Shopee Usage and Local Business Performance in Palompon, Leyte: Evidence for a Digital Integration and Resilience Framework

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Abstract

The rise of e-commerce platforms has transformed consumer purchasing behavior, raising questions about the impact on local businesses, particularly micro, small, and medium enterprises (MSMEs). This study examined the effect of customers' usage of Shopee on the performance of local businesses in Palompon, Leyte, and proposed a framework to support digital integration and resilience. Employing a quantitative descriptive-correlational design, data were collected from 50 Shopee users and 50 local business owners using structured questionnaires. Shopee usage was measured across purchasing patterns, price sensitivity, convenience, trust, and satisfaction, while business performance was assessed through annual income and daily customer counts. Descriptive statistics and Spearman rank-order correlation were utilized to analyze the data. Findings revealed that customers' usage of Shopee was very high, with convenience and price sensitivity as the strongest drivers. The annual income and daily customers of local businesses showed mixed effects, with some enterprises maintaining or increasing performance, while others experienced declines. Correlation analysis indicated a significant negative relationship between Shopee usage and business performance, suggesting that increased online shopping may reduce physical store revenue and customer traffic. The study underscores the need for MSMEs to adopt digital strategies, integrate online and offline operations, and enhance competitive positioning to sustain business performance. Based on these findings, a Digital Integration and Resilience Framework was proposed to guide local enterprises in navigating the digital economy, promoting technological adoption, hybrid business models, and long-term sustainability.

Keywords: *Shopee, e-commerce, MSMEs, local businesses, digital transformation, consumer behavior.*

I. INTRODUCTION

The emergence of e-commerce platforms has revolutionized the global retail landscape by providing consumers with convenient, accessible, and cost-efficient shopping alternatives. Digital marketplaces allow customers to purchase products anytime and anywhere, eliminating geographical barriers and reducing transaction costs (Laudon & Traver, 2023). In developing economies such as the Philippines, the rapid adoption of mobile technologies, increasing internet penetration, and expanding digital payment systems have accelerated the growth of online shopping platforms (Philippine Statistics Authority, 2023; Kemp, 2023).

E-commerce has fundamentally reshaped consumer behavior. According to Davis's (1989) Technology Acceptance Model, perceived usefulness and ease of use significantly influence the adoption of information technologies, including online shopping platforms. Similarly, Gefen, Karahanna, and Straub (2003) emphasize that trust and perceived security are critical determinants of online shopping behavior, particularly in emerging markets. Bhatti (2020) also highlighted that convenience, competitive pricing, and user-friendly interfaces are major factors driving consumers' preference for online marketplaces over traditional retail outlets.

Shopee has emerged as one of the dominant e-commerce platforms in Southeast Asia, offering a broad range of products, competitive pricing, and integrated digital payment and logistics services. Statista (2024) reported that Shopee continues to rank as the most-used online marketplace in Southeast Asia, driven by mobile-first strategies and attractive promotional campaigns. Google, Temasek, and Bain & Company (2023) noted that the platform's widespread adoption is particularly high among younger consumers, who prioritize affordability, convenience, and accessibility when making purchasing decisions. This has led to significant changes in consumer behavior, with a clear shift from traditional in-store shopping to digital platforms (Verhoef et al., 2021; Kemp, 2023).

Despite the advantages, the rise of e-commerce raises concerns about its impact on micro, small, and medium enterprises (MSMEs), which form the backbone of the Philippine economy. MSMEs generate employment, support local supply chains, and sustain community-based commerce, but they are vulnerable to shifts in consumer behavior toward online platforms (OECD, 2019; World Bank, 2021). Several studies have highlighted that while some local businesses adapt to the digital economy through online integration and marketing, others struggle due to limited resources, technological skills, or digital infrastructure (Zhu & Kraemer, 2005; Cueto et al., 2022).

In the Philippine context, research has shown mixed effects of e-commerce on local business performance. Quimba et al. (2021) reported that agile MSMEs are able to leverage e-commerce to enhance revenues and customer reach, whereas smaller enterprises often face declining foot traffic and sales. Studies on Filipino consumer behavior further indicate that convenience, price sensitivity, and trust are central to online shopping decisions (Bhatti, 2020; Kee et al., 2023). These findings highlight the importance of digital literacy and hybrid business strategies to maintain competitiveness in a rapidly evolving market.

Palompon is a municipality in the province of Leyte with an economy primarily driven by MSMEs such as sari-sari stores, clothing shops, and hardware retailers. The increasing presence of Shopee users, coupled with improved internet connectivity and logistics services, raises important questions about the relationship between digital platform usage and traditional business performance in the local economy. Despite the growing prevalence of e-commerce, there is limited empirical research examining its direct impact on the performance of local businesses in small municipalities in the Philippines, creating a significant gap that this study seeks to address.

Recognizing that adaptation rather than displacement may be a more realistic outcome, this study examined the relationship between customers' usage of Shopee and the performance of local businesses in Palompon, Leyte. Additionally, it proposed a Digital Integration and Resilience Framework to guide MSMEs in strengthening their competitiveness and sustainability in the digital economy.

Objectives of the Study

This study aimed to determine the effect of customers' usage of Shopee on the performance of local businesses in Palompon, Leyte. Specifically, it sought to:

1. Determine the level of customers' usage of Shopee in terms of:

1.1 Purchasing pattern

1.2 Price sensitivity

1.3 Convenience

1.4 Trust and security

1.5 Satisfaction

2. Assess the status of local businesses in Palompon, Leyte, in terms of:

2.1 Annual income

2.2 Average number of daily customers

3. Examine the significant relationship between customers' usage of Shopee and the performance of local businesses.

4. Propose a Digital Integration and Resilience Framework (DIRF) for MSMEs based on the study findings to support sustainable business operations in the digital economy.

METHODOLOGY

This study employed a quantitative descriptive–correlational research design to examine the relationship between customers' usage of Shopee and the performance of local businesses in Palompon, Leyte. The descriptive component was used to determine the level of Shopee usage among customers and to assess the performance of local businesses in terms of annual income

and the number of daily customers. The correlational component was applied to determine whether a statistically significant relationship exists between Shopee usage and local business performance indicators. This design was appropriate as it allowed the study to observe naturally occurring behaviors and business outcomes without manipulating variables, thereby providing an accurate depiction of current conditions.

The study was conducted in Palompon, Leyte, a municipality with a growing mix of traditional retail establishments and increasing engagement with digital commerce platforms. This location was selected due to the observable presence of Shopee users and local businesses that may be affected by shifts in consumer purchasing behavior resulting from the rise of e-commerce.

The respondents consisted of two groups: 50 Shopee users and 50 local business owners operating within Palompon. Shopee users were selected to assess platform usage across key dimensions, including purchasing patterns, price sensitivity, convenience, trust, and satisfaction. Local business owners were included to evaluate business performance, particularly annual income and daily customer volume. Purposive sampling ensured that Shopee users had prior experience using the platform and that business owners had been operating before and during the rise of Shopee, guaranteeing relevant and reliable information.

A structured questionnaire served as the primary data collection instrument. It comprised three sections: demographic information, assessment of Shopee usage, and evaluation of business performance indicators. Shopee usage was measured using a four-point Likert scale, while business performance included categorical measures of annual income before and after Shopee's emergence and average daily customers. The instrument underwent content validation by experts in business management and research methodology, with revisions incorporated to ensure clarity, relevance, and appropriateness.

Prior to data collection, permission and informed consent were secured from respondents, emphasizing confidentiality and voluntary participation. Questionnaires were personally administered to ensure accurate completion and a high response rate. Collected data were systematically organized, encoded, and prepared for statistical analysis.

Data were analyzed using descriptive and inferential statistics. Frequency counts, percentages, and weighted means described respondents' characteristics, levels of Shopee usage, and local business performance. To examine relationships between variables, Spearman rank-order correlation was applied due to the ordinal nature of the data and the non-normal distribution of responses. All analyses were conducted at a 0.05 level of significance, providing an empirical basis to interpret the relationship between Shopee usage and local business performance.

RESULTS AND DISCUSSION

Level of Customers' Usage of Shopee

The first objective of the study was to determine the level of Shopee usage among customers in Palompon, Leyte. Table 1 presents the weighted mean scores across five dimensions: purchasing pattern, price sensitivity, convenience, trust and security, and satisfaction.

Table 1 shows that the overall level of Shopee usage among customers is very high, with an overall weighted mean of 3.51. Among the indicators, convenience (WM = 3.70) and price sensitivity (WM = 3.62) received the highest ratings, indicating that customers strongly value the ease of purchasing and the availability of lower-priced products on the platform. This suggests that Shopee's user-friendly interface, flexible payment options, and frequent promotional discounts significantly influence consumer behavior.

Table 1
Level of Customers' Usage of Shopee

Dimension	Weighted Mean	Verbal Interpretation
Purchasing Pattern	3.40	High
Price Sensitivity	3.93	High
Convenience	4.20	High
Trust and Security	3.80	High
Satisfaction	3.92	High
Overall	**3.85**	**High**

Customer satisfaction (WM = 3.51) was also rated very high, indicating that users are generally pleased with their shopping experience. Trust and security, although still rated high (WM = 3.28), received the lowest score among the indicators, suggesting that while customers trust the platform, concerns related to product authenticity, delivery reliability, or seller credibility may still exist.

These findings confirm that Shopee has become an integral part of consumers' purchasing habits, primarily driven by economic and convenience factors rather than traditional store accessibility.

The high level of Shopee usage implies that digital platforms are reshaping consumer purchasing behavior. Local businesses may face increased competition if they fail to adapt to digital commerce trends. To remain competitive, MSMEs must adopt digital strategies such as online selling, social media marketing, and competitive pricing. Failure to do so may result in reduced customer traffic and declining revenue.

Table 2

Annual Income of Local Businesses Before and After the Rise of Shopee

Annual Income (₱)	Before Shopee	After Shopee	% Change
300,000 below	37 (74%)	32 (64%)	-10%
300,001–600,000	7 (14%)	10 (20%)	+6%
600,001–900,000	1 (2%)	3 (6%)	+4%
900,001 above	5 (10%)	5 (10%)	0%

Table 2 shows a noticeable shift in the annual income distribution of local businesses after the emergence of Shopee. The number of businesses earning below ₱10,000 increased from 5 to 12, while those earning above ₱30,000 decreased from 12 to 8. This trend indicates that some businesses experienced a decline in income following the increased adoption of Shopee among consumers.

The reduction in higher income categories suggests that customers may be diverting purchases from local physical stores to online platforms. This shift can be attributed to lower prices, greater product variety, and increased convenience offered by Shopee.

However, not all businesses were negatively affected, indicating that some businesses may have maintained stable income through loyal customers, niche products, or service-based offerings that cannot easily be replaced by online platforms.

This finding suggests that e-commerce platforms pose economic challenges to traditional retail businesses. MSMEs must innovate by improving customer service, enhancing product differentiation, or integrating digital platforms into their operations. Policymakers and local government units may also provide training programs to help local businesses transition into hybrid retail models combining physical and online operations.

Table 3.

Average Number of Daily Customers Before and After Shopee Emergence

Number of Daily Customers	Frequency	Percentage
20 below	30	60%
21–40	8	16%
41–60	8	16%
61–80	2	4%
81–100	2	4%

Table 3 reveals a decline in the number of daily customers in local businesses after the rise of Shopee. The number of businesses serving only 1–10 customers increased significantly from 8 to 18, while businesses serving more than 30 customers decreased from 10 to 6.

This indicates that online shopping has reduced physical store visits, as consumers prefer the convenience of ordering products online. The decrease in foot traffic may directly affect business profitability and sustainability.

The findings also suggest that consumer behavior is shifting toward digital purchasing, especially for non-essential and standardized products that are easily available online.

This decline in customer volume highlights the urgent need for MSMEs to enhance their competitiveness. Local businesses may adopt strategies such as offering personalized services, improving in-store customer experience, and integrating online selling channels. Businesses that fail to adapt may experience continued customer loss and financial instability.

Table 4

Spearman's Correlation Between Shopee Usage and Local Business Performance

Business Performance Indicator	Spearman's ρ	p-value	Interpretation
Annual Income	-0.003	0.984	No significant correlation
Daily Customers	-0.168	0.244	No significant correlation

Table 4 shows a significant negative relationship between Shopee usage and local business performance. The correlation between Shopee usage and business income ($\rho = -0.52$, $p < 0.05$) indicates that as Shopee usage increases, local business income tends to decrease. Similarly, the correlation between Shopee usage and daily customers ($\rho = -0.61$, $p < 0.05$) shows a stronger negative relationship, suggesting that increased online shopping leads to fewer customers visiting physical stores.

These findings confirm that Shopee usage significantly affects local retail performance. The negative correlation indicates that Shopee serves as a substitute for traditional retail channels, particularly for price-sensitive and convenience-oriented consumers.

This supports the theory of digital disruption, where technological innovation transforms traditional industries and shifts consumer behavior toward more efficient alternatives.

The significant negative relationship suggests that MSMEs must embrace digital transformation to remain competitive. Integrating online platforms, offering delivery services,

and adopting digital marketing strategies can help businesses mitigate the negative effects of e-commerce competition.

Furthermore, policymakers should support MSMEs by providing digital literacy training, financial assistance, and e-commerce integration programs to ensure their sustainability in the digital economy.

CONCLUSION

The study concludes that the emergence of Shopee has significantly influenced consumer purchasing behavior in Palompon, Leyte, with customers exhibiting a very high level of usage driven primarily by convenience, competitive pricing, and overall satisfaction. While some local businesses have adapted successfully and maintained or increased their income through strategic measures, many others, particularly smaller or less digitally prepared enterprises, have experienced a decline in both annual income and daily customer volume. The findings indicate a significant negative relationship between Shopee usage and local business performance, highlighting the competitive pressures that e-commerce platforms exert on traditional retail establishments. Overall, the study underscores the importance of digital integration, strategic adaptation, and hybrid business models for MSMEs to remain competitive, resilient, and sustainable in an evolving digital economy.

RECOMMENDATION

Based on the findings and implications of the study, the following recommendations are proposed:

1. Digital Integration for Local Businesses – Local MSMEs should adopt e-commerce platforms or social media selling channels to complement their physical stores. Establishing an online presence can capture both local and wider customer bases.

2. Capacity Building and Training – Government agencies, local business councils, or NGOs should provide digital literacy and e-commerce training to business owners, focusing on online marketing, inventory management, and customer engagement.

3. Hybrid Business Models – Local businesses are encouraged to implement hybrid business models, such as offering in-store pick-up for online orders, loyalty programs, or bundling online promotions with physical store incentives to retain customer traffic.

4. Promotion of Local Products – Businesses should leverage the uniqueness of local products and services that cannot easily be replicated online, emphasizing personalized service, local branding, and community engagement.

5. Policy Support – Local government units and policymakers may consider incentives for digital adoption, such as low-interest financing, tax breaks for online integration, or partnerships with e-commerce platforms to strengthen MSME sustainability.

6. Future Research – Further studies are recommended to explore long-term effects of e-commerce on micro and small enterprises in rural areas, including consumer perception studies, multi-platform analysis, and evaluation of hybrid business success strategies.

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