



Country factsheet - March 2015

# Japan



**landmark global**  
a bpost company

The land of the rising sun has one of the most attractive online economies and its maturity only accentuates this attractiveness. These key figures raise awareness of the size of the e-commerce market offered by Japan:

- A population of 127.3 million inhabitants
- An Internet penetration rate of 86.2% (over 109 million Internet users)
- Number four country in the world in terms of e-commerce revenue (number one country in the APAC region until 2013)
- 75% of the population has already made an online purchase
- 89% of e-shoppers have already engaged in m-commerce
- 20% of e-shoppers order on foreign sites

## 1. The consumer

The distribution of the Japanese population across the generations strongly centers on two segments: the largest bracket is the 24 to 54-year-old age range (38.3%), while 24.8% of the population is over 65. It is also interesting to note that **92% of Japanese consumers live in urban areas.**

The tendency to engage in e-commerce is equal among both men and women. However, when analyzing the frequency of purchases, women make up the 20% that most frequently shop online, doing so between three to five times a week. The general average is once a month, but it should be highlighted that e-commerce is already strongly anchored in local customs as it **constitutes the second favorite online activity of the Japanese, coming just after the exchange of emails.**

### Preferences of Japanese e-shoppers and local peculiarities

**Credit card** is by far the most popular payment method among Japanese e-shoppers. **71%** of them use one to pay for their online purchases. And, as in many markets, **clothes, shoes** and **accessories** are the most popular products bought on the web. It should be noted that food items do very well in Japan, generating 4.2 billion euros in 2013, despite the well-established habit of making frequent purchases in convenience stores, which are typical in Japan.

To attract Japanese consumers, e-tailers need to position their range well and establish a coherent pricing strategy, preferably one that is **either expensive or very cheap**. Mid-priced items actually don't do so well in Japan. **Consumer choices** made by the Japanese are made **based on** two criteria, either **social status** or **functionality**. In the first instance, they tend to choose products positioned as top of the range, to fuel a desire for exclusivity. In the second, they focus on the lowest prices.

**4,2**  
billion euros  
of food purchases  
in 2013

Another peculiarity is that **the meaning of colors is a more sensitive issue than it is in the West**. It is therefore important to be aware of this and to pay attention to web design choices, for example. In Japan, red doesn't represent danger or anger, but luck. Mauve is associated with danger. Given that the Japanese also place a lot of importance on the trust that they can have in a brand, it is important for e-tailers to consider color codes in their communication with this audience.

### E-shopping – why and how?

**Price** is an important element in the e-shopping experience in Japan. It is the main criteria for choosing a webshop and is also the main reason given for engaging in e-commerce.

After this, it is the advantage of accessibility at any time (unlike the limited opening hours of traditional shops) and the exclusivity of products that leads the Japanese to shop online.

Three criteria for choosing a webshop:



For those who still avoid engaging in e-commerce, it is the **absence of physical contact**, a simple **lack of interest** and **concerns over the secure payment** that holds them back.

## 2. The market

E-tailers who wish to carve themselves a place in this market should keep in mind that despite a definite interest in Western products, especially if they play on the novelty factor, they need to provide a local touch and pay attention to the **attractiveness** and **beauty** aspects. For the obvious SEO reasons, the possibility of having a domain name made up of Japanese characters should be seriously considered, or at least a domain name ending in .jp.

### The country of Rakuten

Anyone thinking of Japanese e-commerce will immediately think about Rakuten. The country is in fact the fief of the international giant often compared to Amazon; proof of this lies in the fact that 80% of Japanese e-shoppers have an account with the company. In the market since 1997, Rakuten has been able to diversify its activities and now has **around 40 different businesses**, ranging from the widely recognized e-commerce site to banking, travel and online securities brokerage services. It even owns a professional baseball team.

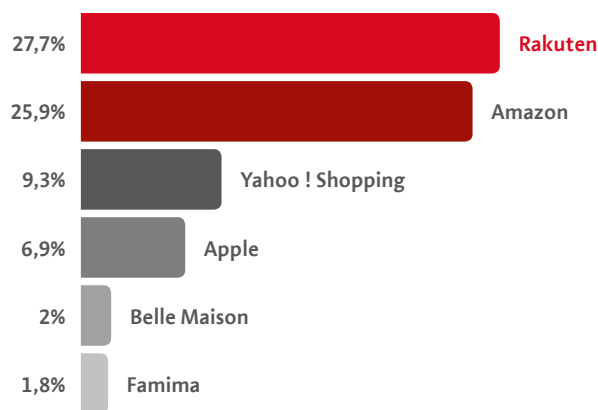
**80%**  
of Japanese e-shoppers  
have a Rakuten account

Following the trends very closely, it can be seen that the group's focus for the coming years centers on two areas: the international market and mobile. The first of these has led Rakuten to make acquisitions, including those of **Buy.com** (U.S.), **Priceminister** (France) **Kobo Inc** (Canada) and also joint venture models, as it has invested in **Pinterest** and **Ozon.ru**. When it comes to mobile sales, Rakuten was already making 40% of its clothing sales via smartphones in 2013 and has decided to increase the number of photos that can be loaded when surfing on a mobile, particularly for the categories of clothing and shoes.

### The other main players

**Rakuten** therefore has a comfortable position in the Japanese market but other local players have also carved themselves out a place, as shown below. In fact, despite their name, **Famima** and **Belle Maison** are actually local players. Famima comes from Family Mart, a chain of local convenience stores that is one of the few to have succeeded in their conversion.

#### Market share of the largest e-tailers in Japan:



It should be emphasized that two U.S. sites have a presence high up on the Japanese podium. When it comes to the local offering, despite having a large market share, the **traditional Japanese retailers** have been reticent to make the leap to e-commerce, as they are comfortably established in a privileged position within their traditional environment. They also admit they are **lagging behind by about 10 years** (as acknowledged by Seven&I Holdings, the mother company of the famous 7-Eleven stores).

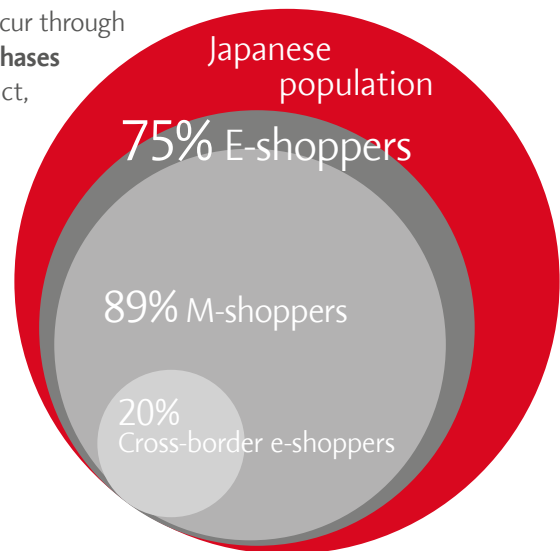
These retail players have minimized the importance of an online conversion to give priority to what they do best: optimizing the locations of their points of sale, their range of products and the point-of-sale experience. Now, to ensure online success, the focus needs to be on fulfillment and logistics.

### 3. Trends

#### Cross-border indirectly stimulated by different factors

In Japan, cross-border e-commerce is still relatively unexploited and centers around the U.S. and China. However, given the current efforts of several stakeholders to **encourage international payment methods**, it is extremely likely that cross-border purchases will benefit from this development.

It must be added that forecasts indicate that e-commerce growth will mainly occur through an **increase in the amount of purchases per consumer**, of 5% per year. In fact, there is no doubt that the lack of local enthusiasm will encourage Japanese e-shoppers to search for products on foreign sites.



#### Brands will need to go looking for their consumers

As shown previously in our analysis, the trust factor is extremely important for Japanese consumers.

To assess the trust that they can place in a brand, they will first of all have to look for these brands. **It is therefore incumbent on brands to work on their visibility in Japan** to ensure they do not miss out on engagement with their audience.

The most visible and popular brands will be those that encounter most success on the Japanese market.

This is the reason why micro-blogging sites such as Twitter will continue to significantly increase their penetration rate in the country. In fact, although a very rare phenomenon, **in Japan the number of Twitter users is on a par with the number of Facebook users** (36% for the former and 39% for the latter).

It should also be noted that **the social networks are mainly used to receive promotions and win free products**.

As this analysis enables us to understand, a foray into the e-commerce market in Japan is not a trivial undertaking; the rules of the game are very specific. However, for e-tailers who know how to take ownership of them and play the game strategically, a rich, booming market is just a click away.

Sources:

European B2C E-commerce Report 2014, E-commerce Europe  
CROSS-BORDER ECOMMERCE REPORT, Japan, 2014, The Paypers  
Slide share presentation : The state of Japan e-commerce market, WEB business division Ryohin Keikaku Co., Ltd.  
December 12th, 2013  
<http://www.euromonitor.com>  
<http://www.internetworldstats.com/top25.htm>  
<http://en.wikipedia.org/wiki/Rakuten>  
<http://mckinseyonmarketingandsales.com>  
<http://www.pfsweb.com/>  
<https://www.internetretailer.com>  
<http://ecommerce.about.com>  
<http://www.ekosglobal.com>