

Prospects and Challenges of a Foreigner Friendly eCommerce Marketplace in Japan

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Abstract— The growth of foreigners living in Japan and the number of permanent residents is increasing day by day. Along with this trend, foreigner's friendly product demand also increasing, and to fulfill those demands foreigners' own businesses also increase rapidly, like halal grocery shops and halal restaurants. Due to rapid technology growth and convenience, people are preferring to buy online. Japanese eCommerce market is the third largest in the world. But the problem is foreigners living in Japan could not find expected products from the existing eCommerce marketplace. Who is selling in halal grocery shops/foreigner-targeted shops also can not properly sell and deliver the product all over Japan due to the high cost of maintaining the eCommerce market place or limitation of the resources. This study found that a foreigner-friendly e-commerce marketplace is demanding in Japan and the market value is around US\$ 1,242 million with 3.75% growth. This study collected responses from foreign entrepreneurs, and consumers in Japan to understand the prospect and challenges as well as studied existing market players to measure the limitations. Also, this study proposes a new foreigner-friendly eCommerce marketplace that can achieve economic and social goals by operating a business in a social business model.

Keywords— E-commerce in Japan, Online Marketplace, SDGs, Uddog o Uddokta, Women Empowerment.

I. INTRODUCTION AND BACKGROUND

Almost three million foreigners are living in Japan with an annual growth of 7.51% [1]. By residence status, permanent residents made up the largest group at about 790,000, an increase of 2.8 percent from the number at the end of December 2018 [2]. Most of the foreigners are Asian. Asian attire and food demands are increasing in Japan day by day. The number of foreign entrepreneurs also are increasing day by day in Japan. They are contributing to expanding GDP in Japan as well as making new milestones for global business relationships with Japan. The Japanese government set to increase foreign entrepreneurs (business manager visas) from 95,000 (2019) to about 200,000 by 2030. Japan also seeks to double foreign direct investment to 80 trillion yen (\$726 billion) by 2030 [3]. Japan was well known for many big companies/brands but after 2000 it is changing. Japan losing the market share in the big companies list in the global list. But the consumer market is big in Japan. E-commerce market is an uptrend market in Japan.

Japan is the third largest market for eCommerce with a revenue of US\$128.3 billion in 2021, placing it ahead of the United Kingdom and the United States with an increase of 13%. The Japanese eCommerce market contributed to a worldwide growth rate of 15% in 2021, 74% of the Japanese population have bought at least one product online in 2021. The following five categories

are considered the most buying items in e-commerce. Food & Personal Care is the largest segment in Japan and accounts for 27% of the eCommerce revenue in Japan, Fashion with 20%, Toys, Hobby & DIY with 19%, Electronics & Media with 19%, and Furniture & Appliances with the remaining 15%. The biggest player in the Japanese eCommerce market is amazon.co.jp. The store had a revenue of US\$13 billion in 2021. The amazon.co.jp is followed by apple.com and yodobashi.com as the second-and third-largest stores with US\$4.3 billion and US\$3.3 billion, respectively. Altogether, the top three stores account for 15% of online revenue in Japan. In the case of the eCommerce marketplace in Japan, it is led by two brands: Amazon and Rakuten. Four other marketplaces are popular, but they are far behind from others. The Amazon and Rakuten are the most popular marketplaces in Japan. The Amazon has 556 million monthly visits and the Rakuten has 544 million, no other marketplaces come this closer. The Amazon started their business in Japan in the year 2000, and it is now its second-largest market, providing 11% of Amazon's global online traffic. Japan was Amazon's fourth foreign marketplace to open, after the UK, Germany, and France. In the other hand the Rakuten is an internet company in Japan, providing banking, credit cards, eCommerce, content, and communications services. Its online marketplace, Rakuten Ichiba, has 49,000 merchants, 115 million customers, and gross merchandise sales of

approximately \$28 billion in 2020 [4,5]. The COVID-19 creates a significant impact on almost every aspect of people’s lives in Japan. Japanese have been spending more time online and have shown more willingness to purchase items online now [6]. In the early stages of the COVID-19 pandemic, masks and alcohol sanitizers were hiddenly stored and resold in online markets then the government issued a new regulation. As a result, sellers lowered their prices by nearly JPY 3,000 from the price that maximized their expected revenues. the regulation reduced the consumer surplus and the producer surplus by about JPY 770 and JPY 1,300 respectively [7]. Multinational eCommerce vendors selling foreign countries’ products in Japan, but Japanese people desire to purchase goods from their home country [8]. Foreigners living in Japan also prefers to buy their home country’s products in Japan, currently they are buying some available products from physical store like “Halal Food” shop.

Now the question is, current eCommerce platforms is enough foreign friendly? Are they ready to fulfill the demand of growing foreign entrepreneurs, even for Japanese SMEs? This study states the prospects and challenges of a foreigner-friendly eCommerce marketplaces and mentioned the limitations of existing service providers. Also, this study proposed a new online marketplace which may overcome the current limitations and may be helpful for the SMEs and foreign entrepreneurs in Japan.

II. METHODOLOGY

This study conducted one-to-one interviews offline and online with foreign entrepreneurs in Japan. Entrepreneurs are randomly selected from personal references and their availability and willingness to join this interview. Among these entrepreneurs 10 interviews were conducted physically and 10 others conducted online. Their responses were collected in a pre-designed questionnaire. Total of 21 questions was included both open-ended and close-ended. This study also collected responses from the consumers. A total of 15 respondent gave their responses in an online questionnaire, there was a total of 10 questions. Secondary literature was also

reviewed to study about e-commerce marketplace in Japan. To make the competitor analysis total of 10 companies' activities and features were reviewed. These companies are selected based on the market share, who are leading top as well as by google search by putting key words "Top e-commerce marketplace in Japan".

III. OBJECTIVE

The objective of this study was to identify the prospects and challenges of a foreigner-friendly online marketplace in Japan. to identify the prospects of a new online marketplace it was necessary to understand the existing limitations. Japan has a strong e-commerce market and there are many big companies working here in that case establishing a new e-commerce service is very challenging and it may be unnecessary. But this study found that there are some specific groups like foreigners, women entrepreneurs, and micro and small entrepreneurs who are struggling to sale in online. This study finds out their experience and intentions about online selling which can lead to identifying the prospect of a new eCommerce site. As current service providers, although they are very big companies, they are not addressing those groups and their demands which means it is also challenging part to cover the limitations. This study also analyzed those challenges that can affect to design and operate a new online marketplace in Japan.

IV. FINDINGS

To understand the prospects and challenges of a new eCommerce marketplace in Japan for foreigners this study taken the following tasks:

A. Interview of the Foreign Entrepreneurs

Total 10 physical interview was conducted in Kanto region of Japan (Tokyo and nearby area) and 10 others in online from other prefectures of Japan. They are doing business in Japan and mostly their customers are also foreigners. These entrepreneurs' nationalities are Bangladesh, Nepal, Vietnam, Mongolia, Iraq, and Japan. Japanese small entrepreneurs were also included to understand their feedback about online selling as well. The major findings stated in Table I.

Table I: Key findings from the entrepreneur’s interview

Issues	Findings
Online selling status	75% already selling in online and 25% are not 35% selling at social media (Facebook & Instagram), 40% at own website, 20% at online marketplace
Amount (Charges)	35% (highest group) entrepreneurs are willing to pay monthly 10,000-30,000 JPY
Reason for not selling online	Three major reasons for not selling online are: High cost, Complex operation, Lack of IT Skills/resource

Expectations	Three major expectations from a new e-commerce marketplace: Multiple language, easy operation, shared responsibilities
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B. Responses of the Consumers

The ultimate consumers of the eCommerce marketplace are the individuals, and this study also collected the response from foreigners who are living in Japan. A total of 15 respondents from 10 nationalities attended

through an online survey. It is found that, almost 50% foreigner buy once in a month from the online and they spend average JPY 10,000/ US\$ 70 per month and considering that the total market value is around US\$1,242 million. The key findings are stated in Table II.

Table II: Key findings from the responses of the consumers

Issues	Findings
Online buying status	40% foreigners buy 1-5 times from online and 46.7% buy at least once a month Most purchase items are “Household items” and “Electronic accessories”
Amount (Spends)	80% foreigners spend below 10,000 JPY for online shopping
Most preferable buying platform	80% are using Amazon for online shopping
Expectations	46.7% prefer “low cost” to choose online shopping platform, 26.7% prefer “Variety and uniqueness of the product” 80% people prefer “Variety and uniqueness of the product” from a new e-commerce marketplace

C. Competitor Analysis

This paper also studied 10 leading online marketplace companies in Japan. Analysis of their websites and other available data online and based on user's perspectives findings are stated in Table 3.

Table III: Findings from Competitors' Analysis

Companies	Key Features	Major Weaknesses
1	Consultants for vendors, quality customer service, Initial fee-60,000 JPY, monthly 50,000, \$20 welcome bonus for new joining, up to 3% cash back, 80% Japanese users	Costly , Takes 1 month to open account Quarterly fund disbursement to the vendor
2	4900 monthly fee, sales commission (8-15%?), take care of shipping, return, customer service and delivery	Costly, Complicated process for seller
3	\$3,500/yearly charge	Costly, complicated
4	\$30-300/monthly	Costly
5	Good for auction	Limited service, limitation for customization
6	10% commission from sales, payment processing fee of 2.9% + \$0.30 for every payment you receive from a buyer, Cancellation fee 5%	Return policy is not good for vendors Dashboard is not user friendly
7	Fast delivery, 100% replacement	No control from vendors' side
8	Entertainment related product and service, rental, membership base	Not good for vendors, full control by company
9	Up to 9% commission, 66,000 initial fee, 21,000-110,000 monthly fee	Costly, complex process
10	Easy to open and register, no initial fees	Low branding, hidden charge

V. PROPOSED MARKETPLACE

To overcome the limitations of the existing eCommerce marketplace from the foreigner's perspective this study

also proposes a new eCommerce marketplace under the name of “Ritzy Ichiba”. It aims to become a foreigner-friendly eCommerce marketplace. The business model will be a social business [9,10,11]. Social business is

focusing on solving social problems and accelerates the venture to serve more people rather than concentrating on profit and wealth maximization. It is different from charity; it is a real business, but the outcome of the business is fully dedicated to the community. It can ensure organizational sustainability as well as social sustainability. This online marketplace also focuses on women's empowerment. In Japan, women's leadership, and participation of women in decision-making are not in good shape. Japan was ranked 116th out of 146 countries in the Global Gender Gap Report announced by the World Economic Forum on July 13, 2022 [12]. To overcome the challenges in women empowerment, Perhaps the biggest obstacle is the mindset. There are many 'myths' about womenomics that need to be overturned if we are going to make more progress from here [13]. In this proposed initiative it is recommended and planned to accumulate 30-50% women entrepreneurs as sellers to encourage them in business and economic participation. Also, it is planned that in the management of Ritzy Ichiba the top leading positions will consider women on a priority basis. It will also focus on other relevant activities to achieve SDG 5: Gender Equality [14,15] to empower women. The following key features are proposed to run proposed online marketplace to fulfill the prospective clients' expectations:

- Dedicated online marketplace for foreign entrepreneurs and consumers in Japan
- 10x lower cost and easy operation
- Diversified products
- Dedicated for Women empowerment by prioritizing women entrepreneurs and top-level women executives in operation

VI. LIMITATIONS AND FUTURE WORKS

This study raises the issue of foreigners' demand on eCommerce marketplace from the seller and buyer perspective. To identify the prospects and challenges this study collected responses from the foreign entrepreneurs as well as from the consumers.

The sample size was very small, in future it can be experiment with large sample and to cover more prefectures to validate the prospects. Also, this study only covered the responses of the prospective sellers and buyers, it may be necessary to collect responses from the experts on eCommerce, lawyers, and other relevant experts to cover the policy and other issues. A prototype development and market testing might be helpful to understand more realistic prospects and challenges of a foreigner friendly eCommerce marketplace in Japan.

VI. CONCLUSION

Foreigner friendly eCommerce marketplace has a significant prospect as number of foreigners are in uptrend. This study interacted with the foreigners (Online sellers and online buyers) to understand their status, expectations and problems related to online selling and buying. It seems, there is a need of new eCommerce marketplace for the foreigners, or it can be adopted by existing service providers. Although there are few challenges to overcome the expectations. Policy issues, strong competition, cost minimization and other challenges are there for a new market player. This study also proposes a new eCommerce business model which can operate in social business model for the sustainability of the business as well as social development.

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