eCommerce to Japan


Amane Kaneko
Business Development Manager
Austrade Tokyo
HOW TO ASK QUESTIONS

1. Select questions function

2. Type your question here

3. Press ‘Send’
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ECOMMERCE CONTINUES TO GROW AROUND THE WORLD

Source: eMarketer
ECOMMERCE IN JAPAN ALSO GROWING

Source: Ministry of Economy, Trade and Investment  Japan
WHAT JAPANESE PEOPLE ARE BUYING ONLINE

TOP 5

1. Apparel and footwear
2. Food and drink
3. Consumer electronics
4. Beauty and personal care
5. Housewares and home furnishings

Source: CommSource
CHARACTERISTICS OF THE JAPANESE MARKET

MUST-DOES FOR THE JAPANESE MARKET

• Localise your website
• Japanese language use is a must in answering questions, both telephone and email form
• Positive reviews
• Optimised for smartphones
• Logistics tracking
RAKUTEN

• Shopping is entertainment”
• Websites shows the ‘world’ of the shop owner
• Non-standardised page look

• Open system: shop owners manage inventory, logistics, payment

AMAZON JAPAN

• Purpose buying
• Standardized page look
• Closed system: logistics, freight forwarding
WHY DO YOU NEED A SERVICE PROVIDER?

• Services include:
  ✓ localization of website
  ✓ responding directly to queries (both telephone and email) in Japanese
  ✓ assisting with transfer of sales
  ✓ ability to analyse Japanese consumer segments
  ✓ consulting in general how to sell on eCommerce in Japan

Do you have the ability to conduct all of this from Australia?
BUILDING YOUR EXPORT STRATEGY

• Think about:
  › Your total export strategy for your brand
  › Where and how does eCommerce fit into this?

  › eCommerce: brand must have a strong corporate philosophy and good story that can be clearly shown in several screen shots

  › IMPORTANT: If your product/brand already has a Japanese importer, first discuss with them their strategy regarding eCommerce
ANY QUESTIONS…

- Contact:

- Amane Kaneko
- Business Development Manager
- Austrade Tokyo
- Amane.Kaneko@austrade.gov.au
Reaching 100 Million Japanese Shoppers on Rakuten Ichiba

Reid Wegner
Merchant Development Manager, Overseas Sales Strategy

Ken Kayama
Assistant Manager, Overseas Sales Strategy
Agenda

1. Rakuten Introduction
2. Japan eCommerce Market Overview
3. Cross Border eCommerce In Japan
4. Content Considerations
5. Rakuten Cross Border Overview
6. Achieving Success
7. How To Get Started
Rakuten Japan Marketplace Overview

105.9M persons

$81.5B (AUD)

44,201 merchants

15.6M persons

25.0% *as of Jan 31, 2006

60.0% *as of Jan 31, 2015
Rakuten – Global Businesses
Japan eCommerce Market Overview
B2C eCommerce Sales Worldwide (AU $B) – Forecast

Source: eMarketer
Japan B2C eCommerce Sales (AU $B)

+13.2% CAGR

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (AU $B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>AU $99.22</td>
</tr>
<tr>
<td>2011</td>
<td>AU $107.77</td>
</tr>
<tr>
<td>2012</td>
<td>AU $121.20</td>
</tr>
<tr>
<td>2013</td>
<td>AU $142.25</td>
</tr>
<tr>
<td>2014</td>
<td>AU $163.03</td>
</tr>
</tbody>
</table>

Source: Japan Ministry of Economy
Smartphone Penetration

Japan B2C eCommerce Share of Orders by Device Type

Sources: eMarketer, Japan Ministry of Economy, Trade and Industry
Popular Payment Methods In Japan

- **Credit / Debit Card**: 71%
- **Convenience Store / Cash On Delivery**: 18%
- **Direct Debit**: 4%
Rakuten Ichiba Market Share

Nearly 1/3 of all B2C eCommerce in Japan is through Rakuten!
FIGURE 5
Global Cross-Border Shoppers Strongly Prefer Online Marketplaces, With SMEs Trailing

“When making an online purchase of physical items from a merchant outside your country of residence, which types of businesses do you prefer to shop with? Rank 1 (prefer most) through 5 (prefer least).”

Scale

Low preference

4.4
Niche retailer website

3.7
Small or medium-size independent retailer

3.2
Major brick-and-mortar retailer website

2.7
Brand/manufacturer-owned website

1.8
Multibrand online retailer or marketplace

Average rank

Base: 6,148 global online shoppers
Source: A commissioned study conducted by Forrester Consulting on behalf of FedEx, September 2014
Drivers for Cross Border Shopping

- Safe Way To Pay: 47%
- Customer Support In My Language: 40%
- Free Shipping: 40%
- Proof Of Product Authenticity: 38%
- Costs Shown In Local Currency: 36%
- Low Transaction Fees: 33%
- Can Find Items Which Are Hard To Find Locally: 31%
- Website Available In My Language: 31%
- Visible, Trusted Payment Logo: 26%
- Lower Overall Cost To Buy Items From Another Country: 25%
- Offers My Preferred Way To Pay: 25%

Source: PayPal
Cross Border eCommerce In Japan
Survey: Top Reasons for Buying Cross Border

- Access To Items Not Available In My Own Country: 58%
- Better Prices: 35%
- I Can Use My Preferred Payment Method: 27%
- More Variety / Availability Of Products / Styles / Sizes: 27%
- I Can Discover New And Interesting Products: 27%
- Trust In Product Authenticity: 25%
- Reputation Of Online Store: 20%
- Website Is Available In My Preferred Language: 16%
- Higher Product Quality: 16%
- Returns Policies Are Generally Better: 15%

Source: PayPal
Example: Size Availability

In the US, a small number of buyers fall into this size range. Selling at 55% off.
Average Female Shoe Size

US = 8.5

JP = 23.3cm (US 6.5)

Sources: National Shoe Retailers Association
Japan National Institute of Advanced Industrial Science and Technology
Example: Not Available in Home Market
Example: Better Price via Cross Border

The same item sells for AU $149 in Australia vs AU $690 in Japan
Japan eCommerce Market Share by Category

- Clothing & Apparel: 18.8%
- Books, Videos, Music: 13.2%
- PC & Consumer Electronics: 18.7%
- Furniture & Home Goods: 17.0%
- Food & Beverage: 17.5%
- Other Automotive: 3.3%
- Office Supplies: 2.6%
- Cosmetics & Pharmaceuticals: 6.5%

Popular Cross Border Categories

- Clothing & Apparel
- Children / Maternity
- Books, Videos, Music
- Food & Beverage
- Toys & Hobbies
- Cosmetics / Pharmaceuticals
- Consumer Electronics
- Sporting Goods
- Home Improvement
- Furniture & Home Goods

Sources: Japan Ministry of Economy, PayPal
Popular Brands on Rakuten Ichiba

FURLA  MANGO  FOREVER 21  dyson  BURTON  Electrolux

THE NORTH FACE  Abercrombie & Fitch  adidas  Disney  HARLEY-DAVIDSON  REVLON

DIESEL  LEVI'S

BIRKENSTOCK  BURBERRY  GODIVA  kate spade  new balance  TOMS

patagonia  crocs  TUMI

NIKE  UNDER ARMOUR  Coleman

CONVERSE

UGG  lenovo  OROTON

Ralph Lauren  Kiehl's  COACH  asics  BOSE
Identifying Cross Border Opportunities

- Use web analytics to identify existing cross border visitors.
- Research local competitors in markets you’re considering.
- Brand manufacturers have the most control over pricing and product selection.
- Keep an eye on exchange rates to ensure competitive pricing.
Content Considerations
Content Considerations

• Don’t just translate English product descriptions – localize!
• Use high quality images / video.
• Make sure content is optimized for mobile.
• Leverage user generated content.
• Weights and dimensions in metric units.
• Apparel sizing conventions vary by country.

99% of population speak Japanese almost exclusively.

Over 50% of orders are from mobile devices.
Localized Content Targets Japanese Customers

- “Clean” design
- Simple photos
- Basic product info
- 2 screens long
Japanese Shoppers like Rich Content

- “Busy” design
- 35 photos
- Detailed product info (design schematics, instructions for use, cleaning instructions)
- 11 screens long
Rakuten’s Cross-border Program Simplifies eCommerce in Japan
New Markets Bring New eCommerce Challenges

- Establish local business entity and bank account
- Design a Japanese storefront on Rakuten Ichiba
- Translate product catalog and brand assets
- Prepare for ongoing eCommerce operations in Japan
- Run local marketing campaigns
- Accept international payments
- Manage a new set of inventory and orders
- Ship products internationally
- Handle customer service in Japanese
1. Customers shop on the Rakuten marketplace in Japan
2. Rakuten orders go to merchant in Australia
3. Australian merchant ships merchandise to customer in Japan
“Personal Import” Makes it Easy to Sell in Japan

Direct purchase of foreign goods from overseas companies by an individual for personal use.

Customer is responsible for import process

- Business registration in Japan not required
- Product registration in Japan not required
- Customer imports product as if purchasing from overseas website

Fully-landed cost paid by customer

- Customer in Japan pays for duties and taxes
- Shipping cost depends on seller’s carrier options
- DDP options available from major carriers

Merchandise valued below ¥16,666 is exempt from duties and taxes.

Reference: Japan Customs (http://www.customs.go.jp/)
Service Partners Ease Local eCommerce Ops in Japan

Merchant

Service Partners

Rakuten

Product Feed

Store Design

Traffic

Marketing

Promotion

Order Management

Order

Customer Service

Support

Shipping

Logistics
Rakuten’s Cross-border Program Simplifies EC in Japan

- Deep knowledge of Rakuten marketplace and success factors
- Knowledge of Japanese market and buyer behavior
- Japanese/English language capability
- Knowledge of Japan marketing and conversion optimization tactics
- Communication with Japanese customers
- Order management integrated with Rakuten
- End-to-End logistics support
Achieving Cross Border Success on Rakuten in Japan
Rakuten is a Merchant-Centric Marketplace

Products, not merchants
(Commodity items, pure price competition)

B2B2C
(Largest GMS in Japan; Exclusive Merchant Support System)

C2C + B2C
(Auction-style, free shops attract small/casual merchants)
Custom Store Design Establishes Your Brand in Japan
Rakuten eCommerce Consultant Advises Your Business

- Business requirements
- Strategic objectives
- Branding

- Japan market entry knowledge
- Merchandising guidance
- Performance feedback and improvement consulting
- Marketing strategies
- Promotional recommendations
Rakuten eCommerce Consultant Leads You to Success

How can I increase my average order value?

How can I increase repeat customers?

How can I attract new customers?

Sales Target
$100,000 / month

Let’s look at your site analytics!

Try nurturing customers using R-Mail!

Try a limited-time offer!

$50,000 / Month

$10,000 / Month
<table>
<thead>
<tr>
<th><strong>Rakuten Marketing Tools Drive Traffic to Your Store</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product</strong></td>
</tr>
<tr>
<td>• Sample/trial sets</td>
</tr>
<tr>
<td>• Product branding</td>
</tr>
<tr>
<td>• Prepare “entrance product”</td>
</tr>
<tr>
<td>• Secure stock</td>
</tr>
<tr>
<td>• Gift wrapping</td>
</tr>
<tr>
<td><strong>Events/Ads</strong></td>
</tr>
<tr>
<td>• Including “recommendations”</td>
</tr>
<tr>
<td>• Advertisements, SEO</td>
</tr>
<tr>
<td>• Events such as Rakuten Super SALE, Shopping Marathons</td>
</tr>
<tr>
<td>• Rakuten Super DEAL</td>
</tr>
<tr>
<td>• Follow the Japanese calendar for seasonal events/sales</td>
</tr>
<tr>
<td><strong>Marketing</strong></td>
</tr>
<tr>
<td>• R-Mail (mail magazine)</td>
</tr>
<tr>
<td>• Press release</td>
</tr>
<tr>
<td>• Affiliate</td>
</tr>
<tr>
<td>• Customer reviews</td>
</tr>
<tr>
<td>• Super Points incentive</td>
</tr>
<tr>
<td>• Improving quality of page design</td>
</tr>
</tbody>
</table>
Australia Cross-Border Case Study: The Beauty Club

Store: The Beauty Club
Country: Australia
Category: Cosmetics
Partner: EC Robo
Shop Open: 2015 September
Challenge
The Beauty Club is a cosmetics retailer who competes with Japanese merchants to sell many famous foreign brands. They recognize that price competitiveness is a key to winning customers, but they don’t want to sacrifice margin.

Strategy
Rakuten’s ECC worked closely with The Beauty Club to select inventory that would take maximum advantage of the cross-border eCommerce model:
Emphasize items whose brands control prices in Japan, so The Beauty Club can offer a lower price as an international seller.
Offer exclusive products by identifying brand products that Japanese merchants do not currently sell on Rakuten.

Tactics
Rakuten’s ECC helped The Beauty Club analyze historical sales data by item and CVR to distinguish competitive and non-competitive products, and advised regular additions to increase catalog demand and total sale.
ECC Helped The Beauty Club Solve Customer Challenges

“I finally found it on Rakuten. I used this item for over 10 years but could not find any stores that sell this item in Japan.”

“I used this product when I traveled abroad, now I found it on Rakuten.”

“It’s hard to find in Japan. Great items and the service of the store was excellent.”
ECC Increased Traffic and CVR for The Beauty Club

Traffic

- Identified key products to attract customers and differentiate from competing Japanese merchants
- Increased traffic by introducing large catalog of 20,000+ SKUs

CVR

- Overcame price competition by identifying products with lower prices in Australia
- Increased conversion by giving customers unique assortment at attractive price
Get Started Selling Cross Border On Rakuten in Japan
What are your Business Goals in Japan?

• What products are you selling?
• What is the demand for your products in Japan?
• Who are your local competitors?
• Who are you international competitors?
• What’s your strategy for selling in Japan?
• What is your sales target in Japan?
• When do you want to start selling in Japan?
Find a Rakuten Service Partner in Japan

Which Service Partner is Right for Your Business?

• Brand manufacturer or multi-brand retailer?
• New brand or known brand?
• Content-dependent or brand-dependent?
• Size of catalog?
• Type of products?
• Marketing requirements?
• Inventory regularity?

Official Rakuten Service Partners

caFe24™
ci-order
EC Robo
Brangista
trans cosmos
Choose a Shop Plan

- Select Shop Plan based on catalog size, commission rate, and contract period
- One-time non-recurring account setup
- System fee ranges between 8% – 12.5% of sales, varies by plan and volume
### Plan Your Target Launch Date

<table>
<thead>
<tr>
<th>Phase</th>
<th>Consult</th>
<th>Partner</th>
<th>Agree</th>
<th>Apply</th>
<th>Design</th>
<th>Open</th>
</tr>
</thead>
</table>
| Activity | • Discuss business objectives in Japan  
• Understand operating requirement | • Introduction to local Service Partner  
• Understand Partner services (store mgmnt, order mgmnt, CS) | • Proposal from Service Partner  
• Merchant signs Agreement with Service Partner | • Partner applies for Rakuten account on Merchant's behalf | • Design webstore on Rakuten Marketplace  
• Localize merchant content and branding  
• List product catalog | • Open merchant store on Rakuten Marketplace  
• Begin active selling |
| Who | Rakuten Merchant | Rakuten Merchant Service Partner | Merchant Service Partner | Rakuten Service Partner | Merchant Service Partner | Rakuten Merchant Service Partner |

Duration from CONSULT to OPEN is approximately 2 months
Rakuten Empowers Australian Merchants to Sell in Japan!

✓ More customers  Japan’s largest eCommerce channel
✓ Your brand  Fully customized store design
✓ Your success  Account consultants and partner services

LET’S TALK!

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Q & A

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Questions....