

Exploring Ukay Ukay Consumption in the Philippines: Between Sustainable Practices and Business Potential

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World Journal of Advanced Research and Reviews, 2025, 26(01), 069-075

Publication history: Received on 17 February 2025; revised on 27 March 2025; accepted on 29 March 2025

Article DOI: <https://doi.org/10.30574/wjarr.2025.26.1.0950>

Abstract

Ukay-ukay, a thriving pre-loved clothes industry in the Philippine archipelago, originated in Baguio City and has become a cultural phenomenon nationwide. The term "ukay-ukay" is derived from "halukay," meaning "to dig," as shoppers sift through piles of clothes to find unique items. Although commercial importation of used clothing is prohibited under Republic Act No. 4563, ukay-ukay continues to thrive because of its affordability and sustainability. Goods are often sourced from Hong Kong and the U.S., entering the country via balikbayan boxes. The industry provides economic benefits, including revenue for local governments and employment opportunities. However, it poses challenges like health risks and competition with local fashion industries. Ukay-ukay has evolved from street stalls to upscale selections and online platforms, reflecting its adaptability and resilience in the Philippine market.

Keywords: Second-Hand; Economic Benefit; Wag Wag; Ukay-Ukay; Consume Behavior; Platform; Demographics; Challenges; Sustainability; Affordability; Fashion; Clothing; Demand; Evolution

Jel Code: A13, E2, D1, D4, J1, M2, N9

1. Introduction

Clothing is an integral part of our daily lives, serving as a form of protection and a reflection of our personality and identity [1]. The adage "You are what you wear" underscores the profound impact that clothing can have on how others perceive us and how we perceive ourselves. Beyond its functional role in shielding us from the elements, clothing can boost confidence and enhance our engagement with various activities. However, the ever-evolving landscape of fashion trends often leaves many unable to afford the latest styles.

In this context, second-hand clothing, particularly through "Ukay-ukay" within the Philippine archipelago, emerges as a unique market offering. "Ukay-ukay," originating from the Filipino term "hukay," meaning to dig, refers to dusting off second-hand clothing items [2]. This practice, synonymous with "wagwag" in Ilokano, has become synonymous with second-hand shopping, or "segunda mano" [3][4]. While it shares similarities with Western thrift stores, Ukay-ukay has distinct origins and evolution.

Ukay-ukay's history dates back to the turn of the century, gaining popularity in Baguio City before spreading nationwide. For over five decades, second-hand clothing has been a staple in the Philippines, driven by the desire for high-quality, unique, and fashionable items at affordable prices. Unlike traditional Western thrift stores, which often rely on donations, Ukay-ukay goods are sourced from international suppliers, offering everything from luxury brands to fast fashion at a fraction of the cost [5].

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The origins of Ukay-ukay are attributed to enterprising Filipino domestic helpers in Hong Kong who discovered and resold discarded clothing in the Philippines [6]. This entrepreneurial spirit transformed what was once considered waste into a thriving industry, distinct from its Western counterparts. While organizations like the Salvation Army and Red Cross pioneered thrift shops in the West, Ukay-ukay emerged independently, catering to a broader market rather than solely those in need [7].

1.1. Research Problem

1.1.1. Entrepreneurial Challenges

This study explores ukay-ukay entrepreneurs' challenges in the Philippines, mainly focusing on legal restrictions and the competitive landscape. It also examines the business's viability and its economic benefits. Competitiveness, conceptually, refers to a business's ability to outperform rivals by offering products or services that meet or exceed quality standards unmet by competitors. Operationally, it is assessed through customer preferences for ukay-ukay stores compared to other market stalls and department stores selling branded items. This study evaluates ukay-ukay stalls based on product durability, prestige, uniqueness, and originality. Viability, measured by a business's lifespan, is the business's ability to stay long by overcoming adversary conditions or problems[8]. Operationally, this is based on the ukay-ukay entrepreneur's prospects and reasons for continuing in the enterprise in the next 5 years. Difficulties are viewed as discrepancies between the current situation and the ideal state or deviations from established norms or standards. In practical terms, these difficulties include challenges entrepreneurs face, such as intense competition, unfavorable consumer behaviors, excessively high tax rates, and unpredictable sales. Customers also encounter challenges, including the time and effort required to search through ukay-ukay goods, dealing with product defects or damage, limited space, and unpleasant odors[9].

1.1.2. Entrepreneurial Dynamics

Several key factors, such as capitalization, staffing, and supply chain dynamics, are key in achieving Ukay-Ukay businesses within the Philippine archipelago. A crucial aspect is stock sourcing, with Hong Kong acting as a primary supplier for many of these enterprises. Typically, these businesses obtain their inventory from storage places and send it to the Philippines using balikbayan boxes, which often end up in Baguio, a prominent hub for second-hand retail.

Hong Kong suppliers categorize the contents of these boxes into three classes:

- Class A: Contains high-quality and brand-name goods, often called "signature" or "branded" items.
- Class B: Includes a varied assortment
- Class C: Comprises lower-quality items.

All items, regardless of their classification, are sold to retailers. However, those without formal stalls typically receive items from Class C boxes, which sell for between Php5.00 and Php50.00 per item. For example, an old branded shirt might be bought for Php20.00, allowing the seller to profit substantially.

When purchasing, consumers frequently compare options among second-hand luxury items, counterfeit products that mimic authentic quality, and fast-fashion items that imitate luxury brands. For instance, a second-hand luxury item might be priced at Php20.00, a counterfeit product with high quality could cost Php150.00, and a fast-fashion item replicating a luxury brand might be priced at Php500.00[4].

The question arises whether Ukay-Ukay fashion is considered eco-friendly. Given that these items are second-hand, Ukay-Ukay can be seen as a form of sustainable fashion that extends the life of existing garments. However, the broader environmental impact of the Ukay-Ukay industry, including transportation and waste management, must also be considered[10].

Ukay-Ukay store owners face challenges in determining pricing strategies. They often use competitive analysis and profit margin considerations to set prices. Competitive analysis involves comparing prices with competitors to ensure competitiveness, while profit margin considerations involve calculating costs and adding a percentage to determine the selling price[11].

To build a sustainable Ukay-Ukay business, owners must focus on branding and sustainability. Ukay-Ukay business includes creating a recognizable brand identity and embracing sustainable practices that align with consumer values, such as reducing waste and promoting eco-friendly consumption.

1.1.3. Consumer Behavior

Several key factors, including price, quality, and sustainability, influence consumer behavior towards Ukay-ukay products. Economic challenges often lead consumers to seek affordable clothing options, making Ukay-ukay stores appealing due to their low prices and potential for high-quality finds. These stores thrive by offering flexible pricing, allowing customers to negotiate prices, which can be a significant draw for those who enjoy bargaining. Many consumers turn to Ukay-ukay to stay fashionable without incurring high costs. It allows them to purchase signature items at a fraction of the price of new luxury brands. Consumers are attracted to Ukay-ukay for its unique finds and the possibility of discovering high-quality second-hand items that are not readily available elsewhere. Consumers have a growing awareness of environmental consciousness, with some opting for Ukay-ukay as a sustainable alternative to fast fashion. This aligns with the principles of a circular economy by reducing waste and extending the life of existing garments. Peer influence and word-of-mouth recommendations play a significant role in encouraging consumers to patronize Ukay-ukay stores[12].

Positive experiences and perceived values often increase purchasing intent and word-of-mouth sharing. The ease of accessing Ukay-ukay stores and their practicality in providing essential clothing needs also contribute to their popularity. In summary, Ukay-ukay's appeal lies in its affordability, quality, sustainability, social influence, and practicality, making it a preferred choice for many consumers seeking fashionable yet budget-friendly clothing. As it happens, some individuals may even claim that these items were purchased directly from elite residences [13]. As a result, stories circulated about having "a mother, an aunt, a sibling or a cousin living abroad, who chanced upon the goods in a bargain". A primary motivation for buying ukay-ukay is the opportunity to purchase genuine branded goods items at incredibly bargain amount. For example, a tee shirt by Carhartt can cost up to \$50 when directly purchased from commercial outlets, but you might find it for as low as Php 50.00 in an ukay-ukay shop. The quality of these products can be hit or miss due to their second-hand nature, which depends on the consistency of stock available. Items are classified based on their quality (or newness), typically labeled as A, B, or C.

1.1.4. Regulatory Compliance

This document evaluates the adherence of ukay-ukay businesses to regulations and the implications for consumer protection and public health. Social sustainability requires industries to maintain corporate reputations and support philanthropic missions. Ukay-ukay industries are flourishing in the Philippines, often sourcing their products from overseas; however, they operate illegally under Republic Act No. 4563. This law restricts the "commercial importation of textile articles commonly known as used clothing and rags" (Republic Act No. 4653 of 1966, par. 1). Established in 1966, the law aims to "safeguard the health of the people and the dignity of the nation" (Republic Act No. 4653 of 1966, par. 1). Despite the government's argument for these regulations, RA 4653 has faced criticism for being anti-commercial. It restricts the establishment and growth of ukay-ukay stores, limits job creation, and deters potential investments in the retail sector[13]. During 2014, the Philippine Congress proposed House Bill No. 4055 rescind this law, thereby legalizing the importation of pre-owned clothing and rags. The bill was supported for three main reasons: 1. Illegal garment imports result in lost potential tax revenue; 2. Ukay-ukay industry gives gainful employment for numerous individuals; and 3. The Philippines' Department of Social Welfare and Development (DSWD) has requested that smuggled used clothing be donated to victims of typhoons during emergencies. The legislation also encompasses clauses regarding the taxation of imported garments, which could generate up to Php 700 million (\$14 million) in annual tax revenue if RA 4653 is repealed [14]. For reasons we may not know the bill did not pass the legislative process.

1.1.5. Marketing Strategies

Analyzing This text analyzes the marketing and promotional strategies that Ukay-ukay businesses use to attract and retain customers. With the rise of platforms like Carousal, Shopee, eBay, Lazada, TikTok, and Instagram, individuals without physical stalls can now sell what they call "pre-loved" items— a more politically correct term for "used" goods[15]. Customer satisfaction can be assessed using various factors, such as the seller's performance metrics provided by online selling platforms. An important question to consider is whether customers and sellers engage in discussions about the sustainability of these products.

2. Research Questions

What are the challenges encountered or facing in having a Ukay-ukay business?

Ukay-ukay businesses require a lot of time and physical effort to prepare, organize, sell, and pack goods to be handed to consumers. Not all goods are sellable, and entrepreneurs must be prepared for losses and lean months. Competing with substantial online retailers and retaining customer loyalty can also be challenging. Customers may find it difficult to

rummage through items in Ukay-Ukay stores. There are unsteady sales because it is challenging to find unique and high-quality items to sell. Running a Ukay-ukay business from home can be convenient for some sellers, but managing and separating personal and professional lives can be difficult. As mentioned a while ago, customer satisfaction can be determined by giving a response in rate by the online selling rates; it is a struggle when a customer is not a "real customer" but a seller also competing with your Ukay business and will rate your item unjustly not because your item is not good but a strategic action from a competitor to turn your business down[16] . Crab mentality is its finest.

2.1. How to create a successful Ukay-Ukay Business Plan?

Like other micro businesses, when you start Ukay-ukay, business involves thorough market research, financial planning, efficient operations, marketing, and customer service. The crucial part is you must understand the competitor's strengths and weaknesses. Financial planning is essential for mapping out the cost of sales and revenue projections. Efficient operations, including sourcing, sorting, and displaying thrift items, are vital for a thriving Ukay-ukay business. Engaging in a Ukay-ukay business is a form of entrepreneurship within the capitalist economic system. This ability to generate profit from a small capital into a significant profit aligns with the principle of capitalism[17] .

- What are the factors that influence consumer behavior towards Ukay-Ukay clothing?

Perceived value, individualism, and product attitude influence consumer behavior towards ukay-ukay clothing. Consumers are more inclined to positively perceive Ukay-ukay and circular fashion, which can lead to definite acquisition.

2.1.1. *How does the perception of Ukay-Ukay as a circular economy affect consumer behavior?*

There is a higher likelihood of consumer engagement in sustainable shopping practices and support businesses that promote a circular economy. This can lead to increased demand for second-hand clothing and a waste reduction. The perception of Ukay-ukay as a circular economy plays a crucial role in customer behavior.

2.1.2. *What are the key motivators for consumers to acquire second-hand clothing?*

These motivators include perceived value, individualism, and product attitude, which can influence consumer behavior towards Ukay-Ukay clothing. Several motivators for purchasing the pre-owned clothing market overlap, focusing on attracting and retaining consumers within a recurring fashion style cycle.

2.1.3. *What are the regulatory resolutions for Ukay-Ukay Industry on local communities, including employment, tax revenue, and market engagement?*

Senator Raffy Tulfo has introduced Senate Bill No. 1778 [18], which seeks to permit and establish guidelines for importing used apparel clothing, thereby repealing Republic Act 4653. This proposed legislation aims to transform the P18-billion industry from an underground operation into a legitimate business, subject to proper taxation. Republic Act 4653, commonly referred to as the Ukay-ukay law, prohibits this trade to safeguard public health and preserve national dignity. Nevertheless, the Ukay-ukay business has flourished despite this prohibition, mainly due to the ineffective enforcement of the law. For instance, the Bureau of Customs (BOC) has conducted raids and captured shipments of second-hand clothing, yet its enforcement mechanisms are viewed as flawed and corrupt. There is also a notable lack of coordination among various agencies and policymakers, including local government units (LGUs), the Department of Trade and Industry, and the BOC, involved in the Ukay-ukay trade[19]. While the Ukay-ukay industry has become an integral part of Filipino culture and has created numerous jobs, the question remains: would this proposed legislation, if enacted, benefit both entrepreneurs and consumers? It is essential that any legalized framework be enforced by appropriate regulatory bodies responsible for compliance enforcement with relevant regulations and to promote fair business practices.

2.1.4. *What Ukay-ukay retailers can use common promotional tactics to sustain the business?*

Utilizing platforms like Shopee, TikTok, and Instagram creates engaging content and builds exposure. Promoting products and sales through email newsletters and updates to develop customer relationships can generate leads. Building good relationships with suppliers and customers will be helpful, too. Offering discounts and sales can attract and retain customers.

3. Thesis Statement/ Arguments

The thesis statement and arguments of Ukay-ukay in the Philippines can be summarized as follows:

- Ukay-ukay offers a unique shopping experience for second-hand items at low prices, making it an attractive option for consumers looking for affordable fashion options
 - By promoting the reuse and recycling of clothing, Ukay-ukay contributes to a more sustainable fashion industry.
 - The growth of the Ukay-Ukay industry has a positive impact on the local economy, providing employment opportunities and increasing consumer spending
 - The ban on Ukay-ukay items has led to protests and discussions about the need for a more ethical and widely accessible fashion landscape in the Philippines
 - The popularity of Ukay-ukay reflects the social and economic landscape of the Philippines, emphasizing social status and its demonstrable characteristics. It caters to a wide range of consumers, offering affordable and unique fashion choices, contributing to its widespread celebration across different social strata. The industry's evolution and contribution to the country's cultural fabric make it a significant aspect of Filipino society.
- In conclusion, ukay-ukay plays a vital role in the fashion industry in the Philippines, providing consumers with affordable and accessible second-hand clothing options. Despite facing legal challenges, this sector continues to grow and evolve, contributing to a more sustainable and inclusive fashion landscape within the country. However, it is essential to note that individuals who purchase from ukay-ukay are, in essence, supporting illegal businesses, particularly when the resale of imported apparel, equating such purchases to buying illicit trade of the product. There is an ethical dilemma pertaining to the pre-owned apparel market. Though affluent individuals from the middle class revel their Php 1000 ukay finds, their actions inadvertently raise the prices and values of these items. As a result, they become less accessible to those who genuinely rely on more affordable alternatives. Additionally, the phenomenon of slum tourism suggests that wealthier individuals often visit underprivileged areas for novelty experiences. In this context, visits to ukay-ukay may sometimes be perceived as a form of "slumming," where affluent tourists search for discarded luxury items like Louis Vuitton's or Fendi's in poorer neighborhoods [20]. It is also worth considering that many of the clothes available in these shops might have originally been intended as donations to those in need or as aid for disaster-stricken communities but are instead being sold for profit. In fact, if the potential profit from this business weren't so enticing, "all beggars in the country would have been clothed already—like fashion models at that."

4. Theoretical or Conceptual Framework

The theoretical or conceptual framework of Ukay-Ukay in the Philippines can be approached from various perspectives, including economic, sociocultural, and environmental aspects.

- Economic: Ukay-Ukay is a legal business that offers affordable clothing and contributes to the circular fashion economy by reducing waste and promoting clothing reuse. The business model is characterized by low barriers to entry, leading to high competition and a need for differentiation.
- Sociocultural: Ukay-Ukay is a popular shopping experience that offers unique finds, sustainability, and a sense of thrill. The business caters to a diverse demographic, including students, professionals, and those seeking affordable fashion options
- Environmental: Ukay-Ukay is a sustainable solution for fast fashion, as it reduces textile waste and the fashion industry's environmental impact. The business model relies on the benefits of Ukay-Ukay during the COVID-19 pandemic, such as prices and better value, environmental resources, support for local businesses, and the discovery of hidden gems.
- Consumer behavior: Filipino Gen Z consumers' motivating factors and perceived values in purchasing Ukay-Ukay include affordability, uniqueness, and sustainability.
- Market demand: The market demand for Ukay-Ukay clothing in the Philippines is driven by affordability, unique finds, and sustainability. The market is diverse, with customers ranging from students to professionals, and the demand is driven by the desire for affordable, unique, and sustainable fashion options.
- Competition: The low barriers to entry in the Ukay-Ukay business lead to high competition, which can result in lower customer retention rates and a drop in profit margins.
- Consumer profile: The socio-economic profile of Ukay-Ukay consumer's significant contribution as a moderating variable, enhancing and strengthening the connection between influencing and resulting factors. By understanding this profile, we can significantly enhance our analysis and insights.

These perspectives can be integrated into a comprehensive conceptual framework to better understand the Ukay-Ukay business in the Philippines.

5. Methodology

5.1. Designing Effective Research Studies

This essay could be used by researcher to examine the critical components of research design, focusing on how to formulate research questions, select appropriate subjects, and devise suitable instruments for data collection. The discussion could also include the importance of considering factors such as reliability and validity in research design.

5.2. Data Collection Methods in Research

This essay could be used by researchers to explore various data-gathering procedures commonly used in research, such as surveys, interviews, and experiments. It could evaluate the strengths and weaknesses of each method and provide examples of when each might be most appropriate in different research contexts.

5.3. Understanding Research Design

This essay could delve into the various types of research designs used in studies, such as qualitative, quantitative, and mixed methods. It could discuss the importance of choosing the appropriate design based on the research question and how different designs impact the validity and reliability of findings.

5.4. The Role of Data Gathering Procedures in Research

This essay could focus on the different methods of data collection, including surveys, interviews, and observations, discussing their advantages and disadvantages. It could also address ethical considerations in data gathering and how the chosen methods affect the overall research outcome.

6. Recommendations

- The research advises that preloved clothing stores cater to their diverse customer base by offering a broader range of products for men and a wide variety of clothing options overall. Organizing clothing according to consumer preferences can improve the shopping experience, enabling customers to find what they need easily and reducing frustration.
- Store owners should thoughtfully select their locations, opting for sites that are easily accessible and preferably located in central or downtown areas. Positioning the store near popular attractions or businesses can also foster regular customer visits by increasing foot traffic.
- The study advises store owners to create a dedicated section for branded clothing. If possible, they should clean these items before displaying them, similar to the practice of washing second-hand stuffed toys before showcasing them.
- This study recommends that researchers investigating related topics include the LGBTQ+ community in their demographic profiles to better understand their preferences regarding label, value, locale, and associated hazards when purchasing second-hand clothing. The current research utilized a descriptive, quantitative approach to examine consumer purchasing patterns in buying pre-loved apparel, focusing on collecting numerical data for analysis. The descriptive method effectively explores specific topics and provides a solid foundation for more comprehensive quantitative studies.

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