

The Outlook for **Online Shopping** in Japan

By *Murayama Lamune*

“WEB surfing in the middle of the night and ordering a reward for myself is the best way to relieve stress,” said a TV star recently, and this habit is not only limited to such celebrities. Today, online shopping has become a kind of entertainment throughout Japan while it has become a must item for daily life as well. According to the Japan Direct Marketing Association, its market size in FY 2004 was ¥340 billion, exceeding ¥300 billion for the first time ever and accounting for 30.3% of total direct-market-ing sales.

Rakuten Inc., founded in 1997, has become the leading company in online shopping mall, boasting contracts with 45,884 companies and 15.2 million items on sale, with an aggregate market value of ¥1 trillion. Last summer, the company frequently made headlines with its attempted takeover of Tokyo Broadcasting System, a Japanese TV network. While the Japanese public was astounded that an Internet venture company would attempt to buy out a major TV network with a long track record since its foundation in 1951, the incident made people realize how large the online shopping business has become.

Now, let's look at what Japanese consumers are buying online. (Rakuten Ichiba top-ranking items for 2004)

1st place: “diet machines” which are advertised to efficiently burn off calories, and you can be on a diet even while watching TV. (Diet-related products are the hot sellers of online shopping, probably because

consumers are a bit embarrassed to buy such items at an actual store and Internet users are always lacking exercise.)

2nd place: disposable contact lenses. (A recent characteristic of online shopping is that major items on which people weigh quality and price are selling well. It indicates that online shopping is no longer special but has become closely related to everyday life.)

3rd place: additive-free face creams. Rarely found in retail premises, but exploding in popularity on the Internet. (Some products sell well simply through word-of-mouth advertising on the Internet, regardless of genres. The mass media are also actively playing up those popular items, so they will surely continue to attract attention.)

Other popular items include “good sleep” pillows, cheesecakes and crabs. This will give you some idea about Japanese online shopping, but why have people become so captivated?

The first reason is the wide range of available products. If you search for something you want on Google or Yahoo, in almost every case you will find it available on the Internet somewhere. “This is for sale, too?” you might be tempted to ask. Indeed, anything from real estate, such as condominiums and country villas, to tombstones and expensive accessories can be found on the Internet.

The second reason is you can purchase 24 hours a day.



Photos: kamasho

Cheesecakes and crabs are popular online shopping items

While virtually anywhere in Japan there is a convenience store within a 1 km radius, there is nothing as close as a personal computer at one's own home. Nothing could be more handy than being at home and being able to order online whatever you want. Particularly for busy office workers and housewives raising children who cannot go shopping easily, online shopping could be their lifeline.

The third reason is that the products are delivered to one's home. Recently there has been an increase in the number of people ordering heavy daily necessities such as mineral water bottles and rice on the Internet. Japan's population is rapidly aging and there are many people who find it hard to go out shopping frequently. In years to come, demand for home delivery will increase further and online shopping will be popular among a wider range of consumers.

Among the varied fascinations of online shopping we have seen, point programs and affiliates are attracting consumers' attention lately. In point programs, you receive points according to the amount of your purchase and the next time you make a purchase, you can exchange it in the form of a discount. Up to now, many online users have wanted to shop around at a variety of websites, but as the point system has come into wide use, the disadvantages of such "infidelity" have become evident and customers have come to stick with one particular site. Such website as Rakuten Ichiba and Yahoo! Shopping have incorporated this system and been quite successful as a result. Rakuten Ichiba has even established ties with an airline mileage program. In other words, if you continue shopping through Rakuten Ichiba, you will eventually be able to travel abroad. (Of course, you will have to spend a large amount of money to obtain such a free ticket, though.)

The affiliate system involves setting up links to corporate websites, from one's personal website, blogs and email magazines. Administrators can receive remuneration whenever a user makes a purchase through that link. This system is attracting considerable attention as an ordinary person can get paid by just writing impressions or recommendations of what one has purchased. There are some people known as "super-affiliaters" who earn close to ¥1 million a month, and housewife-affiliaters making around ¥500,000 a month are appearing one after another. These people are sustaining the prosperity of the online shopping business. Of course there are systems in real stores offering rebates for introducing friends as new customers, but they can hardly compete with the ease of the online system. For the online sellers, it is the same as having an unlimited number of advertising agents. Among those using affiliates are Rakuten Ichiba, Yahoo! Shopping, Amazon, Dell and Apple Computer. Currently, an increas-



ing number of such Application Service Providers (ASP), companies leasing business application software including affiliate systems, are collecting enormous numbers of clients and affiliaters.

What is common to the point and affiliate systems is a skillful application and utilization of customers' awareness that one is not simply "buying" but "gaining an advantage through purchases," which has been the secret of to success for these enterprises.

Now, let us look at two additional trends of online shopping which have become widely recognized.

The first trend is the growth of online shopping via cell phones. According to surveys by the Ministry of Economy, Trade and Industry, the total of goods and services purchased through cell phones in 2004 reached ¥971 billion, increasing 25% over the previous year. This type of shopping appears to be especially popular among young customers who are more familiar with cell phones than personal computers.

The second trend is increasing number of senior customers. Starting from the year 2007, the "baby boomers" who were born between 1947-1949 will reach retirement age. Every market sector is swiftly creating contents and developing products targeting this sector of the population that has plenty of time and spending capacity. The focus is on the development of easy-to-use screens and the use of moving images utilizing broadband.

It has been only a decade since online shopping was introduced to the Japanese market. In the coming five years, the industry map is certainly going to undergo major changes. The key to the changes will depend on young people with cell phones and the older generation with PCs.

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