructure maintenance and ensure the quality of the Calamba plant's power.

Semphil's mother company, Samsung Electro-Mechanics Corp. (Semco), sought to shift more of its production to the Philippines to meet the global demand for MLCCs and cope with growing market share for Samsung smart devices.

Meralco set up a strategic planning session with Semco in 2015 for its expansion plans, taking nearly a year to prepare. At Samsung's Suwon, South Korea headquarters, Meralco lobbied to help Semco replicate its manufacturing processes in the Philippines.

It proposed to meet increased power requirements and beef up the line- and load-side infrastructure for the new plant, to ensure dependable power for sensitive equipment.

In a tie-up with CPIP, Meralco worked in a fever pitch to fast-track requirements for Semphil's expansion, building a substation in the industrial park to provide an additional 83 megavolt-amperes (MVA) in apparent power, with a 50-MVA backup.

With the completion of Semphil's additional plant, it now consumes about 40 megawatts of electricity, enough to power five large malls.

The power utility also actively engages Semphil to help improve its operations;

PHOTOGRAPHY BY JUN PINZON, TOTO LABRADOR
GROOMING BY ARLENE ADTO

from machine calibration and testing, to the retrofitting of lighting and air-conditioning systems.

GROWING CHALLENGES

Today, even with the company's stellar performance, Kim keeps a close eye on Semphil's overheads, particularly the cost of energy.

Power supply remains a concern, even with constant support from Meralco. "The cost of power here is higher than in neighboring countries such as China and Vietnam," Kim frets, "and we worry about unstable power supplies caused by typhoons and other natural calamities."

Semphil must also face challenges brought on by Republic Act 10963, the Tax Reform for Acceleration and Inclusion (TRAIN) law. (*See "Are the Economic Jitters from TRAIN Justified?" at powerclub.com.ph*). Production costs and market prices will reflect the added taxes levied on coal and petroleum products.

"Almost 60 percent of power generation in the Philippines comes from coal and diesel fuel," underscores Kim. "TRAIN could make electricity more expensive and increase the cost of making MLCCs at the plant." As a hedge, Semphil aims to further reduce power costs by more than 10 percent this year, in consultation with Meralco.

On the whole, despite many challenges, Semphil sees itself making more and more microelectronics in this country over the long haul.

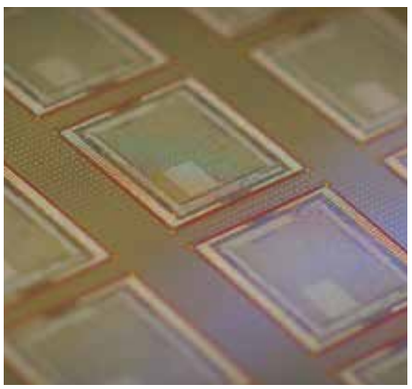
Aside from strengthening its R&D, the company is investing more in its talent pool. "We had about 4,500 employees in 2017," Kim notes, "and today, we have almost 6,000 and nearly all are Filipinos. We're also looking for more qualified engineers."

It will also enhance its standards for employee safety and the environment, "which are priorities in our business," he states, "so we invest a lot of money to improve it."

For the Semphil official, talent, and not machinery, drives his company's future. "Innovation comes from change," he sums up. "That's the philosophy we want our employees to embody. Because of this, we are not afraid of change."

'A BIG PORTION OF ELECTRONICS BROUGHT IN 56 PERCENT OF TOTAL EXPORTS BY JULY 2018. WE EXPANDED OUR CAPACITY AND SPEND ON R&D.'

SANG HYUK KIM
OVERSEAS PRESIDENT
SAMSUNG ELECTRO-MECHANICS PHILS. CORP.



COMMERCIAL LUMINARIES

BUILDING UPWARD, OUTWARD & FORWARD

Makati Development Corp. creates communities and legacies

BY RIZAL RAOUL REYES

Despite its geographically defined name, the Makati Development Corp. (MDC) makes itself felt across major growth areas in the country. Many Filipinos from all walks of life have worked, lived, studied, dined, played, or shopped in a building, mall, school or community built by MDC.

Their projects consist of prominent and premium developments: The Alabang Town Center in Muntinlupa, St. Luke's Medical Center at Bonifacio Global City (BGC) in Taguig, The Capitol Central Mall in Bacolod, the Centrio BPO in Cagayan de Oro, and Lio Resort in Palawan. These are just a handful of undertakings by MDC since its establishment in 1974.

"Right now, we are one of the largest engineering, procurement, construction, and construction management services companies in the country," declares MDC President Dan Abando.

MDC's presence isn't limited to these shores. The company engaged in a number of overseas projects during the 1980s, including two general hospitals in the Iraqi cities of Najaf and Kadhimiya.

GROWING CAPABILITIES

Over the decades, the firm's range of services grew to include both geodetic and quantity surveying. It also engages in civil works design, structural design, electromechanical design, and design integration. Building Information Modelling (BIM), and Leadership in Energy and Environmental Design (LEED) consultancy form part of its portfolio as well.

Abando adds, however, that MDC likewise relies on the capabilities of its partner companies in making sure all projects meet the highest specifications. One of these partners is MSERV, the energy-solutions subsidiary of the Manila Electric Co. (Meralco).

MSERV, he explains, plays a crucial role in many of MDC's projects, particularly during the early stages: "They help us estimate the power demand of all our projects, from buildings to townships."

The expertise of the Meralco subsidiary allows MDC to plan highly efficient construction schedules, he continues. "This helps us in a big way, because most of our equipment require temporary power."

MDC is also able to leverage on Meralco's expertise in cutting-edge technologies such as the Smart Grid (*read "More and More Go Prepaid" in the Q2 2017 issue of Power Club*). The Smart Grid allows Meralco to provide payment options to prepaid or post-paid electricity subscribers, which in turn adds value to the residential condominium customers of Ayala Land Inc. (ALI), MDC's parent company and one of the leading real - estate developers in the country.

LEAPS AHEAD

MDC has made its own investments in construction technologies, explains Abando, by acquiring the latest systems and equipment, and creating several subsidiaries to better manage its broad range of activities.

For example, its MDC ConQrete Inc. manufactures ready-mix concrete and prefabricated concrete components. Another unit, MDC Equipment Solutions Inc., handles light and heavy construction equipment. MDC Greens manages landscaping work for ALI; it also looks after the golf facilities of ALI's resort communities in Anvaya Cove and Southlinks. MDC BuildPlus Inc. serves as the construction manager for ALI brands Avida Land Corp., Amaia Land Corp., and Bellavita Land Corp., as well as a fit-out contractor for various MDC projects.

MDC also allocates resources into digital tech such as BIM for its design services, and project controls software to ensure the efficient handling of all projects.

"We are now migrating our construction materials management and logistics to SAP Software Solutions," says Abando.

All these subsidiaries will be kept very busy since MDC is presently engaged in 203 construction projects nationwide. In 2017 alone, the company completed 70 projects and more than 16,000 ▸▸▸

'MSERV HELPS US ESTIMATE THE POWER DEMANDS OF OUR PROJECTS, FROM BUILDINGS TO TOWNSHIPS.'

DAN ABANDO
PRESIDENT
MAKATI DEVELOPMENT CORP.

PHOTOGRAPHY BY JUN PINZON, VINCENT COSCOLLUELA
GROOMING BY FENNIE TAN

residential condominium units.

"These subsidiaries enable us to ensure organizational synergy, efficiency, and the optimal utilization of resources," Abando emphasizes. "They make sure we can deliver all of our projects on time and with utmost quality."

BUILDING ON A BIGGER SCALE

For Abando, MDC is more than just a construction company; he sees it as a vital component of nation-building. Beyond putting up buildings, the firm creates master-planned, mixed-use, and sustainable communities. There are about 44 to date, ranging from Cloverleaf in Quezon City, Nuvali Estates in Laguna, the Cebu Park District, the Atria Park District in Iloilo, and Azuela Cove in Davao. It helped set up industrial estates such as the Alviera Industrial Park in Porac, Pampanga, and Cavite Technopark in Naic. It also constructs schools, hospitals, bridges, and water-delivery systems.

Not everything MDC builds, however, is made of steel and concrete. Abando stresses that his company also has a keen interest in developing the country's human potential.

Since 2015, MDC has been involved with eight Technical Education and Skills Development Authority (Tesda)- accredited training centers in Metro Manila, Luzon, Cebu, Davao, and Iloilo. Thus far, its program has turned out almost 20,000 graduates.

Aside from ensuring the availability of skilled manpower for MDC, the Tesda programs contribute to the development of the local construction industry as a whole, by expanding the pool of highly qualified workers with government-certified specialties.

By training new workers, building infrastructure, creating jobs and fostering communities and development projects, Abando hopes that MDC "will continue to play a growing role in ensuring our country's growth, and in improving the lives of Filipinos."

Globe Circuit Makati Event Grounds at Circuit Makati

COMMERCIAL LUMINARIES

BRIDGING ART AND SCIENCE

Ateneo de Manila fuses many disciplines to link up with the future

BY WALTER VILLA

The 14-seater electric-powered eJEEP silently glides up to Areté, an imposing building complex at the Ateneo de Manila campus. Alighting from the electric vehicle (EV), Ateneo President Fr. Jose Ramon "Jett" Villarin SJ casts his gaze on the bridgeway connecting the rectilinear George SK Ty Learning Innovation Wing (GSKTy LIW) to the curvilinear, almost free-flowing Arts Wing.

"The key structure in Areté is the bridge; it's the key artery that connects art, culture and learning," Villarin explains. "We hope that this metaphor reflects reality."

Areté Executive Director Yael Buencamino considers the span both architecturally and conceptually vital. "It's a visual link between the arts and everything else," she declares.

GREATER SPACE FOR ART

Opened in September 2017, Areté—a Greek word that roughly translates as "excellence" or "virtue"—has a distinctive appearance conceptualized by W.V. Coscolluela & Associates. Villarin says this chosen design truly reflects Ateneo's vision of crossovers, or interwoven disciplines. "It's a vision fueled by what we see around us," he describes, "a digital economy that's on the rise."

The Arts Wing houses a state-of-the-art theater and concert space, an art gallery, art library, and museum. Across the bridgeway, the GSKTy LIW serves as an academic center housing non-traditional classrooms, creative spaces, and performing-arts studios. It's also home to Le Cordon Bleu - Ateneo Culinary Institute, the Ateneo ▸▸▸

PHOTOGRAPHY BY JUN PINZON, VINCENT COSCOLLUELA
GROOMING BY ARLENE ADTO

SALT (Science and Art of Learning and Teaching) Institute, and the Eduardo J. Aboitiz Sandbox Zone.

The Areté reflects Ateneo's engagement with many corporate partners in the pursuit of knowledge. In particular, one such partner collaborates with the university to find better solutions to energy and environmental issues: the Manila Electric Co. (Meralco).

One result of these collaborations is the eJEEP in which Villarin arrived. It's part of an EV transport system that ferries students and faculty members from building to building.

The eJEEP fleet is supported by infrastructure that includes an EV charging station designed and set up three years ago with the assistance and expertise of MSERV, Meralco's energy-solutions subsidiary (*read "Going Green for Bluer Skies" in the Q1 2015 issue of Power Club*). MSERV continues to maintain and operate the system today.

Powering the eJEEPs costs 33 percent less than diesel. But aside from delivering savings, the EV system generates zero emissions, a benefit which pleases Villarin, a climate scientist by training.

It isn't just Ateneo's campus that's getting a modern makeover.

Even the university's less visible infrastructure gets a keen eye from Meralco. This year, it is gearing up to retrofit and recalibrate Ateneo's 60-year-old underground electrical infrastructure, a project that will improve the quality, reliability and efficiency of the power system on campus. With the rehabilitation, the school is prepared to take on the anticipated increased influx of students, and support the energy requirements of many of its new learning facilities.

"We don't want Ateneo to have a big carbon footprint," avers Villarin, "so we're always looking for ways to use energy more efficiently."

A CENTER FOR COLLABORATION

The constant search for better ways of doing things is what fuels Ateneo's present thrust, where both students and professors are pushed to be more imaginative in problem-solving. In this context, "Creativity happens by happenstance," Villarin reflects.

He sees Areté as part of a bigger push for inventive solutions in a hyper-connected world, where frequent disruptions render so many things obsolete overnight.

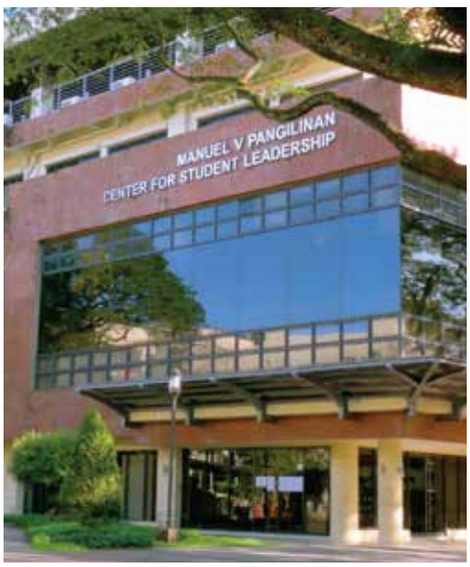
This can be a ponderous task for tradition-bound institutions, but is precisely what the Areté is meant to accomplish. While conventional universities are structured into autonomous departments, Ateneo's sandboxes provide spaces to break up otherwise rigid academic processes.

"Our millennials instinctively understand this," says Villarin, "and they do this crossover so naturally that I think they are just responding to the challenges of the now."

Here, students and partners from industry and government can collaborate on critical issues facing society, such as the challenges posed by climate change,

'IT'S A VISION FUELED BY WHAT WE SEE AROUND US, A DIGITAL ECONOMY THAT'S ON THE RISE.'

FR. JOSE RAMON VILLARIN SJ
PRESIDENT, ATENEO



The Areté reflects Ateneo's engagement with many corporate partners in the pursuit of knowledge. In particular, Ateneo will retrofit and recalibrate its 60-year-old underground electrical infrastructure.

poverty, and the demand for energy.

"We are creating hubs that will attract different people from different disciplines," Villarin envisions, "to come together beyond their expertise or competence."

Despite the lofty ambitions he holds for the new direction in Ateneo's education, the university president nevertheless acknowledges that some ideas need time to gain acceptance. Even working solutions like the EV system may not immediately solve any problems, while others need a radical shift in public attitudes just to go beyond the concept stage.

However, Villarin strongly believes that the larger role of the Ateneo is to nurture a spirit of innovation and an openess to change among its students.

"We seek to change the culture," he affirms, "so that the students who will lead, and who will wield the levers of power someday, will make decisions that are sustainable and inclusive."

COMMERCIAL LUMINARIES

A FOCAL POINT FOR THE NEIGHBORHOOD

Walter Mart creates retail and activity spaces for communities

BY ZEN SCHWARTZ

"Who has convenience and doesn't seize it, tie him to a stall and give him straw." The world's first shopping malls in ancient Rome may well have been built on that Sicilian proverb. The appeal of one-stop shopping led to the first department store in London in 1796, and in 1930 to New York's first supermarket.

Clearly, finding groceries, clothing, dry goods and even entertainment under one roof is preferable to criss-crossing the city to run errands. Many retail and real-estate giants in the Philippines leveraged that preference to build mall chains across the country.

Predictably, as urban centers mushroom in size and population density, customers find it increasingly convenient to shop closer to home. To brave traffic on the main roads and find parking space at the supermall can give people pause. Hence the community mall, built within or along the periphery of a residential area.

'WE'VE SWITCHED TO NEW CHILLERS, PRIMARY METERING, AND SOLATUBE TECHNOLOGY.'

ABRAHAM UY
CHAIRMAN
WM SHOPPING CENTER MANAGEMENT INC.

STRATEGIC PLACEMENT

In the grand game of "location, location, location," Walter Mart Malls opts to play its cards at the local level.

The company started out as Walter Mart Shopping Center in the 1990s, when the economy dissuaded major players from aggressive expansion. Walter Mart focused on pleasing a smaller customer base, creating the first community-mall chain in southern Luzon.

"Our main value proposition is convenience," states Abraham Uy, chairman of WM Shopping Center Management Inc. "We offer our customers comfort, completeness of offerings, and quality products. We listen to what they need, then invite tenants who will best serve them."

To that end, Walter Mart also links up with partners who help enhance the mall-shopping experience, reaching new communities and providing a consistent level of daily comfort and convenience.

COLLABORATIVE RELATIONSHIPS

In 2013, Walter Mart entered into a joint venture partnership with SM Prime Holdings Inc. to co-manage its operations at community malls in Cavite, Laguna, Batangas, Metro Manila, Bulacan, Pampanga, and Nueva Ecija.

The strategy continues to boost Walter Mart's success. The company marked its 25th anniversary in 2017 by opening its 25th community mall in Concepcion, Tarlac. Ten more are slated to open by 2019, and Uy projects 50 community malls by 2023. Each new mall must conform to a stack of checklists just to open on schedule. For Walter Mart malls in Metro Manila, Bulacan, and Southern Luzon, that means working hand-in-hand with the Manila Electric Co. (Meralco).

An essential partner, Meralco does more than provide stable and reliable electricity. "With Meralco's support, our new projects have been provided power on time, which ensures we always have a timely opening."

Working with Meralco also enables Walter Mart to maximize its power use, or even reduce its energy consumption. One key project involved MSERV, Meralco's energy-solutions subsidiary.

"They recommended new chillers that are very effective at cooling, and conversion of our mall power supply from secondary metering to primary metering," says the chairman. "This in turn helps us reduce our electricity usage and cost."

Regular consultations with MSERV cover a range of technical matters. "We are adopting technology such as the power door, along with better insulation, to keep the outdoor heat out," announces Uy. ▸▸▸

PHOTOGRAPHY BY JUN PINZON. TOTO LABRADOR
GROOMING BY ARLENE ADTO

"We converted all our lights to energy-efficient LEDs, and adopted the Solatube technology to channel natural sunlight into our malls."

RESOLVED TO GIVE BACK

Meralco's assistance and advisories serve Walter Mart well, allowing the mall chain to contribute to the broader business community.

During peak seasons such as summer, companies are urged to join the interruptible load program (ILP), a demand-response program promoted by the Department of Energy to minimize the impact of insufficient power supplies. Customers with power loads of at least 1 megawatt (MW) are asked to voluntarily reduce their power usage during peak hours, or switch to their own generator sets.

After consulting with Meralco, Walter Mart committed a load of 14.3 MW to the program. That's 14.3 MW freed up to avoid outages for residences or smaller enterprises.

Walter Mart's sister company, Abenson, also aims to involve its customers in energy-conservation measures by actively promoting Meralco's Orange Tag campaign.

The Meralco Orange Tag is the end result of simplifying technical power-related into accessible and understandable information for the benefit of customers.

Meralco's Power Lab tests appliances of various brands, and affixes an Orange Tag label that indicates each model's estimated peso equivalent of appliance usage. This purchase guide lets consumers opt for power-saving air conditioners, refrigerators, and other appliances.

THE HEART OF THE COMMUNITY

Ultimately, a true community mall offers customers more than shopping convenience. Walter Mart coordinates with groups such as schools, local government units, residential associations, and non-government organizations to host events and activities.

At the activity centers, the malls host local schools, voter registrations for the Commission on Elections, and monthly blood-donation drives by the Philippine Red Cross. "During calamities," Uy adds, "we are also prepared to serve our communities by providing temporary shelter, water, and electricity."

Walter Mart's intense commitment to its customers means it prefers not to look abroad, or even upmarket, for future expansion. "Our market has always been the Filipino middle- to mass market," Uy affirms. "That's where our niche is, and we will continue to serve those customers."

Despite the furore over the new tax laws (*See "Are the Economic Jitters from TRAIN Justified?" at powerclub.com.ph*), Walter Mart remains confident in the strength of the economy.

"Our focus is to grow locally," Uy maintains. "We believe that there's a lot of opportunity in the local market."

ONE MERALCO FOUNDATION

EMPOWERING INDIGENOUS PEOPLE

One Meralco Foundation brings solar electricity to Aeta communities

BY ESMI BARRERA

OMF President Jeffrey O. Tarayao (fourth from left) looks on as Sitio Kapitan Rodolfo Manalo (center) and Meralco Vice President and Head, Corporate Business Group Victor S. Genuino (right) preside at the ribbon cutting.

Light is fairly insubstantial; it weighs nothing. Yet its presence – or absence – is instantly felt. Its availability deeply affects people's activities, and spells the difference between making do and making the most out of one's day.

For the indigenous Aeta communities of Capas, Tarlac, studies show their living conditions keep them traditionally at low literacy levels, unemployed, and poor. Living in mountains too remote from the electric grid, light for them always came from wood fires and kerosene lamps.

That was, until a group of young college students had an inspiring immersion experience in an Aeta community, which led them to form Project Liwanag PH. This nonprofit organization seeks to improve the lives of the Philippines's indigenous peoples, by providing access to electricity and potable water, as well as assistance to increase farm productivity.

"Elsewhere in the world, electricity has been improving lives and increasing the productivity of people with access to it," explains Victor Lorenzo Villalon, Project Liwanag PH's associate director for External Affairs. "We want the Aetas to also experience the same transformation."

One of their most recent successes helped some 1,500 Aetas connect to clean, renewable energy. Working with the Manila Electric Co. (Meralco) through the One Meralco Foundation (OMF), Project Liwanag PH installed solar photovoltaic (PV) systems in eight sitios (barangay enclaves) in Barangays Maruglu and Sta. Juliana in Capas, Tarlac.

"We were moved by the group's passion about helping the Aetas," acknowledges OMF President Jeffrey O. Tarayao. "We saw this as an opportunity to encourage millennials to use their talent, energy and experience with technology to help communities move forward."

In April 2018, OMF and Project Liwanag PH held a community lighting event at Sitio Alunan to mark the installation of a 6.4-kilowatt solar PV system and peripheral equipment.

The PV system generates electricity to power basic household lights, street lamps, and the community's lone public school, Alunan Elementary School, which is attended by more than 300 Aeta students.

It also powers service outlets in communal structures, where community members can charge their mobile phones, portable lamps, radios, and other electronic devices.

Providing power to off-grid communities has long been an advocacy of the OMF (*see "Going Solar in Off-Grid North Cotabato" in the June 2018 issue of Power Club*). This is why Project Liwanag PH asked Meralco for technical advice and funding for its many projects.

Thus far, both foundations supported pilot electrification projects for other Aeta communities in Tarlac. These include Sitios Yangka and Bilad in 2015; Sitios Caoayan and Tarukan in 2016; and Sitios Balatong, Bulacan, and Settler in 2017.

"Meralco has always taken a proactive stance in helping the country achieve economic growth," declares Victor S. Genuino, vice president and head of Meralco's Corporate Business Group. "By lighting these barrios we uplift lives and hopefully, in the long run, bring inclusive growth to these underserved communities."

INDUSTRY TRENDS

REALITY BITES

The snack-food industry seeks continuous growth in a volatile market

BY NICAI DE GUZMAN

Sweet, salty, sour, or savory... snacks occupy a very special place in the hearts of Filipinos. They're between-meal treats and stand-in meals when budgets or schedules are tight.

Snacks also play an important role in our economy: According to the Statista Market Forecast , the Philippine snack-food industry is projected to generate about US$345 million (P18.63 billion) in 2018, for a 7.1-percent year-on-year increase.

Many leading local snack companies were built years after the Second World War, and throughout the decades have grown in size and market strength, competing against foreign brands here and abroad.

While no data are available specifically for the snack food industry, energy consumption by the food and beverage industry was estimated by the Manila Electric Co. (Meralco) at 1,794 gigawatts (GW) from January to August 2018 alone, or close to 18 percent higher than the 1,524.93GW for the entire 2015, and almost 9 percent more than the 1,646.65 GW in 2017. This is why any plans for expansion or increased automation are of keen interest to industry players as well as to Meralco.

TOP SNACK-FOOD CATEGORIES	GROWTH (IN PERCENT) *12 months to March 2017 vs same period in 2015*	AVE. HOUSEHOLD SPEND (IN PESOS) *12 months to March 2015*	AVE. HOUSEHOLD SPEND (IN PESOS) *12 months to March 2017*
BISCUITS	14%	1,383	1,506
SNACKS	21%	1,177	1,353
INSTANT NOODLES	3%	1,191	1,187
TOTAL SPREADS	10%	430	433
ICE CREAM	24%	381	427

Source: Kantar Worl dPanel Study

FINDING THE SWEET SPOTS

The results of a Kantar Worldpanel Study from May 2017 show a continuous increase in the consumption of in-home snack food among Filipinos. The study marks a 13-percent growth in the total snack-food category from March 2015 to March 2017.

Households with children ages 3 to 12 make up 41 percent of sales in the snack-food market. The amount spent annually on snack food in these households is about P5,449 compared to the P4,904 in child-free homes.

The local snack-food industry (salty snacks, biscuits, bakery and confectioneries) grew at a compounded rate of 8 percent in volume and 9 percent in value over the last three years, according to Michael P. Liwanag, senior vice president of JG Summit Holdings Inc. and former VP and chief strategy officer of Universal Robina Corp. (URC).

The grazing habit boosts growth for the sector. "Filipinos, especially the younger generation, tend to skip full meals," explains Liwanag. "People are more mobile now and, with urbanization, they tend to eat several times a day."

And yet, as with any other business, the snack-food industry must contend with the effects in consumption and increase in input costs brought about by the Tax Reform for Acceleration and Inclusion (TRAIN) Law. Inflation affects both the consumer and the producer, and local snack-food players must cope with the volatility.

BREAD FOR SUCCESS

Sweets can be like dessert, but breads can pack more heft. Introduced by the Spanish to the Philippines over 400 years ago, wheat flour is today fully integrated into the Filipino diet, and breads, biscuits, and pastries remain popular as snacks.

With the local appetite for bread and pastries stoked by the ubiquitous neighborhood *panaderia*, the postwar years inevitably gave rise to modern bakeries and bread manufacturers such as Marby Food Ventures.

The mom-and-pop business was started in 1977 by the parents of Marby's Chief Operating Officer, Paolo Victor Valderrama. Today's 24/7 operations from a Bulacan plant churn out more than a hundred varieties of breads and other snacks.

MICHAEL P. LIWANAG
SENIOR VICE PRESIDENT
JG SUMMIT HOLDINGS, INC.

The company's growth over the decades is built on the reputation of its sliced breads among the older generation, but to pique interest among younger consumers, Marby will improve on its snack lines.

Take Cebu's paper-wrapped traditional puff pastry, *otap*, a crisp combination of sugar, flour, shortening and coconut. "For the past two years, some of Marby's biscuits and pastries have shown increased sales," discloses Valderrama. "We're seeing a 20-percent growth, more or less, thanks to our country's growing population."

Marby is also expanding its distribution network of supermarkets and grocery stores; a task made easier from long-standing relationships with retailers and trust in the brand's heritage.

SNACKING FOR SUSTENANCE

A similar strategy is adapted by another snack-food giant, W.L. Foods, to keep costs down.

Instead of tapping a distribution agency, "we have sales people assigned to specific areas nationwide," reveals William Lim, company president and chief executive officer. "Each of them have their own retail and wholesale accounts."

This way, the company penetrates markets in Visayas and Mindanao, particularly in Iloilo and Cagayan de Oro, which generate the fastest sales growth for W.L. Foods.

When the company began in August 1986, it turned out one product, Cheez-zum, on second-hand equipment, and transported it on pre-owned trucks. It later added popular snacks such as Corn Bits, Muncher Green Peas, and Panda Biscuits.

Lim reports the snack-food line now exceeds 300 products, with corn chips, dried green peas, popcorn, candies, chocolates, and doughnuts. The company continuously experiments with varieties and flavors, and introduces 20 or so new products annually.

More and more Filipinos eat snacks in place of fresh-cooked food, their research reveals. "Instead of buying meat, fish and other staples, they buy snack food as their alternative viand," Lim asserts. "No need to buy ingredients and cook!"

This is the logic behind Q-Mi, noodles that can be eaten straight out of the pack. Another brand controls 80 percent of the instant-noodle category, but Lim feels the uniqueness of Q-Mi can stand up to the competition.

"As a snack, it's ready to eat," he explains. "But add hot water and you can eat it as cup noodles, or cook and drain it like *pansit*."

Q-Mi sells for less than P6, which makes it 20 percent cheaper than its biggest competitor. But no compromises were made for quality. "We source ingredients such as coconut oil and sugar from Filipino companies," Lim stresses. "For us, quality is more important than price."

CHANGING TASTES

Industry players must also focus on ingredients, as consumers require new flavors as well as healthier alternatives. This is why W.L. Foods remains committed to the use of non-genetically modified ingredients.

Meanwhile, sales are growing for Marby's wheat bread. "People have become ▸▸▸

PHOTOGRAPHY BY JUN PINZON, GROOMING BY ARLENE ADTO.
SNACK STYLING BY CONI TEJADA

smarter, and they are reading labels," Valderrama explains. "Business can benefit from producing healthy, instead of just novelty."

URC's Liwanag also sees growing consumer discernment. "Customers check product labels for natural or artificial ingredients. They may prefer sunflower oil over palm oil. They look at nutritional content, and take recommended serving sizes seriously."

He concedes that snack foods tend to be viewed as "junk" food, but like W.L. Foods's Lim, Liwanag says snacks that provide the same nutrition are no different from table food.

Demands for new concepts and exciting flavors promote a dynamic environment in this market. "The younger market," describes Liwanag, "is discerning and demanding, more able to travel and see what's in other markets, and more open to different flavors."

Its market dominance enables URC to buy up existing companies and brands. Over the past three years, it acquired leading New Zealand snack-food manufacturer Griffin's Foods Ltd., and Snack Brands Australia, the second-largest chips company in Australia.

URC sees the long-term potential of these acquisitions, which make the firm currently one of the largest snack-foods companies in Oceania. Liwanag notes trends in Asia that show an increased demand for better eating and snacking, "and with our anchors in Oceania, we can immediately tap platforms to introduce these brands to our main Asean markets."

In its home market, URC leads in three of five snack categories: salty snacks, with a market share of 38 percent, chocolates (25 percent); and candies (29 percent).

WILLIAM LIM
PRESIDENT AND CHIEF EXECUTIVE OFFICER, W.L. FOODS

TAXING BURDEN

Yet all this steady industry growth seems vulnerable to the economic difficulties blamed on the TRAIN law.

The bill of goods sold to the working class was that the TRAIN law's tax restructure will free up a larger portion of their income for food and other expenses. Few anticipated the way it would keep pushing up the cost of living.

It continues to reduce the purchasing power of minimum-wage earners, the D and E classes whose consumers comprise a large segment of the snack-food market. Shrinking household budgets signaled the sales slowdown in neighborhood convenience stores (*sari-sari* stores) a key distribution outlet for most snack-food makers.

"*Sari-sari* stores are where class D and E consumers shop," Liwanag outlines. "These consumers face inflationary pressures without any offset. Sales in *sari-sari* stores bring in 60 percent of our revenue, and when their business decreases, our company feels this slowdown."

Meanwhile, he adds, given the benefits of the TRAIN law to the working middle class, "the growing convenience-store segment partly offsets this impact."

Adding to the law's effects are the country's rising inflation rate and the weaker peso, which push up operating costs. URC, for example, imports 60 percent of its raw materials, such as potatoes.

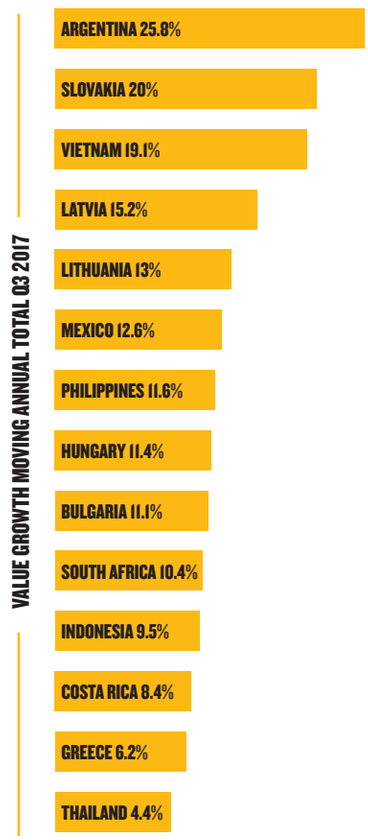
Across the industry, retail prices rose to compensate, affecting some goods from Marby, and prompting URC to adjust some of its prices based on its stock keeping unit and channel mix. With high inflation, Liwanag shrugs, "We'll just have to ride the cycle."

FOREIGN APPETITES

Certainly, zero tariffs and open borders among Association of Southeast Asian Nations member-countries compel local brands to compete with hundreds of products from its neighbors.

But this also allows Filipino brands to go abroad. W.L. Foods exports to places like Vietnam, China, Hong Kong, Singapore, and Thailand, while URC runs full-scale

WHERE SNACKS ARE SURGING



Source: Nielsen Retail Measurement Services

PAOLO VICTOR VALDERRAMA
CHIEF OPERATING OFFICER
MARBY FOOD VENTURES

operations in Thailand, Vietnam, Indonesia, Malaysia, and Myanmar.

Other challenges persist: varied tastes, dietary restrictions, cultural preferences. Spanish and American colonial influences westernized the Filipino palate. The Vietnamese favor healthy snacks and drinks, like green tea, fruit, and dried fish. Thais enjoy spicy food; Indonesians prefer a chicken flavor.

Know the difference between each market, Liwanag advises. A spicy-chicken flavor for URC's leading potato chips brand, Piattos, is a niche variant for the Indonesian market; "It might not win with Filipinos," he admits. "We need to align our brands globally, but adapt them locally."

STAYING STRONG AT HOME

The current price leader, Marby, for now, chooses to remain focused on its home market. Valderrama says it has a clear plan to gear up against fierce competition from abroad.

"How can you prepare for an incoming player you don't know much about?" he asks. "Focus on your technique, be efficient, protect your customer retention, and study ways to acquire new markets."

Marby also hopes to improve its competitiveness through increased automation. It's the same direction followed by manufacturers everywhere, and one in which the assistance and advice of Meralco plays a critical role.

Valderrama underscores the importance of his company's relationship with Meralco in keeping its 2.6-hectare Bulacan plant running smoothly. He recalls how the distribution utility provided quick assistance when the plant experienced power fluctuations. Meralco quickly provided Power Quality Improvement services, ensuring an uninterrupted energy supply that enables Marby to maintain high product quality and plant efficiency.

Meralco has similar commitments to all its customers, rendering advice and assistance to boost operational efficiency and expedite expansion. It is conducting maintenance work on one of URC's plants in San Pedro, Laguna, and providing energization support to the company's expansion plans in the Philippines.

W.L. Foods, on the other hand, enrolled in Meralco's Peak/Off-Peak Program (POP), which encourages companies to operate during off-peak hours. Scheduling energy-intensive production processes at night and on weekends, when the cost of electricity is lower, results in significant operational savings.

Despite the uncertainties posed by inflation, global competition, and consumer caprice, opportunities still abound. The demand for snack food will not wane anytime soon; a 2018 Nielsen study reports it as "a rare global growth story," worth some US$3.4 billion (P183.6 billion) in 2017.

Indeed, even Valderrama cannot ignore the lure of exporting; Marby is already considering bringing traditional Filipino snacks to overseas markets.

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