

**Voluntary Report** – Voluntary - Public Distribution

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**Report Name:** Japan E-Commerce Market

**Country:** Japan

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**Report Highlights:**

This report features e-commerce trends in Japan and the potential for growth in the market. E-commerce in Japan is an approximately \$4 trillion market and Japan is the fourth-largest e-commerce market in the world. Despite ongoing COVID-19 disruptions, 2020 available data highlights that the Business-to-Consumer (B-to-C) e-commerce marketplace experienced marginal increases totaling \$180 billion. While e-commerce is growing, growth in the food and beverage sector is an area for continued development, representing an approximately \$20 billion market in 2020. Rakuten, Amazon and Yahoo! Japan are the major players in the e-commerce marketplace.

### Scale of Japan's EC market

In terms of the business-to-consumer (B-to-C) market segment, the e-Commerce (EC) market is comprised of three sectors: merchandising, service, and digital. These sectors combined totaled \$180 billion in 2020. However, due to COVID-19, each sector experienced varying degrees of impact, from halted foreign visitor travel to other service sector disruptions. Within the merchandising sector, food and beverage continues to see growth and opportunities for U.S. exporters. Consumer purchasing preferences have leaned heavily on online transactions, driven largely by the ongoing COVID-19 pandemic and more dining at home.

While the service sector showed year-over-year increases from 2018-2019, attributed to increased foreign visitor travel to Japan and related consumer expenditures, both fell considerably in 2020 due to COVID-19. Examples of consumer expenditures in the service sector that were impacted by the pandemic include travel service, which totaled \$35.8 billion in 2019 but fell in 2020 to \$14.5 billion, a 60-percent decline. In addition to this, ticket sales service totaled \$5.1 billion in 2019 but experienced declines in 2020, totaling \$1.8 billion, representing a decrease of 64 percent.

### Business to Consumer Market Segment

	2018	2019	2020	Growth Rate
Merchandising Sector	\$84 billion	\$92 billion	\$114 billion ( <i>EC Ratio 8.08</i> )	23.4 percent
<b>Sub-sector</b> Food, beverages, & liquor	\$15.3 billion	\$16.7 billion	\$20.6 billion ( <i>EC Ratio: 3.31</i> )	23.3 percent
Service Sector	\$60 billion	\$65 billion	\$43 billion	-33.8 percent
Digital Sector	\$18 billion	\$20 billion	\$23 billion	15 percent
<b>Total</b>	\$ 162 billion	\$177 billion	\$180 billion	1.7 percent

**Note:** The E-commerce (EC) ratio is a proportion of the total EC transactions to the total commercial transactions as a percentage.

Sources: Exchange rate 2020 Y106.725/US\$, 2019 Y109.008/US\$. IRS Yearly Average Currency Exchange Rates.

<https://www.irs.gov/individuals/international-taxpayers/yearly-average-currency-exchange-rates>

Results of FY2020 E-Commerce market Survey Compiled at: [https://www.meti.go.jp/english/press/2021/0730\\_002.html](https://www.meti.go.jp/english/press/2021/0730_002.html)

Results of FY2019 E-Commerce market Survey Compiled at: [https://www.meti.go.jp/english/press/2020/0722\\_005.html](https://www.meti.go.jp/english/press/2020/0722_005.html)

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

電子商取引に関する市場調査の結果を取りまとめました

<https://www.meti.go.jp/press/2020/07/20200722003/20200722003.html>

Ministry of Economy, Trade and Industry, Information Economy Division, Commerce and Information Policy Bureau, July 22, 2020, and July 30, 2021

## **A. Food and Beverage Sector**

The category with the second largest commercial transaction market in the domestic product sales field was "food, beverages, and alcoholic beverages." It is estimated to be an approximately \$20 billion market in 2020, accounting for 20 percent of total personal consumption

The most recent census data from 2020 highlights that the number of double-income households in Japan increased significantly over the last 30 years, from 7.83 million in 1989 to 12.45 million in 2020. As a result, there is growing demand to purchase food online to save time in meal preparation and to simplify household chores. For instance, meal kit delivery service memberships increased, largely attributed to double-income and child-rearing households. This is just one example of how current foods that are consumed regularly play a role in expanding the B-to-C EC market. In addition to this demographic, the popularity of food delivery services has grown with elderly consumers who are physically burdened with shopping at physical stores. While online supermarket utilization is more than 10 percent, recent survey data suggests that approximately 30 percent of elderly Japanese consumers will rely on online shopping for food and beverage needs.

Within the B-to-C EC merchandising sector, food, drinks, and liquor was the second largest category. While the food and beverage EC market size grew 23.3 percent, it has one of the lowest EC ratios within the merchandising sector, at 3.3 percent. One key factor for the low EC ratio is that consumers still enjoy going to an actual supermarket. In addition to this, Japanese diets are heavy on perishable foods such as fish, vegetables, and meats. While online purchasing offers convenience, the importance of ensuring freshness and quality is still crucial, and many consumers prefer to select their produce themselves.

## **B. SWOT Chart**

The food and beverage EC market segment has the potential for expansion. The chart and sections below offer insight into the ways U.S. exporters may consider this segment with exporting food and beverage products to Japan and consider current partnership trends within the EC marketplace.

Strength	Weakness
<ul style="list-style-type: none"> <li>• Consumers can choose from a variety of products and efficiently compare prices.</li> <li>• Home delivery is convenient, especially for the elderly.</li> </ul>	<ul style="list-style-type: none"> <li>• Consumers cannot touch and smell the products they are buying.</li> <li>• High costs to place products on EC platforms may prevent sellers to participate.</li> </ul>
Opportunity	Challenge
<ul style="list-style-type: none"> <li>• Acceleration of cashless payments. People have more access to information by having a smartphone and PC.</li> <li>• The growing need for regular home delivery of meal kits.</li> </ul>	<ul style="list-style-type: none"> <li>• Achieving profitable long-term growth by expanding merchandise.</li> <li>• Capitalizing on technology to develop services to compare products and prices.</li> </ul>

### **Current Partnership Trends**

Supermarkets and EC companies strategically partnered to enhance supply distribution capabilities to meet consumer demands. For example, LIFE CORPORATION, a supermarket chain, partnered with Amazon Japan in 2019. This partnership was initially limited to the Tokyo metropolitan area, but in 2020, service in Osaka began. Rakuten also opened an online grocery delivery service in 2018, partnering with Seiyu, one of the largest supermarket chains in Japan, and a subsidiary of Walmart. Yahoo! Japan's consolidated subsidiary ASKUL and Seven & i Holdings started IY FRESH in 2017, another online grocery delivery service. It offered one-hour delivery time options. It would be difficult for supermarkets and EC companies to do an online supermarket on their own, without leveraging each other's capabilities.

### **U.S. Products Sold on EC platforms**

Japanese consumers make purchase decisions based on value, quality, and style. The ubiquitous availability of rapid delivery services and a variety of convenient payment methods support the continued growth of this channel for reaching Japanese consumers. The availability of after-sales service is an important feature expected by consumers and a robust customer care capability must be considered. There are many U.S. products sold on EC in Japan, and the following products are examples that have been popular among consumers:

#### **Instant Oatmeal**

U.S. oatmeal brands are visible on most EC platforms. Celebrities and athletes with YouTube channels in Japan have introduced oatmeal as a healthy food in their SNS and marketing videos. There are many ways to prepare oatmeal dishes. A popular way here in Japan is with fruits and a variety of nuts.

## **Honey Roasted Peanuts**

American honey roasted peanuts are popular items featured on most EC platforms. Dried fruits such as prunes, and raisins are also popular. Consumers can buy it online through Amazon or Rakuten.

## **California Wines**

Wassy's and Enoteca are examples of online stores where a robust lineup of California wines is available. Wassy's is well known throughout Japan and is considered a pioneer in the wine EC industry. Enoteca offers a chat service on its website where customers can ask questions specific questions about the selection.

## **Major EC Marketplaces in Japan**

Rakuten, Amazon, and Yahoo! Japan are the three biggest EC websites that dominate the EC landscape for food and beverages in Japan. Most supermarkets, convenience stores, department stores and other retailers including food services, have websites that sell foods and beverages. There are also individual businesses that have a website for their business outlet.

### **a. Rakuten**

Rakuten was started in 1997 and is the largest EC website in the market, with nearly a 27 percent market share, and 111.4 million members. There are also roughly 50,000 merchants with shops on the platform. Rakuten is a shop-centric marketplace in which merchants can control their storefront, product pages, and customer experiences. To attract and motivate customers to purchase products, Rakuten also offers a point system.

Rakuten is a convenient place for one-stop EC shopping in Japan; customers can purchase household goods and foods, but also book travel and conduct online banking. For food and beverages, just over 40 percent of the total EC transactions occur on Rakuten. Approximately 40 percent of all Rakuten EC transactions are food and beverage related. At this time, Rakuten offers its products only in Japanese.

### **b. Amazon Japan**

Amazon Japan is the second largest EC site in Japan. Amazon does not have the same language limitation as Rakuten and offers many language options for managing sales, customer service, and translations, which also makes it popular among the expatriate community. An Amazon Standard Identification Number (ASIN) is a 10-character alphanumeric unique identifier assigned by Amazon.com and its partners for product identification within the Amazon organization. A merchant ASIN may even already exist on Amazon.co.jp, which allows companies to launch even faster. Just like in the United States, businesses can sign up for a Seller Central account in Japan.

Amazon offers two selling plans for professionals (businesses) and individuals. The professional selling plan is available for a monthly subscription fee plus per-item referral fees, which vary by category. Some categories are available only for Professional Sellers, and only Professional Sellers can add new products to the Amazon catalog. The Individual plan has no monthly subscription fee, but there is a fee per item sold in addition to the referral fees, which vary by category. Additional fees apply when having products picked up, packed, shipped, and customer service provided through Fulfillment by Amazon (FBA).

**c. Yahoo! Japan**

Yahoo! Japan Corporation is a Japanese Internet Company created as a joint project between Yahoo! (US) and SoftBank. Yahoo! Japan's web portal is currently the most viewed website in Japan and its internet services are the most widely used in Japan. Yahoo! Shopping is an e-Commerce website similar to Amazon or Rakuten, with an online market size of approximately \$7.8 billion in 2019.

Yahoo! Auction is another avenue in which consumers can bid and purchase a variety of items that has contributed to the growth of the customer-to-customer (C2C) market in Japan. Online sales in 2019 totaled approximately \$7.5 billion.

The company offers many other services such as telecommunication services, point services, premium membership, bookstore, news site, online lottery shopping site, travel products, map services, online cloud storage service, a social network for games, and platform where you answer questions or ask any questions.

**Comments:** Japan's sixth wave of COVID-19 and newly imposed State of Emergency has limited or resulted in some closures of brick-and-mortar stores. Japan's well-developed e-Commerce market and alternative payment platforms such as PayPal, Apple Pay and Amazon Pay will drive continued growth for online purchases and household necessities such as food and beverages.

**Attachments:**

No Attachments.