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**Cross-Border E-Commerce to Japan: an analysis of the
Market and selection of the trade channels**

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Abstract

With the growth of the internet and internationalization, electronic commerce (e-commerce) developed significantly in recent years. As the e-commerce market expand globally, the market of cross-border e-commerce also expanded significantly as well. However, even though Japan has world third largest GDP and huge e-commerce market, cross-border e-commerce to Japan have not achieved a lot of attention from European companies. From these reasons, to enhance cross-border e-commerce to Japan, this master thesis provides European companies a guideline to enter Japanese market via cross-border e-commerce. Particularly, it identifies and offers some counter measures for the possible obstacles for cross-border e-commerce to Japan and suggests four types of trade channels to enter Japanese market. By understanding how to deal with the obstacles and choosing the right entrant, we believe the barriers to enter Japanese market with cross-border e-commerce will be mitigated.

Executive summary

With the growth of the internet and internationalization, electronic commerce (e-commerce) developed significantly in recent years. In 2019, the worldwide retail e-commerce sales reached 3,535 billion US dollars, which is a 265 % growth from the sales in 2014 (Statista, 2020). As the e-commerce market expands globally, the market of cross-border e-commerce also expanded significantly. According to Giuffrida (2017), "*The process of selling goods to a consumer located in a foreign country through online channels, either directly through a proprietary website (i.e. B2C) or through a digital intermediary such as online retailers or marketplaces (i.e. B2B2C)*" is stated as cross-border e-commerce, and global cross-border e-commerce market is estimated to reach 994 billion USD in 2020 (CJ Logistics, 2017). Japan, the country with the world's third-largest GDP, is one of the most attractive e-commerce markets as well, estimated to reach 104,639 million USD in 2020 (MIAC, 2019). However, the focus of European companies on the Japanese e-commerce market is not high, compared to other countries.

Literature Review

This master thesis aims to provide a guideline for European companies to adapt cross-border e-commerce to the Japanese market. To achieve this goal, first, we conducted a literature review to reveal what has been done previously in an academic field. The literature review was proceeded by three steps.

First, we briefly investigated the literature related to cross-border e-commerce. We found out that research related to this field is increasing recently, and much of the research was done related to China or the Chinese market since China is the biggest cross-border e-commerce market. However, compared to China, we realised that the research related to Japan was extremely scarce. Having stronger motivation for our research, we next moved on to identify what can be the obstacles for cross-border e-commerce.

In the next step of the literature review, from the previous researches and the additional investigation, we identified six obstacles that can be a barrier for companies.

- 1) Customer and Culture
- 2) Laws and Regulation
- 3) Product and Marketing

- 4) Trade Channel
- 5) Payment
- 6) Logistics

The last step of the literature review aimed to understand deeper these obstacles and discovered some interesting facts related to these factors.

Methodologies

After the literature review, we came up with one concern. Although there were six main barriers to cross-border e-commerce, they are not independent of each other. Some of the elements in these six barriers automatically determine the choice of other elements. In particular, the selection of the trade channels affects the choice of other elements, but in the previous academic field, research related to trade channels was not done much. To additionally answer this question, we made two research questions to achieve our goals.

RQ1. What are the main elements we need to consider when we are entering Japan via Cross Border E-Commerce from the EU?

RQ2. What kind of trade channels are available for foreign countries to enter the Japanese market?

RQ 1 aims to answer how to deal with these barriers that exist in cross-border e-commerce to Japan, from available secondary, or academic sources. We expect that by answering this research question firms can understand what kind of barriers exists for cross-border e-commerce in Japan, and correctly adapt to these barriers.

For RQ2, from the number of trade channels available to enter the Japanese e-commerce market, we compare some alternatives and discuss which trade channel will be recommended based on the characteristics of the firm's business. The comparison will be conducted both from available sources, documents earned from the companies, and based on secondary sources. Additionally, we also collected real business cases to observe how real companies deal with the barriers we identified. From each available trade channel, we selected two companies and analysed the elements related to other obstacles to investigate the relationship between trade channels and other elements.

Results

Customer and Culture

Understanding Japanese customers and culture towards e-commerce are important for the success in cross-border e-commerce in Japan. Mainly from the government's statistic data, we found out several important aspects.

First, we conducted a general overview. The internet usage rate was 89.8%, and the most used device to connect internet was smartphones, and then the computer was used to access the internet. Young people used more internet, and e-commerce was the 6th most purpose that people use the internet. Spend on e-commerce was increasing each year, and the most bought goods via e-commerce were food, clothing, travel-related and electronic goods. The reason people use e-commerce was mainly from the convenience, for example, "Can buy goods anytime", or "Can do shopping without going out". In contrast, Japanese people's main concern for e-commerce was related to payment security.

Laws and Regulation

Since e-commerce transactions are not standardized globally not like other traditional transactions, we focused on the Japan-EU EPA established in 2019 and researched what is mentioned there. Corporation and trade facilitation measures were mainly stated in the EPA, and also consumer information protection, non-disclosure of the source code were mentioned as well.

Payment

Although there are numbers of payments available in Japan, we found out that only a few of the payments will cover more than 90% of the customer needs. Credit cards were the must payment firm should have. 85% of the Japanese have their credit card (JCB,2019), and having VISA, JCB, Mastercard firms can cover most of the demands. Convenience store payment, mobile career payment, and bank transfer were considered important as well, to cover the needs form the customers who do not have a credit card. Having these payment methods, firms can cover most demands from every age of customers.

Another method firms can select is payment collection agencies. Although the commission fee might be expensive, it will be simpler than introducing each payment method by themselves.

Product and Marketing

Digital marketing was considered important for success in cross-border e-commerce. For successful marketing, a firm should consider effective marketing strategies for the elements that contribute to sales, which are Access, CVR, Customer unit price. For increasing Access, the use of Google ads, SNS, Affiliate, and SEO were considered important. Since effective marketing strategy differs between countries, firms need to best customize their advertisement for Japanese customers. For increasing CVR, effective LPO, inside web search, EFO, and decreasing the abandonments during checkout was considered important. The top three reasons were related to extra costs, the creation of an account, and slow delivery. Showing all included costs, allow purchase without creating an account, fast delivery can be the possible countermeasures for these problems. For the increasing unit price, introducing points or efficient remarketing were considered effective.

Logistics

The logistic level of Japan was quite high. According to World Bank (2019), the logistic level of Japan was fifth place in the world, which was high compared to other Asian countries. We focused on the logistic flows from the company's warehouse to the final customer, from the origin country's warehouse to warehouse in Japan, and warehouse in Japan to the final customer. From the original warehouse to the Japanese warehouse, water transportation was suggested from the perspective of the cost. From the Japanese warehouse to the final customers, we focused on the use of Takuhaibin, a Japanese courier service, and discovered Sagawa transportation was suitable for small amounts, and Fukuyama transportation was suitable for a large contract. In the end, we made three scenarios depending on the company's size of the shipment. For a small amount of shipments, direct shipping to Japanese customers using an international courier service is suggested for the reasons of cost. For a medium amount of shipments, bulk shipments to outsourced warehouse and using Takuhaibin to Japanese customers was suggested from delivery speed and cost. Finally, for the large shipments, operate the warehouse by themselves was suggested, to also deal with the retail channel.

Trade Channel

For the analysis of the trade channel, we divided it into four possible options. The first option was to sell through owned EC in the origin country, by allowing shipments to Japan from the firm's original websites. This option was less effective for cross-border e-commerce to Japan, but since the cost is low, it is the easiest way to start cross-border e-commerce. Option 2 will sell through EC mall operated in the origin country. Although they need to pay a certain amount of commission fees, since some marketplaces are well known by Japanese customers,

firms can gain more sales than option 1. The third option was to sell through EC Mall in Japan. Although there might be higher transaction costs than option 2, because these EC malls are well known by Japanese customers, firms can expect higher sales. The last option was to sell at the owned EC site in Japan. There will be higher costs than any other options, but since firms can build more touchpoints with customers, we can expect the largest sales from any other options.

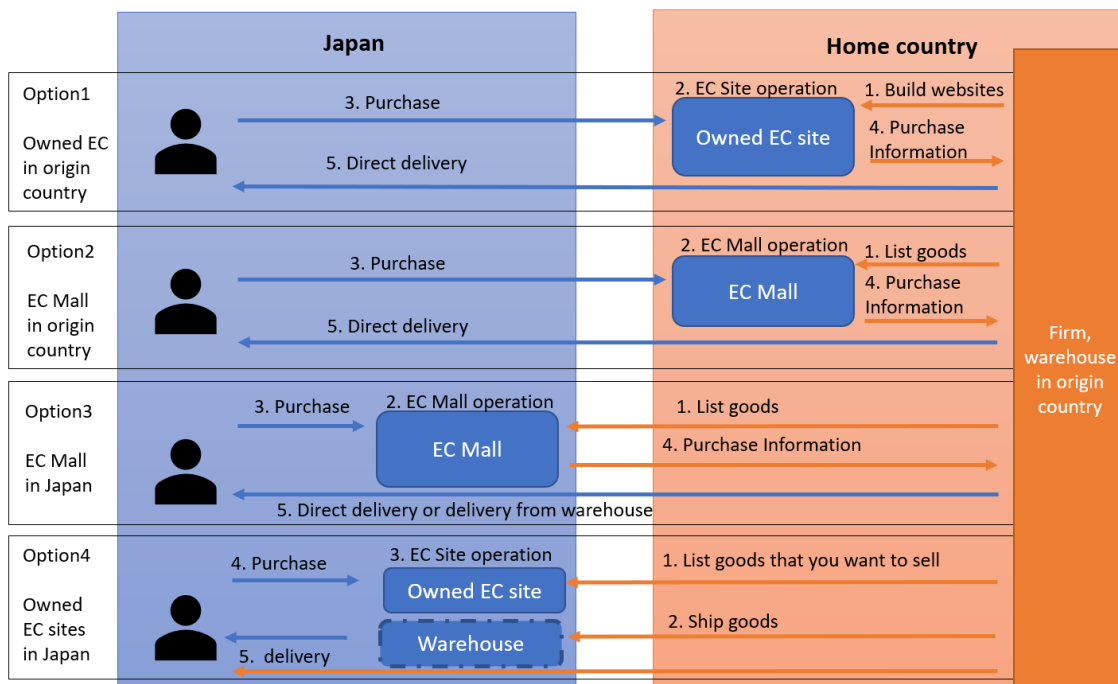


Figure 1: Options to sell goods in Japan by cross-border e-commerce

In our research, we focused more on the use of option 3, since it had the best balance from the perspective of cost and effectiveness. We compared two giant EC malls, Rakuten and Amazon.

Rakuten

Rakuten's largest merit was support and marketing. Compared to Amazon, Rakuten gives sellers freedom of its website design. Sellers can differentiate their products not only costs but also their design, or extra campaign. Additionally, Rakuten offers many supports service for successful e-commerce. They have several EC consultants to support operation, and they have more marketing campaigns than Amazon. The existence of the Rakuten ecosystem also supports sales on Rakuten.

Amazon

Amazon's merit was its cost, and global network. The cost of selling at Amazon is cheaper than selling at Rakuten, and if the foreign seller already has their Amazon seller account in their country, a seller can sell their goods in Japan more easily than using Rakuten.

Furthermore, they have a sophisticated logistic service called FBA (Fulfilment by Amazon). By using FBA, firms can send their products rapidly, and safely.

Comparison

From both the qualitative and quantitative analysis, we identified both merits and demerits of using each marketplace. Rakuten has more support, but Amazon has a cheaper offer. Firms should consider which company best aligns with their strategies, and choose the right marketplace.

Business Cases

After we investigated all the obstacles for cross-border e-commerce, we focused on the real company cases. From the data taken from first and secondary sources, we chose two companies for each option and analysed the relationship between the selection of the trade channels and other factors. The below figure illustrates the result of business cases.

Option1

Option 1 is suitable for a company that wants to sell their goods in Japan, but do not want to do special operation except for the shipping. Since the only cost is shipping cost to Japan, the company does not need to invest much to start cross-border e-commerce in Japan.

Option2

Option 2 is preferred when companies want to attract more Japanese customers, but still do not want to invest a lot in cross-border e-commerce. Firms also do not need to invest a lot for the entrant using this option, but they need to be careful if their marketplace offer shipping to Japan, and if the marketplace has a Japanese version of the websites, it will be much better.

Option 3

If the company is considering cross-border e-commerce to Japan seriously, using the marketplace in Japan will be the first step. In addition to option 2, firm better operate their brand sites in Japanese to more communicate with Japanese customers. It is preferred to list the goods either on Amazon or Rakuten (or both), and the firm needs to choose the websites depending on what strategies they are willing to take.

Option 4

If companies are sure about the success in the Japanese market or want to challenge cross-border e-commerce to Japan, option 4 is suggested. In this option, companies need to adapt more to the Japanese market than any other option. Their official websites need to be written in perfect Japanese, and for faster delivery, they are suggested to have inventories in Japan. Furthermore, to sell their goods more widely, firms might better have their brand sites in Japanese, and SNS account in Japanese as well. However, if firms can gain profits from this option, a dual-channel strategy was also suggested.

	customer & culture			payment				
	customer service	language adaption	currency adaption	Credit Card (preferred brand)	bank transfer	mobile career	convenience store	e-payment
Option 1	Official email			x(Visa, master card)				paypal
Option 2	Official form, since we need to deal many customers	Japanese if possible		x(Visa, mastercard)				paypal, alipay
Option 3	Official form, with Japanese customer centre	Japanese	x	x(Visa, mastercard, JCB)	x	x		
Option 4	Official form with Japanese customer centre	Japanese	x	x(Visa, mastercard, JCB)	x	x	x	(x)

	laws & regulations		marketing		Logistic		
	VAT and custom	Privacy Policies	Suggested SNS for marketing Japanese customers	brand site	Delivery to Japan	return	shipping fee
Option 1		x	Facebook, Instagram	English	direct delivery	Must	
Option 2		x	Facebook, instagram	English, (Japanese)	direct delivery	Must	
Option 3		x	Facebook, Instagram	English, Japanese	Can hold inventory in Japan, but not must	Must	Free shipping is preferable if possible
Option 4	Should include in price	x	Instagram, Facebook, Twitter	Japanese	Suggested to hold inventory	Must	Free shipping is suggested

Figure 2: Result of the Business Cases

Conclusion

In this master thesis, we succeeded to show some guidelines to European countries, by revealing the obstacles and illustrating the suggested trade channel depending on the size of the firm's business. However, since our research was mainly based on secondary sources, to improve this work more, we consider further analysis can be done through empirical research based on company interviews.

Chapter 1

1. Introduction

With the growth of the internet and internationalization, electronic commerce (e-commerce) developed significantly in recent years. In 2019, the worldwide retail e-commerce sales reached 3,535 billion US dollars, which is 265 % growth from the sales in 2014, and it is estimated that in 2023 it will reach 6542 billion dollars. (Statista, 2020).

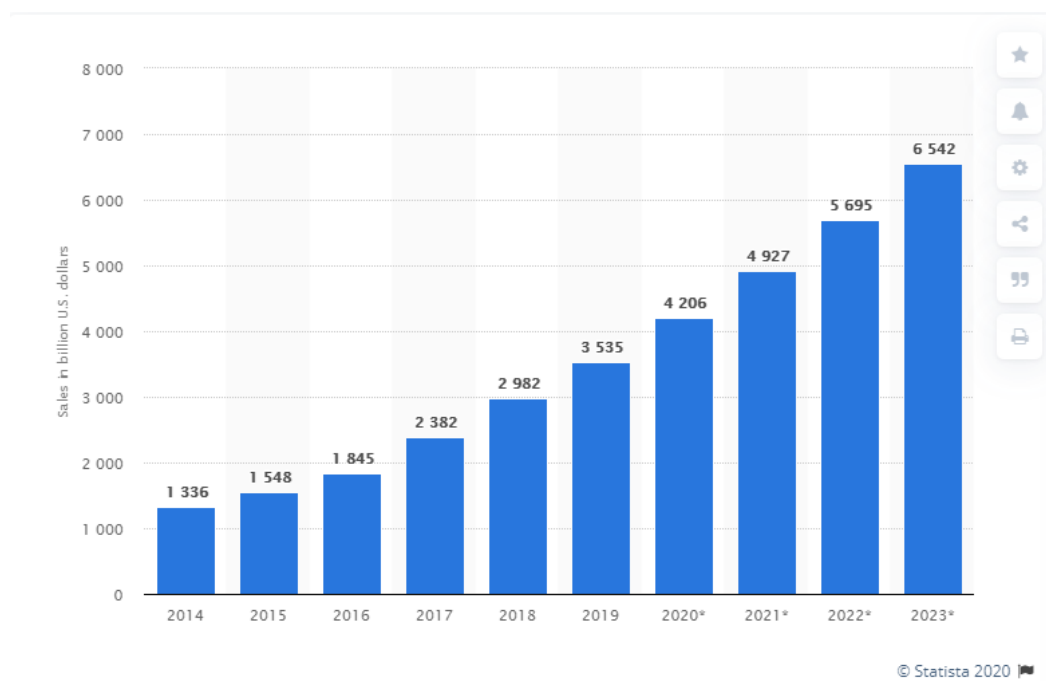


Figure 3: World e-commerce sales (Statista, 2020)

Having these trends of the growing e-commerce market, some firms expand their markets outside of their countries. The process of selling goods to a consumer located in a foreign country through online channels, either directly through a proprietary website (i.e. B2C) or through a digital intermediary such as online retailers or marketplaces (i.e. B2B2C) are called cross-border e-commerce (CBEC) (Giuffrida, 2019), and CBEC market achieved a rapid growth from 233 billion USD in 2014 to 994 billion USD by 2020, showing CAGR 27.4% (CJ Logistics, 2017).

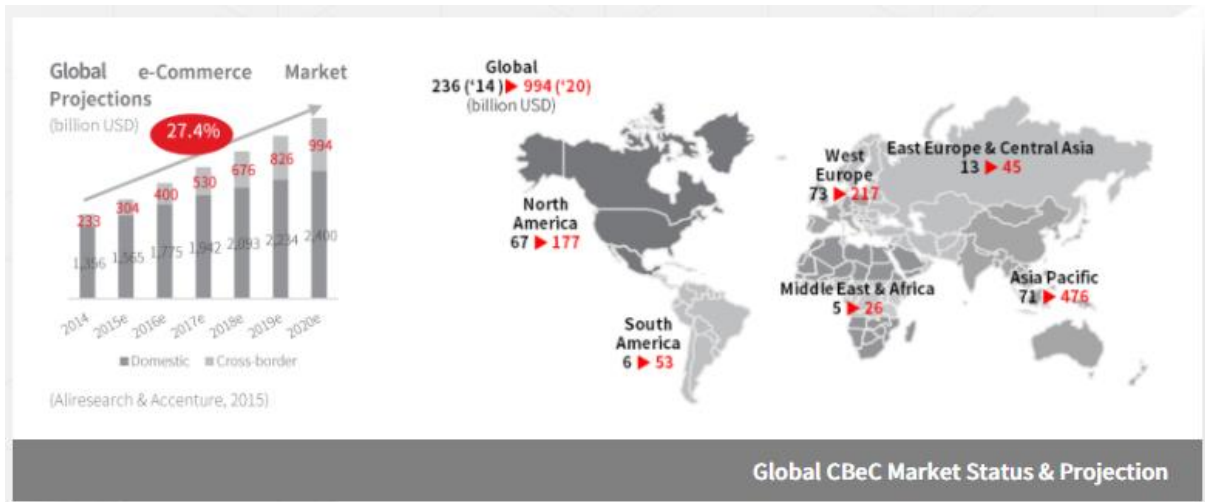


Figure 4: Global Cross-border e-commerce market status and projection (CJ Logistics, 2017)

Bas van Heel (2014) noted that CBEC currently accounts for 10 to 15 % of total e-commerce volume, and this share will increase in the future. By 2025, annual global cross-border e-commerce revenues could swell to between \$250 billion and \$350 billion, which is up from about \$80 billion today. Heel (2014) also noted that domestic e-commerce can also see as cross-border e-commerce since many of the domestic goods contain cross-border components inside. In some cases, that component is a direct infeed from a foreign player; in others, a foreign player uses local fulfillment to complete delivery; in still others, a domestic company assembles and ships goods with international content. Figure 3 illustrates the international components inside the domestic E-commerce. Thus, we see more potential in CBEC in the future.

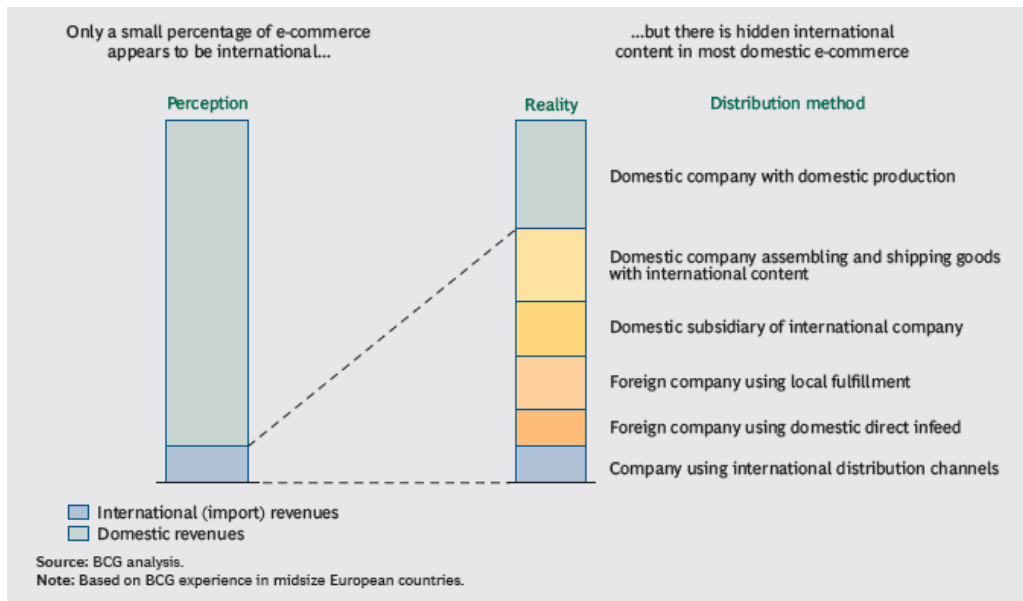


Figure 5: Most domestic E-Commerce has an International Component (Heel, 2014)

Expanding of CBEC is the recent trend in European countries as well (Valarezo et al, 2018), and in 2019 the first CBEC Europe forum was held in Belgium to enhance the CBEC opportunity of European firms (Bruni, 2019). However, the attention is focused mainly on the CBEC between China and not so much attention was paid to other Asian countries, such as Japan.

Nevertheless, the market peculiarity of e-commerce in Japan seems to be large enough. Japan, the country with 5,081,769.54 USD of GDP, is the world's third largest following the United States and China (World Bank, 2019), and is still one of the largest countries in the world.

The market size of Japanese e-commerce is expanding each year, and in 2019 the market size reached 19trillion yen (METI, 2020). Furthermore, compared to the EC penetration rate (a ratio that demonstrates how many shops are converted to EC) of the world which is 14.1%(ECMO, 2020), the Japanese market only has 6.76% and is still not reached the world average. This fact implies that it is still not too late to enter the competition, compared to other Asian market such as China, which already 35% of the current shop was penetrated to E-Commerce (Ebisumart, 2020).

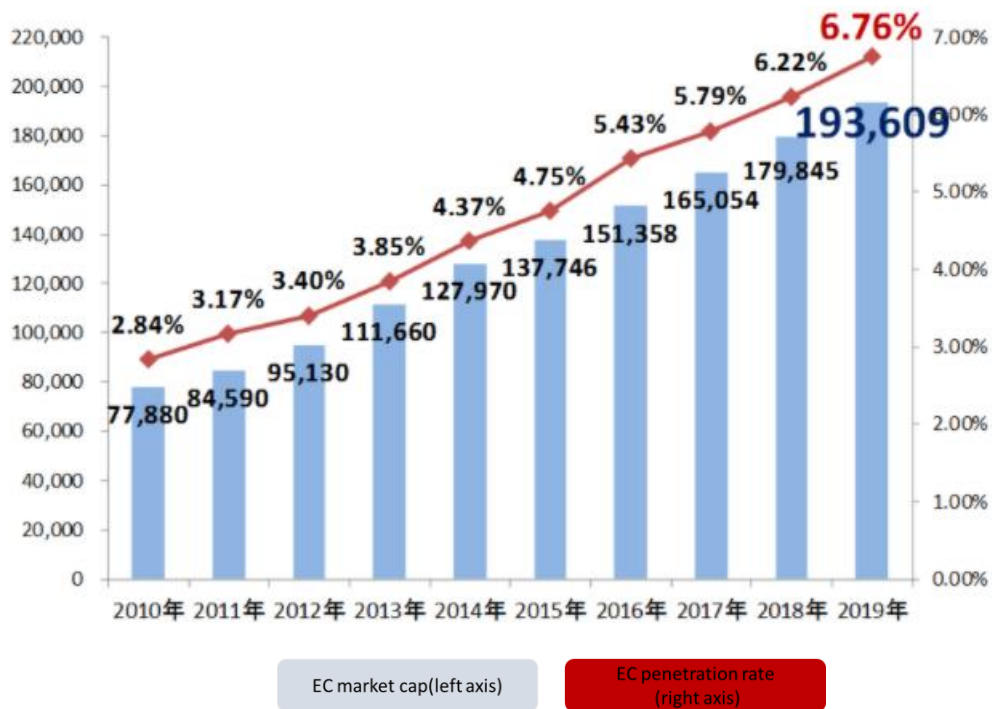


Figure 6: Japanese market's B2C E-commerce market size (METI, 2020)

Moreover, the revenue of the Japanese e-commerce market is projected to reach 104,639 million USD in 2020, and it is estimated to grow until 143,279 million USD in 2025, with an annual growth rate (CAGR 2020-2025) of 6.5% (Statista, 2020), supported by high internet usage rate of 89.8% (MIC, 2019).

The effect of the covid pandemic also pushes Japanese customers to buy online. According to the research by Mitsui Sumitomo card (2020), in every age, the use of online shopping increased compared to the year before the pandemic.

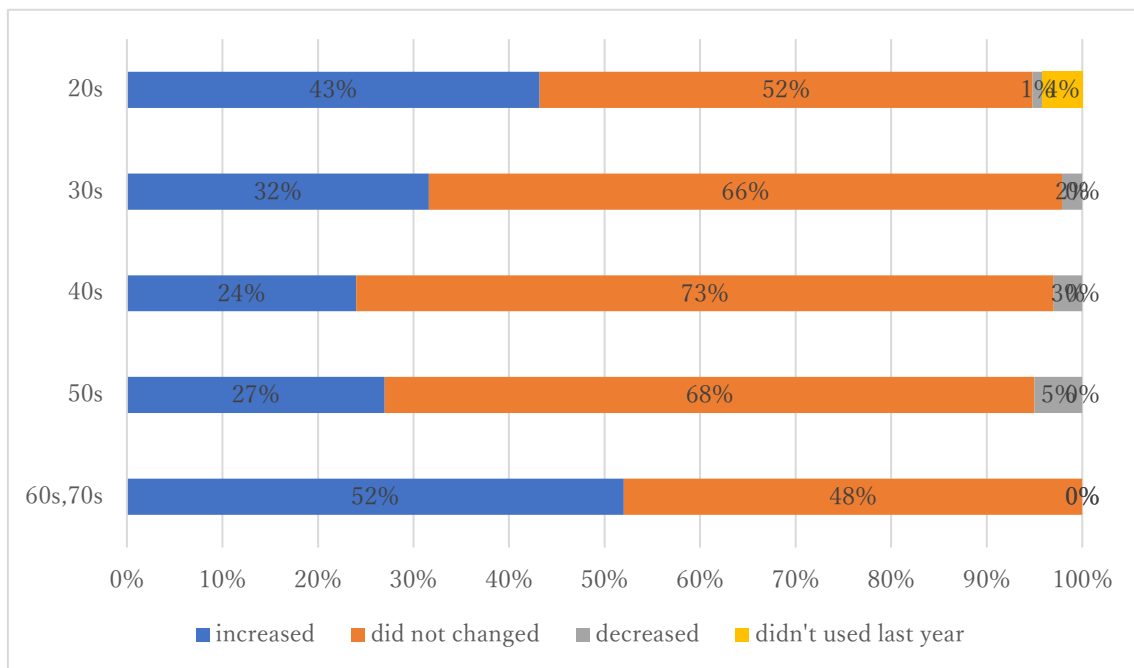


Figure 7: Increase of the frequency of online shopping compared to 2019 (Mitsui Sumitomo card, 2020)

Not only its expanding market but there are also some other opportunities for European companies to adapt CBEC to Japan.

First is the individual's sales power. Since Japan is a developed country, the sales per individual can be expected to be higher than other countries, such as ASEAN, which are also sought as an interesting market in Asia. The average Japanese income is 5.47 million yen (MHLW, 2009), ranked 27 in the world (Worlddata.info, 2015).

A high internet usage rate also makes its market peculiarity high. Almost 90% of the Japanese have an internet connection, and on average more than 70% of the Japanese bought goods at E-commerce sites (MIAC, 2015). This means that available target customers can be of any age, any gender in the Japanese market.

Moreover, having the fact that Economic Partnership Agreement (EPA) between the EU and Japan has been enforced in 2019 (MOFA, 2020), the barrier to enter the Japanese market through CBEC has become significantly low. The export of goods from the EU to Japan had increased 6.6% compared to the year before EPA had published (JETRO, 2020).

Nevertheless, in current academic fields, the field related to CBEC to Japan is not has been discussed a lot, and not so much European companies sell to the Japanese market online as well. For example, in Italy, only 2% of the Italian companies sell in the Japanese market (export.gov, 2019). Having this situation, our motivation was to fill in this gap to facilitate both the research and advance of the European companies to the Japanese market.

This thesis aims to provide guidelines to European companies (especially to countries who are joining the EU) who want to know the market peculiarity in the Japanese market and adapt CBEC to the Japanese market. This master thesis discusses the important obstacles that firms need to consider adapting CBEC to the Japanese market, and for some key factors, we address some suitable options or countermeasures to come over these obstacles.

The discussion of this paper will be about Cross Border E-Commerce between the EU and Japan, thus we expect by reading this research researchers and companies can further investigate the peculiarity of the Japanese market for CBEC, and facilitate the market entrance.

The remainder of this master thesis is organized as follows. The next section presents a literature review, to analyse past researches and identify the main obstacles of CBEC. Third part explains objectives and methodologies of this master thesis, and states two research questions. The fourth section represents the results, which answers to the first research question, and fifth section will discuss about the second research question. After that, sixth section will present real cases, and the seventh section concludes.

Chapter 2

2. Literature review

2.1 Review methodology

The research of papers had started from searching through the literature search engine. Web of Science, Google scholar, CiNii (Japanese literature search engine) were the main web engines used. In these engines, the keywords related to the topic such as “cross border e-commerce (CBEC)”, “e-commerce”, “b2c e-commerce” were combined with other keywords and the articles were collected.

First, we looked for the articles that directly discuss this topic, but there were only a few up-to-date researches found. Therefore, the research moved on to the next phase, which eliminated the focus to Japan and collected the researches without geographical limitations. Finally, in the third phase, after identified the main obstacles for CBEC, researches related to each obstacle were collected.

2.2 Literature review

In this section, we will first discuss the general research done in the past related to the field of Cross border e-commerce.

The discussion of this literature review will be followed:

- 1) We will discuss about what kind of researches are done in the past. For example, when the research about cross-border e-commerce emerged, who are the main players, what kind of drivers are accelerating CBEC, why, how firms decide to do CBEC. First, we will generally discuss these topics, and then we will move on our focus to China since it is the country that most researches are done and also geographically close to Japan. Lastly, we will move to our main focus, Cross border e-commerce to Japan.
- 2) In the second part, we will identify and discuss what are the main factors we need to consider in this thesis when firms are conducting CBEC in Japan.
- 3) In the last part, we will discuss what kind of e-commerce researches was previously done related to the issues we identified in part 2.

2.2.1 What has been done with the past research

Here, in this first part, we will briefly discuss the result of researches based on: When the research of CBEC has started, Who are the main players, What kind of drivers are accelerating CBEC, and why, how individuals decide to start CBEC. After that, having the facts that; China is the biggest market of CBEC, China is geographically closer to Japan, and many of researches are done related to China, we will discuss the researches more specifically about what, why, how about the Cross border e-commerce to China. In the last part, we will discuss researches related to Japanese CBEC.

Having the recent growth of the global e-commerce market, we started our research from when has CBEC become the hot topic in an academic field. The research paper of Yann-Jy Yang (2017) gave us a clear vision about the recent years' growing focus on this field.

They searched five electronic commerce journals (Electronic Commerce Research, Electronic Commerce Research and Applications, International Journal of Electronic Commerce, Journal of Electronic Commerce Research, and Journal of Theoretical and Applied Electronic Commerce) and the research listed in the Social Sciences Citation Index (SSCI) database. In seventeen years between January 2000 and December 2016, they found 1,205 electronic commerce research articles and analysed them from the method they used, publication year, and nationality of the researchers.

Figure 6 illustrates the number of articles they found in these 17 years. We can see the interest in this field is constantly growing in this decade, remarkably from 2003.

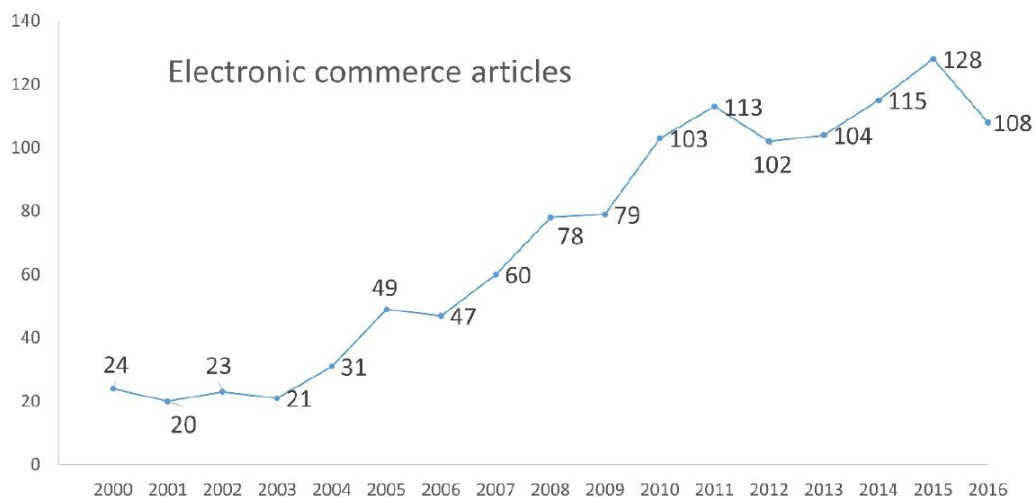


Figure 8: Electronic Commerce Publication from 2000 to 2016 (Yang,2017)

They also highlighted that the nationality of the researchers is concentrated only by few

countries. In these 17 years, 37% of the electronic commerce research was published by US researchers, and 29% of them were written by Chinese or Taiwanese researchers. Only 11 papers were written from Japan, which implies that in this country researches related to this field is not that popular.

Coronavirus pandemic also pushes the trend of growing e-commerce. Elrhim and Elsayed (2020) investigated the effect of the corona pandemic and found out that this pandemic had a positive effect on the e-commerce company. Their result claims that the global e-commerce market is affected by the spread of the coronavirus and it is influencing the returns of the shares of global e-commerce companies.

Having sure that Cross border e-commerce is recently a big trend, our next issue was what made the recent growth of CBEC.

Policy measures for developing digital skills, Internet trust, and the use of online information reviews seem to have positive effects on the increase of the CBEC (Valarezo et al, 2018). Online trade gives a comparative advantage to English-language exporting countries as well (Gomez-Herrera et al, 2014).

But most of all, the distance effect can be sought as great merit for applying CBEC. Gomez-Herrera et al (2014) investigated whether distance still matters for online trade-in physical goods. From the data of the online consumer survey panel on online cross-border trade in good, they found that distance-related trade costs are greatly reduced compared to offline trade in the same goods, which is the main benefit of CBEC. They also examined what will boost a CBEC in the EU digital market, and found out that an 1% increase in the use of efficient and flexible cross-border payment systems could increase cross-border e-commerce by as much as 7%.

Some researchers focused on the future trend of Cross border e-commerce. W. He and Y. Xu (2018) claims there will be four developing trends in global e-commerce. The first is the integration of e-commerce companies and internet companies. As the example of the merger of Suning Tesco and Alibaba, recently e-commerce companies forward merger to achieve advantages. The second is business diversification. Like Amazon and China's Jingdong mall, many e-commerce platformers diversify their business based on their assets earned from e-commerce business. The third is trade terminal mobilization. Due to the rapid development of the mobile internet, consumers have more choices in mobile devices and payment methods when they consume online. More consumer uses their mobile devices, it will contribute the growth of e-commerce as well. The fourth is payment terminal diversity. Like Paypal and Alipay, new payment methods are born in decades, and these new payments method will ease the purchase at e-commerce.

Having researched what are the trend now and future, our next question was that why firms select Cross border e-commerce for a foreign market entry mode.

Li Peixin and Xiw Wei (2012) observed the reason why some firms succeed to adopt CBEC and some not. From the literature review, they determined ten factors that determine firms' adoption of e-commerce, and four were highlighted. They were managerial attitudes, corporate strategies, external pressures, and firms' technology strengths.

Qi X., Chan J. H., Hu J., Li Y, (2020) has also made a case study on why foreign firms deploy Cross-border e-commerce. They state that the biggest reason firms make CBEC is lower transaction costs, particularly reduced by the involvement of specialized technology intermediaries in a mature CBEC ecosystem with favourable government policies. They claim that CBEC is easier to build trust compared to other entering modes.

Research from the consumer perspective was also found. Sleuwaegen et al (2020) investigated what kind of people buy goods cross-border, compared to domestic e-commerce purchase. The results demonstrate the importance of country-level determinants in addition to the personal characteristics of the consumers in terms of their age, gender, profession, educational background, location, and trust in non-domestic suppliers in the decision to purchase cross-border. Furthermore, among the country-level determinants, domestic market size, economic development, and ethnic fractionalization of the country are all shown to play an important role.

The last question is about the main player in CBEC. As we continued our literature review, we noticed that many of the researches on CBEC were done related to China or specific research areas in China. Since our interest is about the CBEC into Japan, we decided to move our focus related to the researches about CBEC in China, since is the world biggest market of EC (OBERLO, 2019), and also the country that is geographically closer to Japan compared to other developed countries.

2.2.2 CHINA

Having the recent trend that China is the biggest market of EC (OBERLO, 2019), we moved our focus mainly to the research related to Chinese CBEC. Here we researched What, Why, How firms are trying to adapt CBEC to the Chinese market.

The Chinese government's regulation of the "One Belt, One Road" policy is having a great role in enforcing China's CBEC (Ma, 2018, Fan, 2019, Wang, 2017). Cross-border e-commerce has been a top priority on the Chinese policy agenda, and the Chinese government has issued many new policies and rules to facilitate cross-border e-commerce over the past

ten years (Fan, 2019). Chinese government regulated "the positive list" and "the comprehensive CBEC pilot zones" as two major national-level measures for simplified import procedures (Fan, 2019). This strategic task was first proposed nationwide in "The Eleventh Five-year Development Plan for E-commerce", and after that related ministries and organizations of China announced favourable policies for cross-border e-commerce (S. Ma, 2018). S. Ma and Y. Chai (2018) had constructed a table that demonstrates the movement of Chinese policymakers who are making favourable policies for cross-border e-commerce. Below table1 reveals critical policy documents relating to the environment and institutions of the industry. From this table, we can see clearly that the Chinese government is enforcing cross-border e-commerce as their national policy.

Table 1: Policies and Provision Concerning Environment and Institutions of the Cross-Border E-commerce Industry (Ma, 2018)

Release date	Department	Policy document or event	Key points
March 2012	Ministry of Commerce	<i>Several Opinions on Utilizing E-commerce Platforms to Develop Foreign Trade</i>	<ol style="list-style-type: none"> 1. Enhancing the service functions of e-commerce platforms for foreign trade 2. Promoting will and capacity of enterprises utilizing e-commerce platforms to develop foreign trade
May 2012	General Office of the National Development and Reform Commission	<i>Notice on Organizing and Carrying out the Pilot Program of E-commerce in National E-commerce Demonstration Cities</i>	<ol style="list-style-type: none"> 1. Putting forward the concept of cross-border trade e-commerce service pilots 2. The 6 pilot cities: Shanghai, Hangzhou, Ningbo, Zhengzhou, Chongqing and Xi'an
July 2014	General Administration of Customs	<i>Announcement on Matters Concerning the Supervision and Administration of Imported and Exported Goods and Articles via Cross-border E-commerce</i>	<ol style="list-style-type: none"> 1. Declaring the implementation of the supervision system for goods and articles transacted on certain e-commerce platforms with declaration forms 2. Completing the customs declaration formalities of imported and exported e-commerce goods in the mode of "checklist verification and consolidated declaration"
March 2015	State Council	<i>Report on the Work of the Government (2015)</i>	Putting forward for the first time the "Internet Plus" action plan to guide Internet-based companies to increase their presence in the international market
June 2015	State Council	<i>Guiding Opinions on Promoting Sound and Speedy Development of Cross-border E-commerce</i>	Inspiring foreign trade service providers to offer comprehensive foreign trade services including customs clearance, logistics, warehousing and financing services
March 2016	State Council	<i>Report on the Work of the Government (2016)</i>	<ol style="list-style-type: none"> 1. Encouraging innovative business models by expanding trials in cross-border e-commerce, supporting overseas warehouses for exported products and by promoting the development of comprehensive foreign trade services providers 2. Facilitating trade by implementing the international trade single window system nationwide and by reducing the frequency of inspections for exports 3. Impelling innovative "Internet Plus Foreign Trade" industry based on driving the traditional economy

Having the support of these policies, the Chinese E-commerce market expanded greatly in these decades. In 2012, China's B2C e-commerce transactions surpassed Japan's for the first time and took the second position in the world. In 2013, China's e-commerce transactions overtook the US to become the world's largest e-commerce marketplace (H.Li, D. Wang 2016). In 2020, Chinese revenue in e-commerce is projected to reach 1,117,204m USD (Statista 2020), and it generally presents a tendency of solid growth as well (Ma, 2018). The figure 7 demonstrates the turnover of China's cross-border e-commerce and total import and export volume change (Y. Fang, 2017).

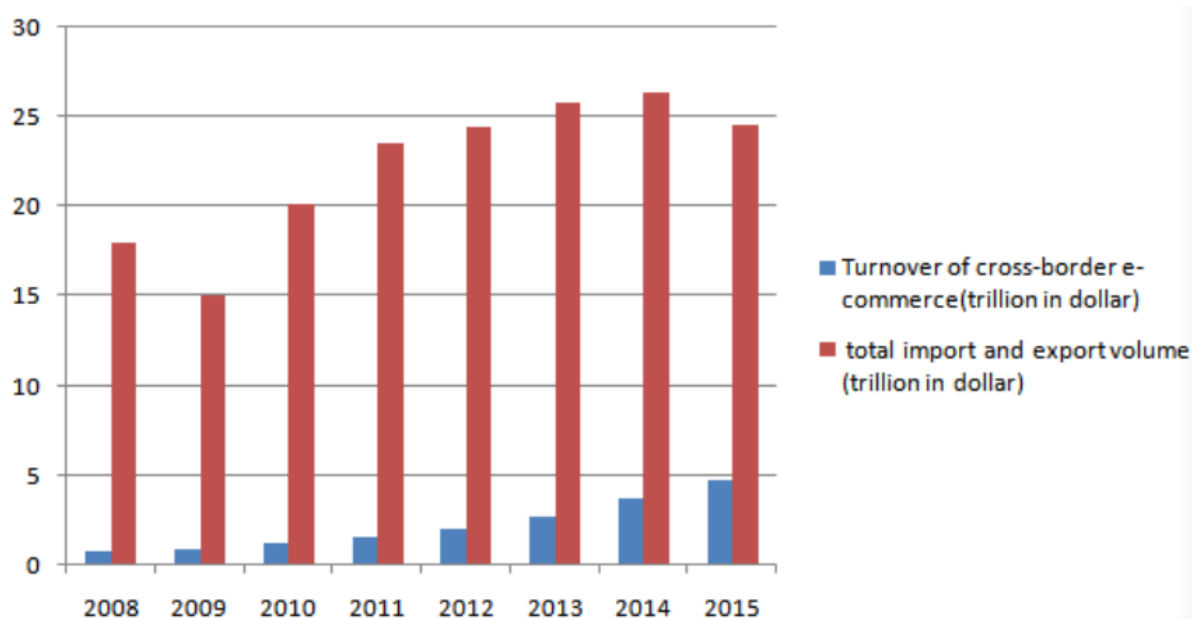


Figure 9: turnover of China's cross border e-commerce and total import and export volume change (Fang, 2017)

Thanks to these regulations, foreign trade barriers have been lowered for small and micro enterprises and they have been able to engage in cross-border e-commerce as well. Their profit margins have been expanded owing to fewer intermediate links and lower transaction costs. By 2014 there were over 200,000 enterprises engaged in cross-border e-commerce with around 5000 online trading platforms, while over 90 % of newly registered vendors were medium, small, or micro-enterprises or self-employed industrialists (S. Ma, 2018).

Although government support seems to be the main accelerator for CBEC, other issues seem to have a positive role as well.

Y. Fang (2017) claims that technological improvement such as the payment system improving, logistic aging and cost decreasing, cloud computing, and big data will become to play a big role in CBEC, and it will support the growth of the CBEC in the future. He also points out

that internet and technology improvement also had a great role in reducing transaction costs, which contributed to the growth of China's international trade each year.

Consumption upgrade plays a big role as well. In 2015, the contribution rate of consumption to China's national economic growth was further increased to 66.4%, and it is predicted to rise (Fang, 2017). By 2020, China's middle class will be more than 200 million, and seems to be their demand for overseas long tail, high-quality, low-cost, and personalized products will become stronger. This trend directly affects the e-commerce market as well, and over the next five years, 42% of the incremental private consumption will be contributed by e-commerce. Online shopping is the base to create large-scale users of the new consumer as well. By the end of June 2016, Chinese online shopping users reached 448 million, online shopping utilization rate reached 63% (Fang, 2017).

Industry foundation is also important. It seems that Chinese SMEs continue to join the cross-border e-commerce market as a "global seller", and it already created 60% of the total amount of the foreign trade. Having the advantages of the traditional manufacturing base and superior export products, joining SMEs will contribute to the growth of the Chinese CBEC market (Fang, 2017).

However, even though currently there are many favourable environments for the growth of Chinese CBEC, some researchers point out there are some obstacles that need to be solved to enforce more growth in China's e-commerce market.

Logistics were considered the biggest obstacles to be solved. Giuffrida, Mangiaracina and Perego (2017a) had conducted a literature review about the CBEC to China and the role of logistics. They illustrated what kind of research was done recently, and what part of the research area still needs to improve. From the review of the most important 32 papers published 2002 till 2016, they positioned these papers in the axis of geographic focus and logistic focus. Below is the figure that illustrates what kind of research still needs to be done in terms of geographic focus and logistic focus. Here we can see that geographic wide and logistic wide type of research is still missing.

		Geographical Focus (GF)	
		Narrow	Wide
Logistics Focus (LF)	Wide	Chen <i>et al.</i> (2004) Ng (2009) Wang <i>et al.</i> (2015b) Yang and Shen (2015) Yang <i>et al.</i> (2014) Zhang (2015) Zhenhua and Qiang (2015)	
	Narrow	Shuyan and Lisi (2013) Daly and Cui (2003) Goh and Ling (2003) Gunasekaran and Ngai (2003) Hensher <i>et al.</i> (2015) Jiang and Prater (2002) Jiao (2014) Jiao (2015) Lean <i>et al.</i> (2014)	Mahpula <i>et al.</i> (2013) Tian <i>et al.</i> (2010) Tongzon and Nguyen (2009) Wang (2015) Wang <i>et al.</i> (2007) Yan and Wang (2015) Zhang and Figliozzi (2010) Zhang and Zhang (2013)

Figure 10: logistic research relation between GF and LF (Giuffrida, 2017a)

Furthermore, they also analysed and found out that they can divide recent studies into mainly three themes. Which are;

- 1) The development of logistics industry in greater China
- 2) CBEC logistics in greater China
- 3) Taiwan and Hong Kong as logistics “supporters” of Mainland China.

From the numerous reviews of the past researches, they highlighted that still the logistic is the largest area needed to be improved. From the further analysis, they identified that especially distribution network design and logistic outsourcing are the main gaps further research needs to be conducted.

Having that logistics still need to be researched, Giuffrida M. et al (2017b) researched and identified a favourable distribution network to enter the Chinese CBEC market. They suggested four logistic nodes to enter the Chinese market through CBEC, which they named “Ship and Warehouse”, “Plane and Warehouse”, “Plane and Hub”, and “Direct distribution”. Later years, Giuffrida et al (2019) enhanced their study about logistics under the uncertain situation as well. Based on the result of previous research (Giuffrida, 2017b), they constructed two models which are deterministic (contains no uncertainty) and probabilistic (contains uncertainty). They concluded that if they take into consideration the uncertainty, the result of the optimal logistic will have a big change.

Not only logistics but more support from the government is also needed for the further growth of the CBEC in China. First, the government should support strengthen the policy and market norms to ensure the surrounding of cross-border electronic commerce is safe. By establishing a more clear and efficient customs clearance service, more market growth can be expected (Y. Wang and X.Lu 2017, Y.Fang 2017). The second is building a complete system of the service platform. Y. Wang and X.Lu (2017) believe this is the only way to achieve the optimal allocation and integration of resources in a wider range, which strengthen the trade-in cross border e-commerce. Fang (2017) also points out Custom clearance service, an imperfection in the market supervision system, the unreasonable mode of settlement can be also the obstacles for the growth for CBEC in China.

2.2.3 Japan

Unfortunately, there was only a few research found about CBEC related to Japan, and almost all of them were about CBEC from Japan to other countries, and not CBEC into the Japanese market. However, since there were some related researches, in this part we will discuss what we found related to cross-border e-commerce to Japan.

The current status and development of Cross border e-commerce of Japanese company, and their success and failure of CBEC to the Chinese market were discussed (Harada 2013). Having implications from the past case study, he also made a suggested function needed for Japanese firms' attempting CBEC to China. Below table 2 is the table that was taken and translated.

The “MUST” attributes are the must need if firms are introducing Cross border e-commerce. “NEED” attributes are the attributes that need ideas to boost revenue.

Sung (2006) identified critical success factors for E-Commerce in Japan. According to their literature review and interviews, perceived customer orientation was the most critical success factor, followed by speed of the system, plenty of information, ease of use, and low price.

Table 2: What is needed to attempt Cross border e-commerce to China from Japan (Harada,

2013)

No	Attributes	Description	Importance
1	Description of goods	Translation of description of goods, check of the translation	MUST
2	Customer support	Customer support is done by operators	MUST
3	Recommendation	Recommendation of the goods by other channels	NEED
4	Customer targeting	e-mail marketing (etc.)from the past purchase	NEED
5	Social media	Use SNS to launch a new campaign	NEED
6	Discount	Campaign for discount, discount for a bulk purchase	MUST
7	Payment	Alipay, Paypal, make these possible to use this on the sites	MUST
8	Packaging	Bundle the different purchase into one package when you ship	MUST
9	Shipment	Use of 3PL	MUST
10	Customer management	Efficient use of the data for customer targeting	MUST
11	Sales management	Analyze the past purchase to find a better way to sales	MUST
12	Affiliate	Expand affiliate sites to other countries	NEED
13	Point service	Give a point according to the amount customer had purchased	NEED

Ying Z. (2019) made research about the CBEC of a Chinese company in the Japanese market, and he identified some important strategies for Chinese firms to enter the Japanese market. To summarise, he claims that Chinese enterprises should combine the characteristics of Japanese national culture with Japanese consumption habits and try to enter the Japanese market by continuously providing products of high quality, high service, and novel design. Comparisons of consumer behaviour between other countries was a hot topic related to E-commerce in Japan. The behaviour between Korean consumers was analysed by Li and Kim (2006). For Japanese PC shopping users, they had “information tracking”, “novelty tracking”, “planned purchase” and for mobile shopping users, they had “brand reliability”, “shopping affirmative” significant for their shopping behaviours. Compared to Korean users, Japanese users had higher “danger evasion”, “cost volatility”, “discrimination needs” and lower “novelty

tracking”, “planned purchase”, “brand reliability”. From these data, they concluded that Japanese users' behaviour differs between whether they are shopping from PC or mobile phone, and Korean and Japanese consumers purchasing behaviour had great difference.

Between Vietnamese users, Okamoto and Mizutani (2015) made some research. Compared to Vietnamese, Japanese users felt more reliability to online shops or online transactions which Vietnamese users see them unreliable. Moreover, both users had concerns about personal information leakage, reliability of personal information protection seemed to be an important issue between both users.

Watanabe and Iwasaki (2010) did a survey and discovered the segmentation of products from consumer behaviour of online shopping. Using the questionnaire, they positioned 38 types of goods by “consumers’ familiarity to online shopping” and “tangibility of the goods”. They discovered four segmentations; special goods, convenience goods, shopping goods, service and contents. Service and contents had more familiarity from online shopping, and special goods had the least familiarity. Having this result, they also analysed what can be the factor that will reduce or increase the reluctance to online shopping. "Information from the internet", "Importance of cost", "Word of mouth” and “saving time” were found out to be the important factors to soften the reluctance to online shopping. The increasing factor was “unreliability to online shopping”, "the importance of real communication via physical store", "service and reputation importance”, and “real texture”.

Having research done both for Cross border e-commerce and e-commerce in Japan, we found out that there are still many gaps in the academic area referring to Cross border e-commerce to Japan, compared to the research done to China. Thus, to a deeper focus on this topic, in the next part of the literature review, we will identify what kind of issues were thought to be important to conduct a Cross Border e-commerce.

2.3 Identified obstacles for foreign country’s CBEC.

From the previous part of the literature review, looking through Chinese and Japanese Cross border e-commerce researches, Logistics, Laws & regulations of the government, appropriate service platforms, technology adaption for payment and trade channel, cultural difference, marketing issues were mentioned frequently, and these seems to be the important factors that firm needs to consider for the cross border e-commerce. In this part, we will seek broader researches to enforce our hypothesis that these factors are the main barriers to cross-border e-commerce.

2.3.1 Customer and culture

When firms want to adopt CBEC, they must need to think about the characteristic of the target customer and the culture of the country.

Many of the researchers argue that the Customer and Culture issue is an important factor that influences Cross Border e-commerce, and the acceptance of e-commerce depends on the cultural issues (Capece, 2013). Not like traditional e-commerce, Cross border e-commerce's information and goods will encounter cultural differences along the way. Since consumer behaviours are different according to countries, more information about commodities preferences, delivery, and online payment options of foreign consumers, are especially needed (Ding, Huo, Campos 2017). Simon (2001) analysed and indicated that perception and satisfaction differences exist between the cultural clusters and gender groups within cultures. In particular, the perceptions of the Asian and Latin/South American were found to be similar, as were the perceptions of the Europeans and North Americans. This strengthens the fact that we need to take care of the cultural difference more. Moreover, the existence of the resistance to online shopping are seen in some part of the world, so we need to consider how to solve this problem as well (Farhoomed, 2000).

2.3.2 Laws and regulations

Check for the laws and regulations between the firm's country and target country is one of the most important. Depending on the regulation, some goods have lower tariffs or faster custom clearance service. Example of Chinese government regulations we mentioned last part also reveals that laws and regulations are needed to proliferate Cross border e-commerce market in their countries.

Different laws and regulations between countries limit the ability of cross-border business, such as data privacy and return policy. Not only these, high tariffs, VAT, but customs can be the main barrier as well (Fang, 2017, Bas van Heel, 2014). Acceptance of electronic signature in some countries is also seen as a legal barrier (Farhoomed, 2000). In some cases, to attempt Cross border e-commerce firm needs to build a server in the target country or need to collaborate with some domestic company that operates in the target country, which makes an obstacle for attempting CBEC (Harada, 2013).

2.3.3 Product and marketing

Product and Marketing issues are also considered important. If the firm wants to succeed in

CBEC, they must understand the marketing channel optimal for the target customer and the product they are trying to sell.

Commonly e-commerce businesses struggle to find adequate information about the foreign market operation. For brands that are relatively unknown in target markets, the cost of building brand awareness turns to be high, such as advertising through multi-channel (Fang, 2017). Harada (2013) claims that the efficient use of SNS marketing to target customers is connected to the success of cross-border e-commerce.

2.3.4 Trade channel

The selection of trade channels is an important factor too.

Well-established infrastructure is needed for successful cross-border e-commerce (Farhoomed, 2000). Low user experience on websites, such as “Poor aesthetic design”, “Late response”, “Low speed of browsing” also can be the barrier to successful Cross border e-commerce (Pei, 2016).

Online channels used by firms are associated with sensitivity to barriers. In particular, the use of "Your website or apps" (the use of a firm's website or apps) is positively related to some barriers. Using a large platform is associated with less vulnerability to (financial and market) barriers when compared to a firm's website. (Coad, Alexander 2017)

2.3.5 Payment

Payment issues are also considered important by some researchers since the frequently used payment method differs from the firm's home country and target country. To make buying online more attractive to consumers from target markets, e-retailers must be familiar with local payment preferences (Fang 2017).

Adapting to local payment is also a barrier to Cross border e-commerce. For example, in China not only credit cards or cash, firms need to be sure the customer can pay by Alipay, a Chinese QR escrow payment system (Harada, 2013). Availability of payment method, ease of payment, payment security, and billing address are important factors as well if the firm wants to adapt safe e-commerce (Pei, 2016).

2.3.6 Logistics

Since we need to deliver goods to the customers, logistics remains the biggest issue we need to think about, and the effect of distance remains the main barrier for online trade (Hortacsu,

2009). The basic logistics infrastructure, such as highways, railways also warehouses, are considered underdeveloped in some countries. The outdated customs system and complicated clearance procedures are a general problem for all international trade. The extra costs incurred can make the operation of small e-retailers unfeasible (Fang 2017). Moreover, "delivery speed", "Delivery mode", "product tracking", "Delivery terms" are the factors that customers take care of as well when they use electronic commerce (Pei, 2016). When firms are shipping the goods to the country geographically far away from their original country, they must select carefully what kind of logistic solution they must take to minimize the cost, and increase shipments safety.

2.4 Past researches related to obstacles.

After we identified these six barriers to CBEC, we conducted further research about what has been done previously, related to these barriers. Using and combining the keywords of each obstacle (e.g. logistics, laws, marketing, etc.) and "Cross border E-Commerce", "E-commerce", we found some further developed articles related to these issues in CBEC.

2.4.1 Customer and culture

The customer characteristic is the important issue firms need to think about if they adapt Cross border e-commerce.

Hofstede (1991) identified four cultural issues that are helpful to analyse the culture. They are power distance, collectivism, and individualism, femininity, and masculinity, and uncertainty avoidance. This is known to be one of the most famous cultural dimensions and applied in many contexts. Although this framework is argued to be slightly stereotype, we can still consider this as a useful framework also for cross-border e-commerce (Wu, 2006).

Valarezo (2018) identified some characteristics of the users using Cross border e-commerce. Being a male, age under 65, education has seen positive relation between the use of Cross border e-commerce. PC skills, especially Internet skills were also seen as positive.

Rong and Zhong (2018) analysed the Influence factor of customer satisfaction in cross-border e-commerce. Based on a literature review and questionnaire survey, they found out that there are four first-level indicators and twelve second-level indicators that affect to increase customer satisfaction. For the first four, Logistics Distribution and Commodity were the two biggest factors that affect customer satisfaction, and customer service follows, then technology was the minimum affecting factor. Inside logistics, for the second level logistic costs and speed of receipt seems to be the most influential factors, and for the commodity quality and the

performance-price ratio were the most influential factors.

Pei, Wu, and Dai (2016) established the assessment criteria for cross-border e-commerce from the perspective of customers, combined with experts' opinions. They generalized the criteria into four main points and 16 sub-criteria that consumer seems to take attention. The table below illustrates 4 main categories and 16 subcategories.

Table 3: Customer criteria what they want for Cross-border e-commerce (Pei, 2016)

Searching criteria	Comparative Price, Selection Range, Searching experience, Product Quality
Payment criteria	Availability of Payment Methods, Ease of Payment, Payment Security, and Billing Address
Delivery criteria	Delivery Modes, Delivery Speed, Products Tracking, Delivery Terms
After service criteria	Service Manner, Claim Settlement, Service Efficiency, Service language

Not only identified the critical success factors to catch customer attention, but they also interviewed experts. In conclusion, they found out that commodity quality, relative price, delivery speed, and payment methods are the most important, and firms need to focus on these issues more to attract consumers.

Consumer's success factor seems to be different between eastern and western market. Sung (2006) compared the critical success factors of Japan, Korea, and the USA, and discovered customers in Japan and Korea evaluate the speed of the system very critically, while customers in the USA do not. Security of system was crucial for USA customers but not that much for Japan and Korea. All the customers rated Customer orientation as the most important, and factors such as ease of use, variety of goods, delivery of goods follows.

Zhang (2019) identified the consumer propensity in Japan, and he claims there is five important propensities in the Japanese market.

- 1) Japanese consumers are more "copyright-conscious", and it is illegal to sell pirated copies in Japan, and most consumers do not accept pirated products.
- 2) Due to a large number of domestic brands in Japan, many consumers are more enthusiastic about pursuing "new products" compared to the pursuit of brands, so new products and concepts are first proposed and sold in Japan. Merchants are also continually updating their products.
- 3) Japanese consumers are very confident in "made in Japan" and trust local companies

much more than overseas companies.

- 4) Japanese consumers have higher requirements for product quality. The quality mentioned here is not only in terms of performance but also in terms of product appearance and design.
- 5) Buyers have high requirements for the service of the merchants. Japan is the best service country in the world, and many author's acquaintances give extremely high marks to Japan's social order and services.

2.4.2 Laws and regulations

There were significant numbers of research found in the field of laws and regulations related to cross-border e-commerce. Here, we will pick up some of the most recent and important research found.

Pasadilla (2020) has published a working paper about E-commerce provisions in RTAs. She reviewed previous findings on RTA provisions in e-commerce and explains the rationale for the inclusion of certain provisions in promoting growth in e-commerce. It zooms in to recent RTAs of the EU and US, which are seen as the "model provisions" for the other countries. After observing these RTAs, she suggests what LDCs and MICs countries should aim to put in their provisions of e-commerce which are related to taxation, hard and soft digital-related provisions, and intellectual property.

Ptashkina (2018) categorized four measures used to regulate and promote e-commerce which seems to be the most important aspects of international regulation in e-commerce. They are General provisions, Trade facilitation measures, Conducive environment and Technological issues.

Monteiro and Teh (2017) reviewed the different types of provisions explicitly addressing electronic commerce in regional trade agreements (RTAs). They analysed 275 RTAs currently in force and notified the WTO as of May 2017, and claimed that recently provisions have become increasingly more detailed but remain highly heterogeneous. Promotion of e-commerce, cooperation activities, and the moratorium on customs duties were the most common types of e-commerce provisions, and domestic legal framework, as well as more specific issues, such as electronic authentication, consumer protection, personal information protection, and paperless trading, were also concerned as an e-commerce provision.

Some researchers focused on the regulation of E-commerce in the Japanese market.

Matsui (2001) researched some problems related to consumer protection on electronic commerce in Japan. She analyses the current situation and problems related to consumer

protection on electronic commerce and introduces the discussion done by OECD Committee on Consumer Policy. She also focuses on two well-seen cases, which are fake purchases and credit card security.

Regulation of selling fake brand goods at E-commerce was also an interesting topic frequently discussed in Japan. Yuda (2012) did a study of regulation for the sale of fake branded goods via the internet. She claims that currently most of the regulations to fake brand goods are done by trademark law and unfair competition prevention law, but they do not cover every case, thus there are remaining issues to be discussed.

2.4.3 Product and marketing issues

Marketing was identified as an important factor to attempt Cross border e-commerce. In this part, we will discuss what kind of facts were found in the marketing issue of e-commerce, and what we need to think if the firm wants to attempt cross-border e-commerce.

First, we should not consider uniform marketing strategies between each country. Some marketing tactics affect positive in developed countries but not in emerging countries (Goldman and van Herk, 2020). Even between the geographically culturally close countries what customers see important differs (Sung, 2006).

To adapt cross-border e-commerce to foreign markets, there are three important marketing factors firms need to consider. First, because products can directly reflect the value of culture in the marketing mix, cross-border e-commerce enterprises should pay attention to the language style of the product description. The introduction of product information cannot have too many modifier words, as far as possible to meet the language habits of foreign people, to eliminate cultural differences (Wang, 2017). The second is the design of the websites. CBEC enterprises should deeply understand the national culture and customs of the target market and adapt the design that is effective to the targeting market (Wang, 2017). The third is the efficient use of visual marketing in the aspect of brand promotion. Visual unification of brand through websites, online stores, email, whatever contact with consumers is essential (Wang, 2017).

Although limited to China-Japan Cross border e-commerce, Zhang (2019) already identified seven important points firm must take into consideration if they will attempt foreign e-commerce;

- 1) Target market positioning should be accurate. By subdividing target groups, cultivating customer loyalty is the necessary way to develop cross-border e-commerce.
- 2) Create a brand and establish a brand reputation. The good reputation of the product can

make people feel superior and become brand loyalists, which is consistent with the high PDI index of Japan. At the same time, we should pay attention to product quality and service to provide customers with a better shopping experience.

- 3) Develop quality, personalized and creative products. Due to Japan's developed retail business system, Japan's individualism index is higher than China's. Japan's product function has been highly subdivided, which puts higher demands on Chinese product creative ideas.
- 4) Cross-border e-commerce practitioners need to raise their legal awareness, improve service awareness and service capabilities, and reduce disputes. China and Japan have different systems, different stages of social development, and various legal rules. Enterprises must study and follow Japanese laws to have long-term development. This is consistent with the same cultural characteristics of both Long-Term Orientations (LTO).
- 5) Clearly understand the characteristics of each platform and select the appropriate e-commerce platform according to the project items of its operation. Amazon has a large number of male consumers, and it has an absolute advantage in electrical appliances and accessories. Lotte is dominated by female consumers, with food and clothing taking an absolute advantage. This reflects that the cultural characteristics of Japan's high consumption of MAS and the high degree of subdivision of male and female consumption.
- 6) Understand the conditions for each platform. Japan's domestic e-commerce platform is only allowed to register with a Japanese company or individual, or to implement an overseas company invitation system. Amazon is allowing foreign companies to settle in. Japan's UAI index is high and its defence mentality is relatively strong.
- 7) Develop a marketing strategy that is consistent with the company's development. From the selection of products - pricing - channels - promotion - public relations, do a good job of research and analysis and develop a strategy for the Japanese market. For example, the Japanese idol spokesperson's promotion strategy is based on the target group.

An impulse purchase is an important factor for e-commerce, and due to that increase impulse purchase is an important marketing issue as well. Zhu and Yan (2020) analysed impulse purchasing in cross-border e-commerce. Using cue model and SOR model to investigate, they found out the follows;

A high-quality product description has a significant positive effect on concentration but not on curiosity and autotelic experience. A high-quality product display has a significant positive effect on concentration, curiosity, and autotelic experience. High-quality product content has a significant positive effect on curiosity and autotelic experience but not on concentration. Curiosity and autotelic experience

both have a significant positive effect on impulse purchases.

Since foreign market orientation is most associated with the use of digital marketing tactics, the use of digital marketing is considered important in adapting cross-border e-commerce (Goldman and van Herk, 2020). Goldman and Herk (2020) identified the strategic orientations used by small e-retailers engaging in cross-border e-commerce and the impact on the use of digital marketing tactics in foreign markets. From their analysis, 32 % of their sample e-retailers did not use any digital marketing, and the number of digital marketing tactics used was 3.1 on average in developed markets, and 2.5 in emerging markets. Below figure9 illustrates the most used digital marketing tactics for both development e-commerce market firms and emerging market firms. Overall, except for social media, each digital marketing tactic is used more by e-retailers from the developed countries.

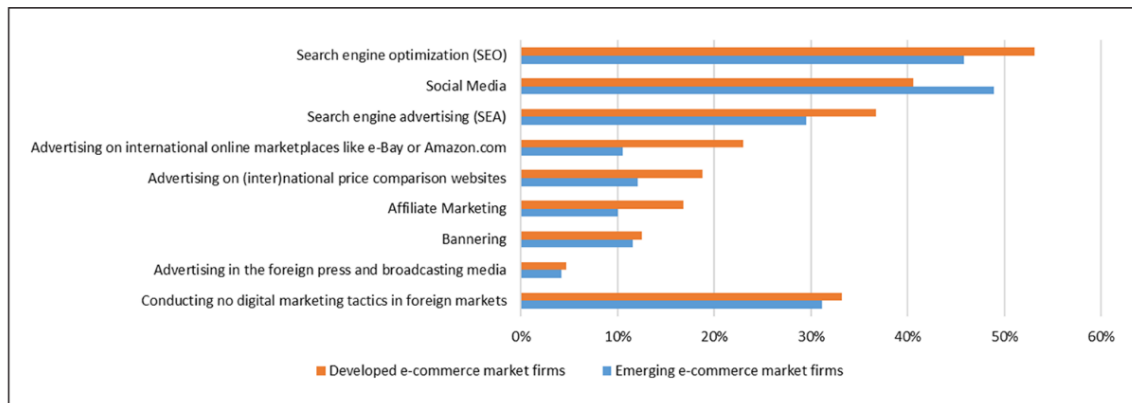


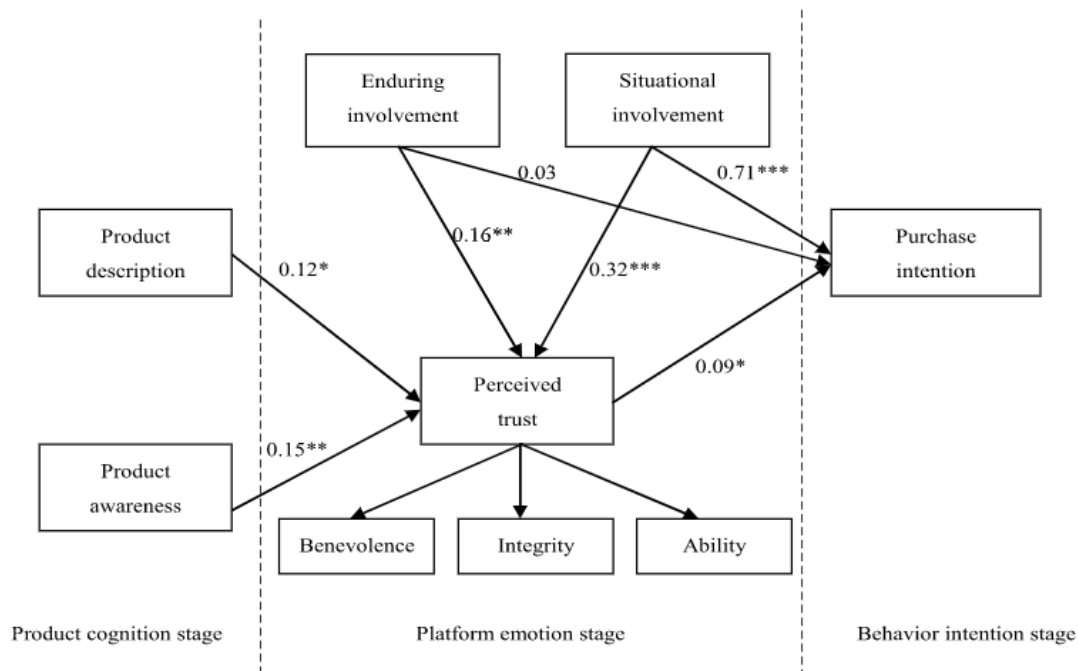
Figure 11: Use of digital marketing tactics in foreign markets (Goldman and Herk 2020)

To build a marketing strategy, understanding of customer's purchasing process is considered important as well.

Zhu, Mou and Benyoucef (2020) had built a three-stage model to analyse exploring purchase intention. The model (with correlation) is showed in the figure 10. The arrow implicates that it has an impact on the next attention consumer has in the next step. Below explains some important implications.

- 1) A high-quality product description has a significant positive impact on perceived trust on CBEC platforms.
- 2) High product awareness has a significant positive influence on perceived trust on CBEC platforms.
- 3) Platform involvement has a significant positive effect on perceived trust in the CBEC setting.

- 4) Platform situational involvement has a significant positive effect on purchase intention (but this effect is not significant in the relationship between platform enduring involvement and purchase intention).
- 5) Perceived trust has a significant positive impact on purchase intention in CBEC settings.
- 6) Perceived trust plays a full mediation role between product description and purchase intention as well as between product awareness and purchase intention on the CBEC platform.



Note: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

Figure 12: customer process for purchase intention (Zhu et al, 2020)

2.4.4 Trade channel

In this section, we will discuss what kind of trade channel-related arguments were discussed in academic areas.

For the selection of the trade channel, there are mainly two methods for SMEs operating cross-border e-commerce. Which are through a cross-border third-party platform and through an offshore online store built by the firm itself. Yang (2014) sought what are the factors affecting these mode selections. Using the Probit model, they found out that out of four factors (namely E-marketing, electronic payment, electronic customs, and international logistics), E-marketing, electronic customs, and international logistics have an impact on mode selection of SMEs cross border e-commerce. Having this result, they suggest advice for

assisting SMEs CBEC development from the government and SMEs perspective. For the government, they should establish and improve the trade information platform. SMEs should adopt the third-party cross-border e-commerce platform actively.

Whether traditional sellers should continue to operate offline or both online and offline (dual-channel strategy) is also discussed. According to Ruth et al (2004), four factors influence this selection. They are; faulty assumptions about the expected benefits from a multichannel strategy, technological concerns, operational concerns that affect the success of the dual-channel strategy.

Choosing the right fulfilment option is also an interesting topic related to trade channels if they are using third-party platforms. Sun et al (2020) did data analysis on which of the option will bring more merit to suppliers, whether fulfilment by Amazon or Fulfilment by the seller. Using the data earned from Chinese companies which does CBEC from China to outside their country, they found out mainly three implications. 1) Peak sales were during Prom and Wedding seasons, 2) Better service may lead to lower net product sales, 3) the choice of fulfilment option changes product life cycles. They conclude using these characteristics some further research on fulfilment options can be developed.

The new style of trade channel in CBEC is appearing as well. Fung business intelligence (2018) reports that some CBEC operators have set up offline experiential stores to display overseas products sold on their website and provide a physical touchpoint for customers to see and feel the products before placing orders. If a customer wants to buy a product, they will buy it from corresponding online stores and the goods will be sent to their houses.

The new type of offline stores called “bonded area import + offline store” models are also emerging in China (Fung business intelligence, 2018). In this model, customers can purchase bonded imported products directly in the store. After choosing the products they want to purchase, customers can go straight to the cashier, provide their ID card number and telephone number and settle payment; the customs clearance process will then be processed immediately. The process reportedly will take around 4 minutes, and the customer will receive an SMS notification if the customs clearance is successful. After showing the cashier the SMS, customers can pick up the goods directly in the store without the need to wait for the products to be sent to their homes.

2.4.5 Payment

Since there is numerous ways to proceed e-commerce payment, here we will discuss what kind of payment methods are preferred both for customers and retailers, and what is discussed as a future payment method.

Gruschow, and Kemper (2016) compared several payment instruments from an online retailers' perspective in terms of cost and credit efficiency. They claim that the transaction size, allowance costs for fraudulent customers, and type of credit card provider influence retailer transaction costs. For small transaction sizes, invoices are the most cost-efficient payment method, while prepayments dominate for large transaction sizes. Credit cards and Paypal cause higher payment costs and do not show scale efficiency in e-commerce. Moreover, they researched the cost of capital that arises for the retailer between payment methods and concluded that Paypal seems to be the lowest cost of capital.

For a customer, technological factors (security, reliability, nonrepudiation, latency, transaction completeness) plays a big role in choosing a payment systems, compared to social factors (anonymity, privacy, convenience, merchant acceptance) or economic factors (costs, monetary convertibility, customer base, peer to peer payment). Based on this fact, stored value card seems to be the best choice for the customer to proceed with m-commerce payment between credit card, smart cards, telecom bills (Chou and Lee, 2004).

Even though the C2C payment system is not that chosen by the customers from the security concerns (Chou and Lee, 2004), using BitCoins and other crypt currencies is an interesting topic in the payment method in CBEC as well (Benjamin, 2016). It is thought of as the potential to become a major means of e-commerce (Chris, 2015).

Polasik et al (2015) examined how the country, customer, and company-specific characteristics interact with the proportion of sales attributed to Bitcoin. They identified that company features, use of other payment methods, customers' knowledge about Bitcoin, as well as the size of both the official and unofficial economy are significant determinants for that.

The risk of e-payment is also discussed. Wang (2020) identified credit risk and network risk are the main cross-border e-commerce risk. Credit risks are the risks such as merchants after the delivery of goods, cannot receive payment, consumers after payment did not receive the corresponding goods, etc. Network risks are critical since they can lead to the consumers' leakage of personal or payment information.

Trautman (2015) analysed annual reports and other documents from Paypal and claim some risks. First is the use of Credit cards risks, which is related to fine required by the bank if they are some inappropriate use of credit cards. The second is the risk related to money transmission law, which relates to the fines and restriction forced by the government if there are a violation of regulations. The third is online and mobile growth dependence. Since Paypal growth is dependent on internet penetration rate if this number slows down they need to think of another way as an alternative for traditional retail payment. Last is reliance on internet

access, which means their most critical channel is dependent on the internet service providers, and these companies' risks can affect the e-payment company as well.

2.4.6 Logistics

Since logistics are considered the biggest issue, many researchers had discussed this topic. In this part, we will shortly discuss what are the main obstacles, and what kind of benefits and risks are associated with the logistic entry modes.

Several obstacles in logistics related to e-commerce were identified (CJ Logistics, 2017); high shipping costs, long shipping times, complex return procedures, limitations in shipping times and destination changes, poor payment methods, lack of product information, fluctuation of exchange rates, etc.

Yu, Wang, et al (2016) discuss some of the difficulties of e-commerce logistics in Supply Chain management. Challenges in the logistic model come first. Although the e-commerce logistic model is complex, the logistics service expectation level is high from the customers. Therefore, they claim that future logistics models should focus on controlling the last mile distribution service quality. Good examples are Amazon, JingDong, Lowe's, which has a self-logistic support team to provide a sophisticated logistics service experience to customers. Challenges in technologies are considered as well. Since e-commerce logistics are complex and as the company becomes bigger different types of logistic system is needed, the appropriate introduction of technologies is essential to succeed. Therefore, they claim that firms should introduce information management systems such as ERP so that they can coordinate various departments of the enterprise integrate the information system of the whole company and add new modules to satisfy new requirements.

Yu, Wang, et al (2016) also claims that use of Internet of Things, Big Data analytics, and cloud computing are the key three future technology factor firm must take in consideration for a successful logistic. Since e-commerce transactions will generate numerous amounts of data, they claim that the use of these data combined with these technologies will enforce the competitiveness of the e-commerce logistic service.

Ghezzi, Mangiaracina and Perego (2012) proposed a decision framework for shaping the e-commerce logistic strategy. From the literature review and the real company's case studies, they present a normative model to support the decision of building logistics. From this research, they found three perspectives. The first is that logistic strategy depends on the specific logistic problem firm has. The second is that even though the logistic problem is the most important factor, it is not the only element that influences the logistic selection. Finally,

they identified when to completely insource and outsource the logistic process.

Giuffrida et al (2017b) suggests four kinds of logistic nodes to implement Cross border e-commerce. The first is "Ship and Warehouse". This mode will carry the bulk of goods by ship, to the warehouse located on the mainland. The second is "Plane and Warehouse". This node uses a local warehouse with plane-based transport. The third is "Plane and Hub". This model implies international transport is performed via plane with logistics intermediaries collecting orders from multiple sellers until a full load trip can be arranged. Last is "Direct distribution". This model doesn't require logistic infrastructures in the exporting country, and will directly send from the firm's home country.

Kim, Dekker, and Heij (2017) claims the importance of express delivery in reducing the time dimension of distance. They found out that the distance problem still exists in e-commerce, and express delivery reduces distance for cross-border demand. They claim e-demand delivered by express services is more time-sensitive and less price-sensitive than e-demand satisfied by standard delivery, and the adoption of express delivery is positively associated with e-loyalty in terms of repurchase rates.

Airport modes plays important role in CBEC as well. Asch, Dewulf, et al,(2020) had discussed the strategic success factors of airports in cross-border e-commerce logistics. Based on the recent trend of expanding e-commerce demand in the cargo industry, many of the airports are trying to achieve benefit from this trend. By structured interviews with different actors involved in the cross-border e-commerce air transport chain, as well as by performing an AHP analysis, they identified several absolute prerequisites to develop cross-border e-commerce at an airport: the ability to pre-clear e-commerce goods, high airlift, and land capacity.

2.5 Conclusion and Gap identification

In this literature review, we took three steps to identify the gaps related to our research objectives, that is Cross Border e-commerce (CBEC) to Japan.

For the first step, we looked through the research directly contributing to Cross Border e-commerce and found out that recently the market of cross-border e-commerce is showing big growth. From the research, we found out that CBEC has become a hot topic in the academic field as well, and thanks to favourable environments supported by positive factors, the CBEC market is predicted to expand in the future as well. We also identified that not only an increase of market but also some other factors were pushing firms to attempt CBEC.

Having the fact that China was the biggest market, we moved our focus to China. We identified that government policy contributed a lot to the growth of the Chinese e-commerce market, and although there are already many researches done related to the Chinese market,

there was still a gap related to logistics. Finally, we moved to the articles related to the Japanese market, but we could not find many researches.

In the second step, from the result of the first step and additional researches, we identified six factors that firms must think about for CBEC. Which were Customer and culture, Laws and regulations, product and marketing, trade channel, payment, and logistics.

In the third step, we did additional research related to the factors that we identified in the second step. For each factor, some interesting result was found from the analysis.

For customers and culture, the firm must understand the cultural differences and adapt to the targeting customers. Not only the language differences, if the country changes, then customer characteristic changes.

There were several provisions that we need to check before attempting CBEC. Since provisions are not uniform between every country, firms need to check what kind of laws and regulations exists between the targeting country.

The firm also needs to think of appropriate marketing tactics to achieve success in CBEC. Since some marketing tactics affect negatively that affected positive in their market, careful investigation is needed.

The selection of trade channels is also important. Whether the firm will sell it by itself or use the third-party platform was the main topic discussed to start CBEC. Since there are new styles of trade channels appearing these days, firms must take care what are the right option for them.

An appropriate payment scheme is needed as well. Not only currency, but favourable payment method also differs between countries. Owning the right payment option is a must needed for foreign customers.

Finally, logistics remains the obstacles for CBEC. Since shipping costs are high in CBEC, we need to consider the appropriate logistic solutions to minimize the cost. Optimal logistic solutions differ from targeting country or what goods firm will sell, to select the optimal logistic channel, a careful investigation is needed.

As we ended our literature review, we came up with one question. That is, even though the selection of the trade channel influences the choices of how to deal with other obstacles, researches related to trade channel was scarce compared to the other factors. As an example, if the seller chooses to sell in market places, payments, marketing, adaption to culture, and even the choice of logistics will be influenced by the type of market place seller has chosen. Having this current situation, not only the analysis of obstacles of CBEC, we decided to put more focus on the choice of trade channel, and how the choice of trade channel will influence the choice of the other obstacles.

Chapter 3

3 Objectives and Methodologies

3.1 Objectives

Given the scarcity of the analysis of CBEC to the Japanese market, this master thesis aims to provide a guideline for European companies to adapt CBEC to the Japanese market, especially putting the focus on the choice of trade channel. At the same time, this research aims to highlight some key figures in the Japanese market and suggest some affordable options for entering the Japanese market. Particularly, for the selection of trade channel, we will provide more deeper analysis on them. Since many of the obstacles for cross border e-commerce are associated with the selection of these channels, we consider selection of right trade channel are the most important for the success of cross-border e-commerce in Japan.

Based on these discussions, the objectives of this master thesis can be divided into the following research questions:

RQ1. What are the main elements we need to consider when we are entering Japan via Cross Border E-Commerce from the EU?

RQ2. What kind of trade channels are available for foreign countries to enter the Japanese market?

3.2 Methodology

Figure 11 summarises and illustrates the procedure that has been followed in order to provide answers to the research questions formerly stated.

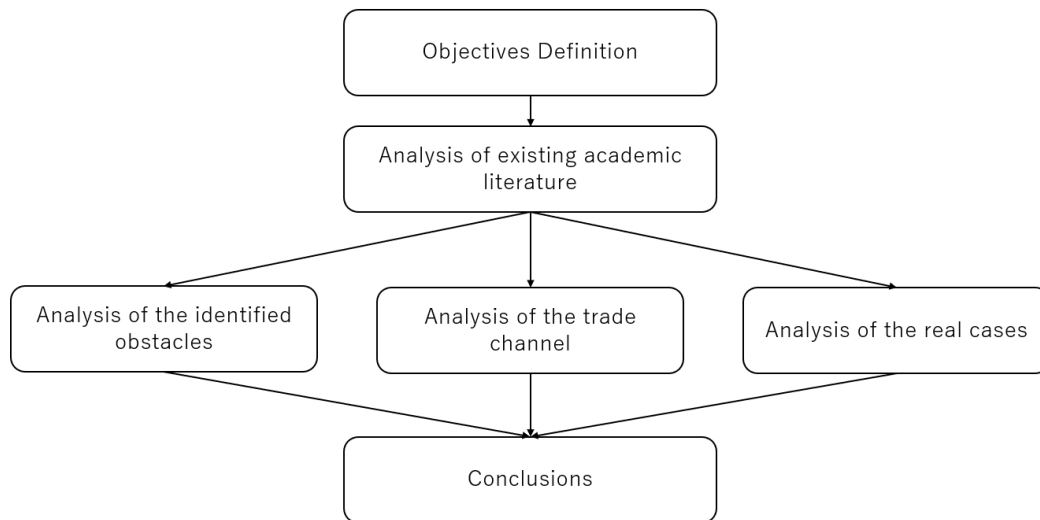


Figure 13: Research methodologies showed in figure

From the literature review, we identified that there were six barriers that are making cross-border e-commerce difficult for European countries. RQ 1 aims to answer how to deal with these barriers that exists in Japanese market, from available secondary, or academic sources. We expect that by answering this research question firms can understand what kind of barriers exists for cross-border e-commerce in Japan, and correctly adapt to these barriers. The results of the research is presented in the next chapter, including five sub-chapter discussing about customer and culture, laws and regulations, payments, marketing, and logistics respectively. The discussion continues to chapter 5, changing the topic to the trade channels. Although there were six main barriers to cross-border e-commerce, they are not independent to each other. Some of the elements in these six barriers automatically determines the choice of other elements. Selection of the trade channels was the best example, as we discussed in the conclusion of literature review. To further understand with this doubt, chapter 5 provides answers for the selection of the trade channels. From the number of trade channels available to enter the Japanese e-commerce market, we compare some alternatives and discuss which trade channel will be recommended based on the characteristics of the firm's business. The comparison will be conducted both from available sources, documents earned from the companies, and based on secondary sources. By answering this research question, we hope that firms can understand and choose the suitable trade channel to enter Japanese market by cross-border e-commerce.

After the discussion of each research questions, in chapter 6 we will additionally conduct the research from real companies to identify what kind of choices are made in the real cases. More precisely, we will select the companies from each type of trade channels, and analyse what

choices are made to adapt with other barriers. In the end of these section, answer for RQ2 will be stated having the results of both chapter 5 and 6.

The final chapter reunifies the information gathered in the previous chapters, and provides remaining works left for the successful cross-border e-commerce to Japan.

Chapter 4

4 Results

The result part is constructed with five sub-chapters. Each chapter represents each barriers that we identified in previous chapters except the trade channels, and illustrates the characteristic and how to deal with them.

4.1 Customer and culture

Understanding the targeting market's culture and customers are important for successful cross-border e-commerce. In this part, we will analyse more deeply the culture of the Japanese people, and the characteristic of Japanese e-commerce to exploit an efficient CBEC strategy.

4.1.1 Overview

As we claimed in the introduction, the market peculiarity of Japan seems to be large enough. The population of Japan was 125.7million (Statista, 2021), having a GDP of more than 5 billion USD, being the world's third-largest country (World Bank, 2019).

Japan's internet usage rate was increasing in past years and in 2019 it reached 89.8% (MIAC, 2019). It is high compared to the world average, which was 50.763 % (World Bank, 2018). There seems to be enough market for the online channel.

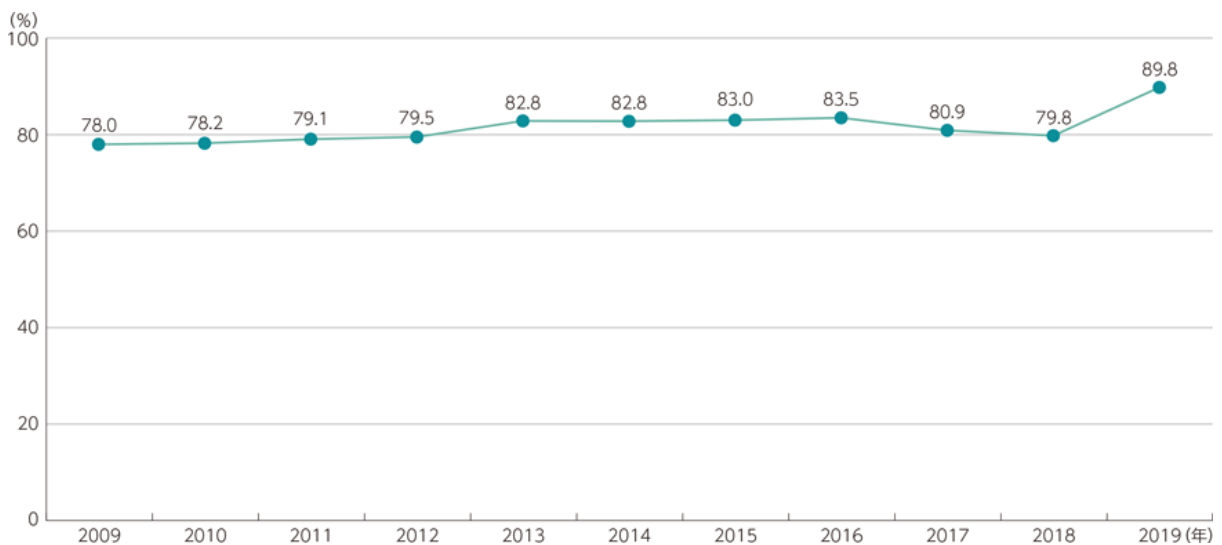


Figure 14: Internet usage rate of Japan in past 10 years (MIAC, 2019)

Looking for what devices people use to connect internet, the most used device was smartphone 63.3%, followed by laptop 50.4%, tablet 23.2% (MIAC, 2019). It tells us that if we are launching an online service, not only designing for normal websites but also designing for smartphone users is important.

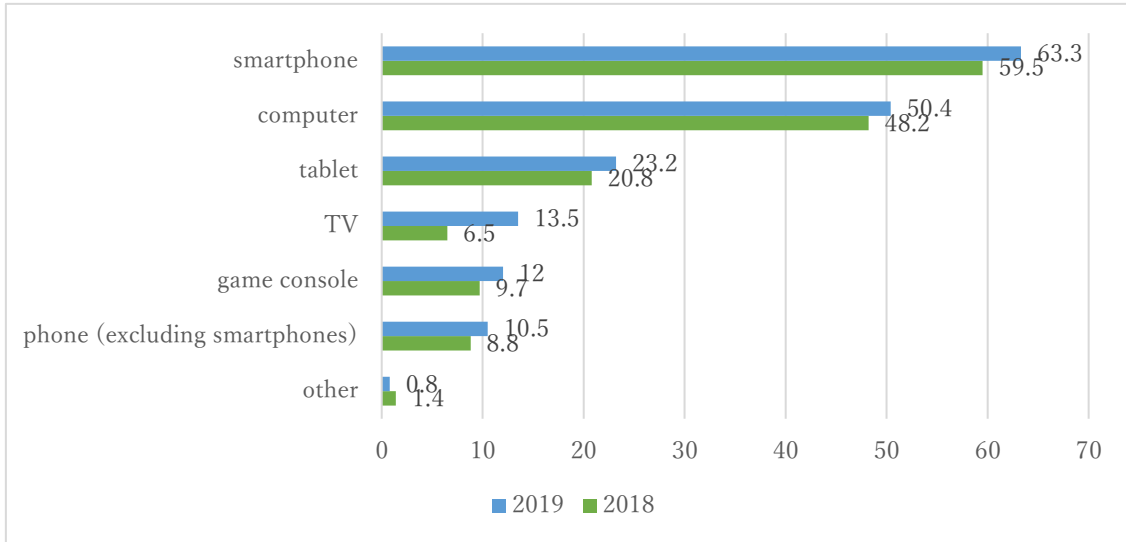


Figure 15: type of devices people use to connect internet (MIAC, 2019)

If we further investigate the internet usage rate by age, we can see that most of the young-mid aged people have their devices to connect internet, but old people have less. Moreover, if we see the usage rate by the earnings, we can see more the earnings more likely they will have an internet connection. This implies that for Japanese e-commerce, targeting for young-mid, mid-high earning segment will have bigger customer segment.

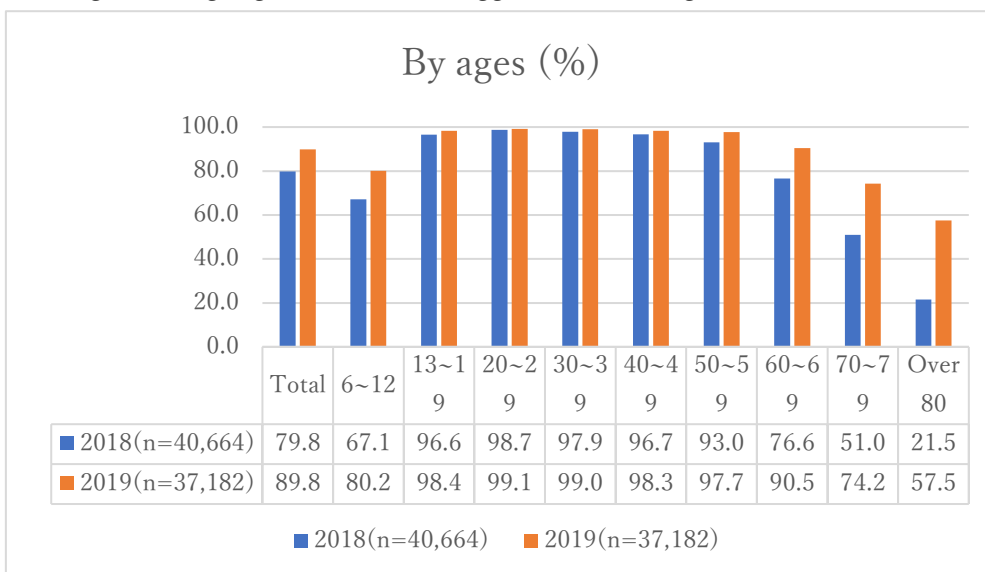


Figure 16: Internet usage by ages (MIAC, 2019)

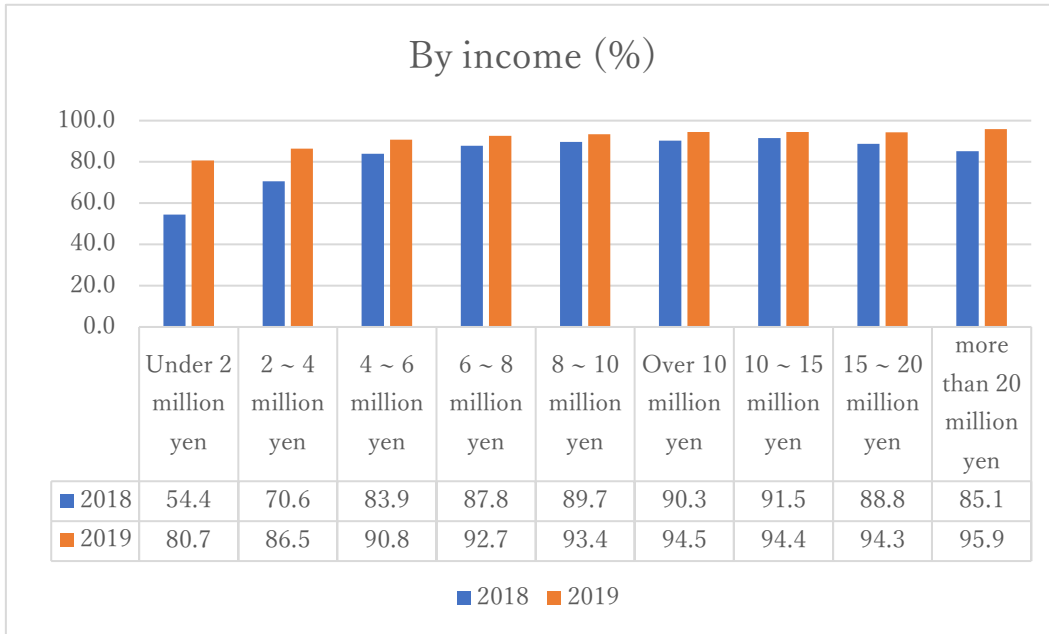


Figure 17: Internet usage by income (MIAC, 2019)

Next, if we look at what do they do with the internet, from the below figure16 we can see that using e-mail was the most popular. Purchasing activity was 6th, on average 57.6 % of the people had used e-commerce for their main purpose. Furthermore, if we investigate this carefully, 20~59 aged people, more than 60% of these people have purchased the goods using the internet, but for 13~19 and over 60s, less than half of these people use online shopping.

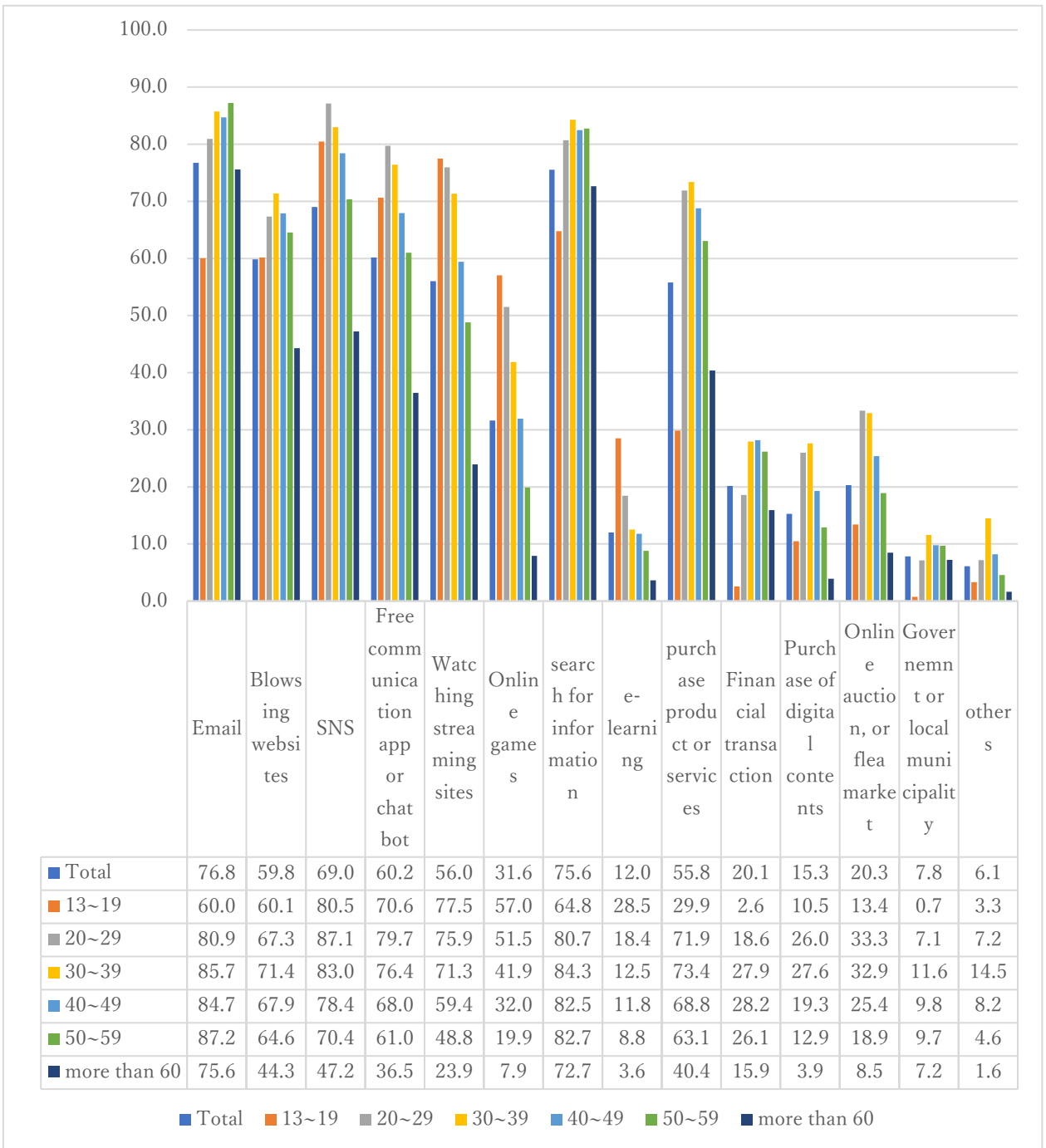


Figure 18: What people do using the internet (MIAC, 2019)

4.1.2 E-commerce of Japan

Having known that E-commerce usage is high among the Japanese, next we will focus on what are the Japanese people characteristic related to e-commerce.

4.1.2.1 Spend of consumers

The market size of E-commerce in Japan was 19trillion yen (METI, 2019), and it was a 248% increase from 2010. This growth was supported by the increasing use of online shopping for all ages.

The below figure 17 illustrates the percentage of people who had used online shopping more than one time per year. As we can see, from 2000 the usage of online shopping increased significantly, and now on average, 58% of the people have purchased goods via online channels. The 20s, 30s have more experienced purchases online, and for elder people like 60s 70s, the usage is still low.

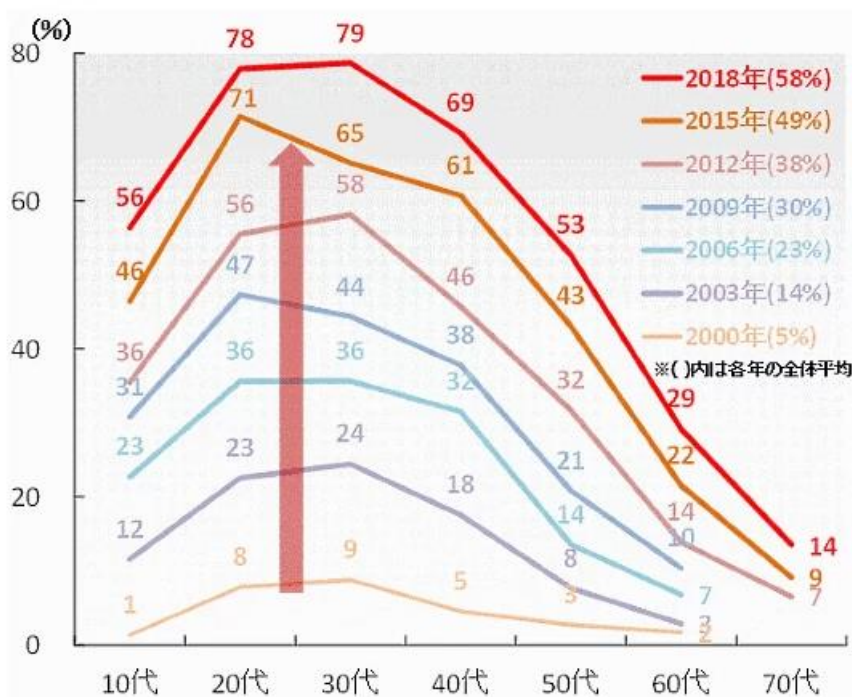


Figure 19: Percentage of the people who had used online shopping more than one time per year, (number in the column is the total average)(MIAC, 2019)

Next, if we look at how much amount they will spend on online shopping, the younger more they spend on online shopping. Until the household head aged 59, the usage was over 20,000 yen per month, but from age 60 the amount they use decreases to 12346 yen, and for people aged more than 70s, their spend was only a quarter of 20s.

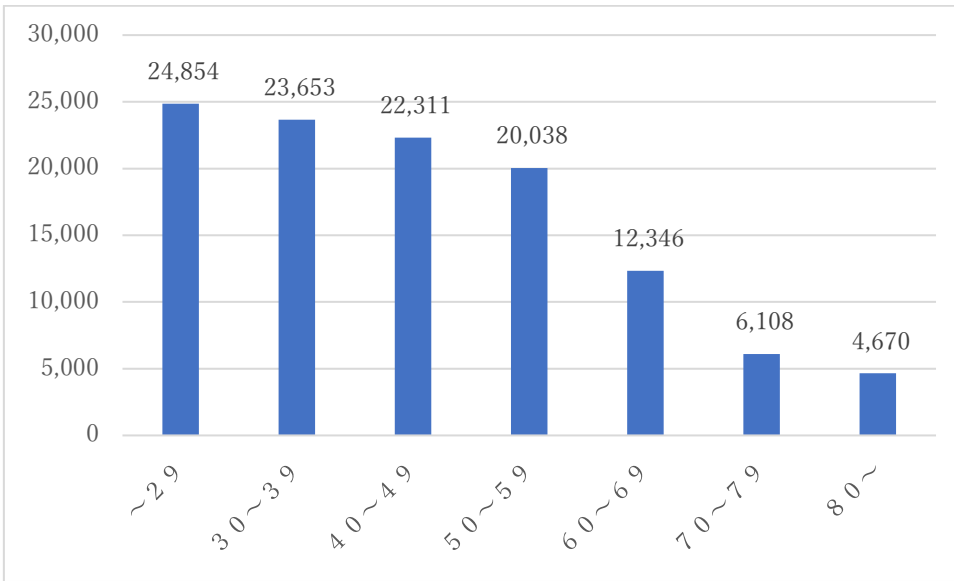


Figure 20: Monthly Expenditure on Goods and Services Ordered over the Internet per Household by Age Group of Household Head (Total Households) (MIAC, 2019)

Continuing our discussion, the below figure19 reveals what categories people buy from online shopping. Food category was the most bought, and clothing, travel-related spend, home electronics follows, construct almost half (47%) of the whole spends.

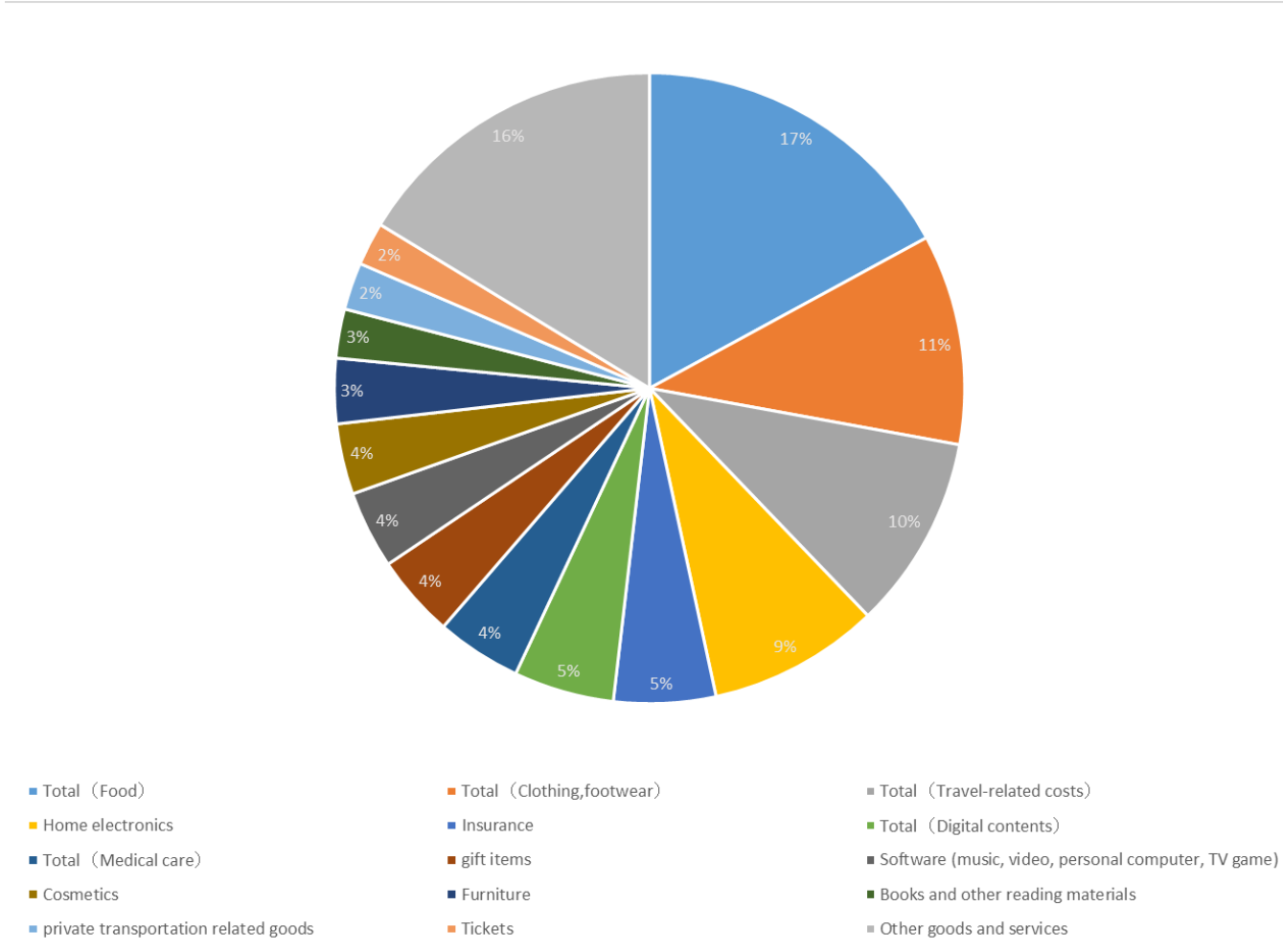


Figure 21: Categories people buy from online shopping (on average by ages) (MIAC, 2019)

Additionally, METI (2015) had a survey on what Japanese customers buy from cross-border e-commerce. The most bought goods via cross-border e-commerce were travel (20%), and then apparel (10%), foods (9.6%), home electronic (9.5%), follows. Although the portion of the demand is different, it seems that Japanese people still prefer to buy food, clothing, home electronics even from oversea.

Below figure 20 is the spend on each product by the ages. Here we can see some interesting characteristics by the ages. In every age, food was still the most spent category. The 30s and 40s use their money mainly on food and clothes. The 20s use more digital content than any other age and as they get old, the amount people use on digital content becomes less. Spend on software is also high in the 20s compared to others. We can estimate that the 20s are more familiar with digital content than other generations, so they do not feel barriers to purchase

digital goods from the online channel.

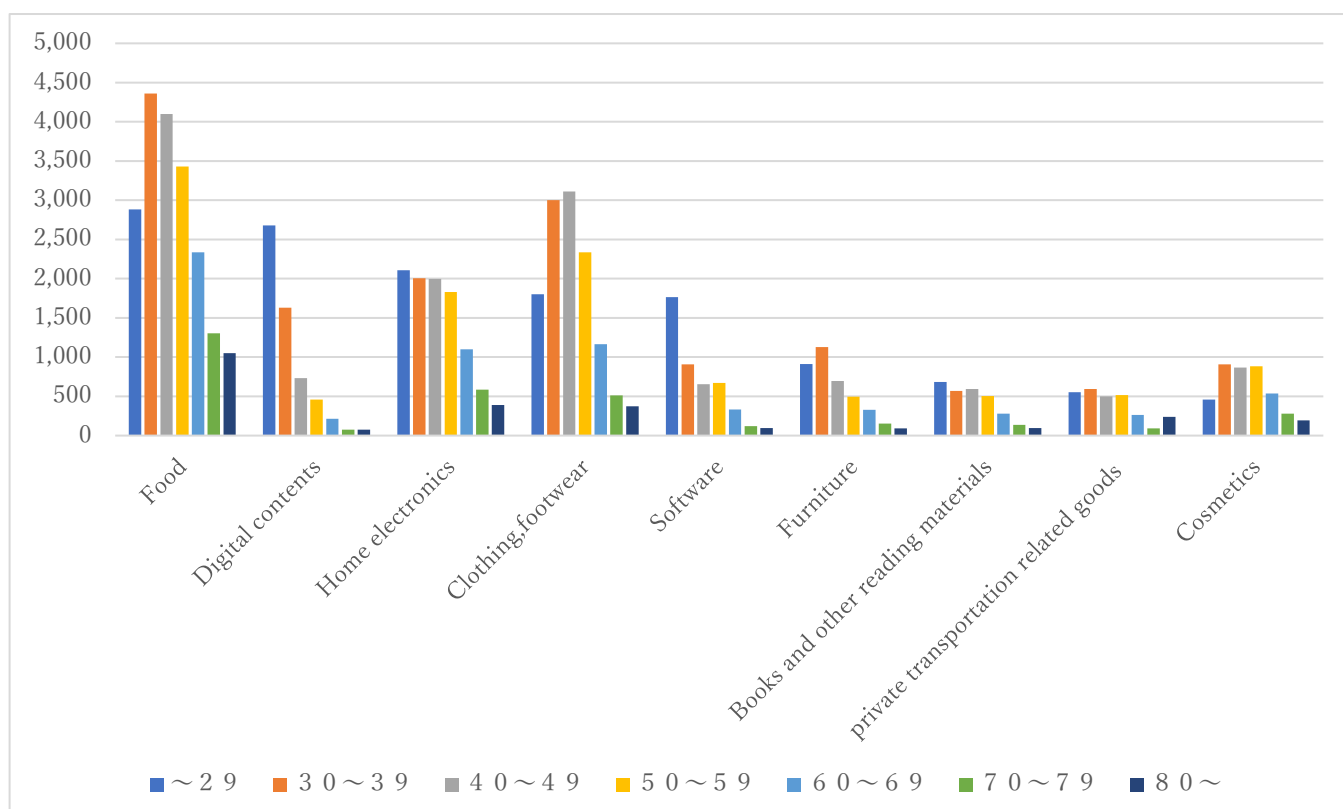


Figure 22: Spend on each product by ages (service such as insurance, tickets not included) (MIAC, 2019)

4.1.2.2 Preferences

Having identified what Japanese people spend on, next we want to know what Japanese people prefer to buy compared to other countries. The below figure 21 demonstrates what kind of goods Japanese people buy online, with a comparison between other countries. Japanese people like to buy CDs/DVD, books, tickets online and do not buy foods, cell phones, pet goods. This result was a little odd, because in the previous figures people most spend on food via online shopping, but here people answer they do not buy foods a lot from the online channel.

We can also see that Japanese people do not buy huge electronic devices via online channels compared to other countries. The reason can be the existence of electronic retailers in Japan. Japanese people traditionally buy electronic products at a retail shop, and these retailers will do all the after services to the customers who bought at their stores. Since they are accustomed to these services, compared to them the EC channel's after services seem to be not satisfactory for Japanese customers.

They also do not like to buy cell phones via online channels. Since Japanese cell phones need a complicated application to make their phone sim-free, most people do not know how to activate the sim-free mobile phone which they purchase online.

As we can see from the graph, compared to other countries Japanese people do not answer clearly what they often buy using the internet. Korea and China are culturally like Japan, but they more answer what goods they often purchase.

	Japan	U.S.	UK	Germany	Korea	China	India	Australia
Big home appliances	9.6	22.6	32.5	19.3	27.7	24.7	26.1	12.1
small home appliances	21.8	28.7	35.5	30.0	50.7	44.1	45.0	15.5
PC	21.9	24.7	29.7	23.8	40.8	28.3	19.2	14.4
cellphone	7.4	27.0	29.5	27.6	25.1	40.2	44.4	17.3
books	26.5	35.2	38.7	30.9	56.9	51.1	37.4	25.7
CD/DVD/BD	31.7	32.9	43.4	31.4	44.3	38.5	34.8	22.3
big furniture	9.1	14.4	19.4	10.6	18.5	13.4	14.1	5.7
small furniture	10.5	17.7	20.0	11.5	34.1	22.2	19.1	5.5
food	4.3	13.5	12.3	4.5	17.6	26.4	18.0	6.0
general merchandice	7.8	17.1	12.1	5.9	34.0	37.9	22.1	8.2
medicine, cosmetics	8.7	17.7	10.7	12.2	21.0	22.3	19.6	7.2
tickets	31.3	39.9	47.8	21.8	58.9	56.1	59.5	45.7
clothes	11.4	21.9	21.2	16.9	38.2	43.5	36.7	12.7
pet goods	7.1	15.8	11.7	10.3	19.2	27.1	18.9	6.1

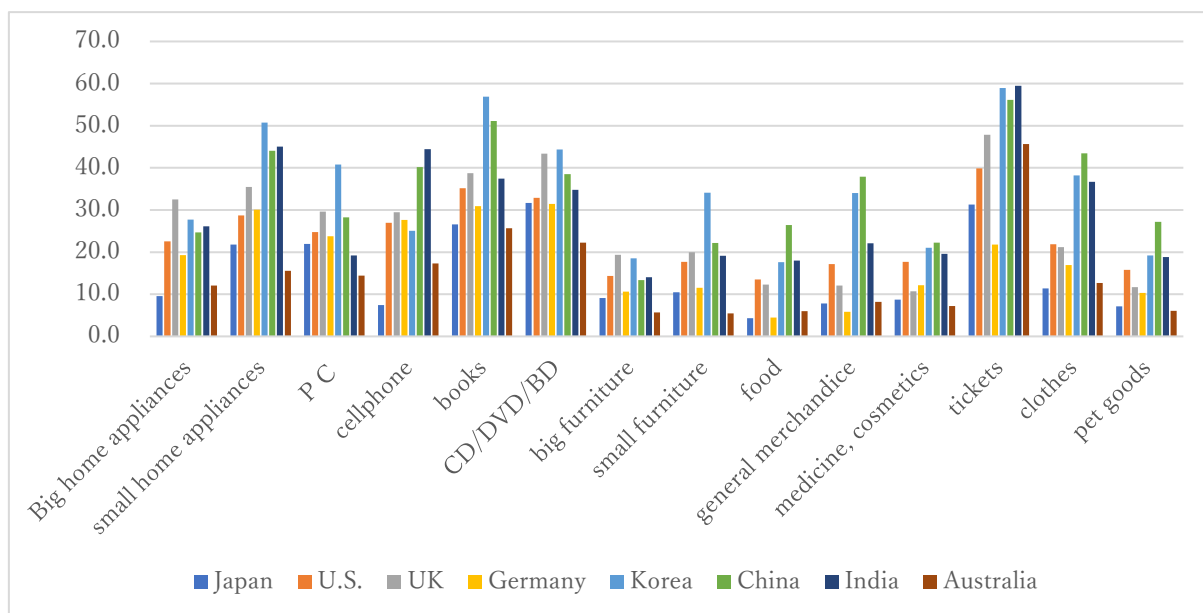


Figure 23: What people often buy using the internet by countries (METI, 2016)

4.1.2.3 Reason to use online commerce

Having some information of what products Japanese people buy from E-Commerce, our next

interest was what were the merits Japanese thinking to use online shopping. By knowing this, we can find out what are the likely attributes company needs to have when they enter the Japanese market.

The below figure 22 demonstrates the reason why people use e-commerce to buy things. The biggest reason for Japanese people using e-commerce was 'you can do shopping without going to a real store'. The second biggest reason was 'you can buy goods 24/7', and the third was 'cheaper than physical store'. Some interesting characteristics of the Japanese can see from this figure. Compared to other countries, some fewer people answered, "you can save the time to go to a real shop". Since Japan has convenience stores everywhere, for Japanese it might be difficult to feel the merit of saving time. Moreover, Japan was the country with the least people who answered, 'you can save your time by using searching attributes of the online shop', 'you can watch review of the goods to decide whether buy or not'. Japan was also the country with the most people who answered there is no merit in using E-commerce.

Additionally, we must see that Asian people (Japan, Korea, China) are more interested in the 'point service' compared to western countries. If a company wants to add extra service to their websites, point service can be the suggestion. In practice, many of the existing Japanese EC platforms offer point service as well.

	Japan	U.S.	UK	Germany	Korea	China
you can do shopping without going to real store	68.1	67.4	62.3	56.0	78.0	53.7
you can buy goods 24/7	62.8	68.9	68.7	56.5	76.5	61.1
cheaper than real store	54.6	47.1	52.9	49.0	76.1	67.6
more goods than real store	40.3	48.0	49.2	50.6	49.9	57.8
can save time to go to real store	36.5	51.0	51.2	32.3	59.5	52.3
you can save your time by using searching attributes of the online shop	24.5	39.7	41.5	25.1	55.4	35.9
don't need to talk to salesperson	13.1	28.3	22.8	13.8	28.0	16.1
you can watch review of the goods to decide whether buy or not	23.8	38.5	36.9	31.3	43.6	41.4
will recommend you what you want from the purchase history	6.6	16.7	13.0	3.7	17.5	26.2
you can buy goods that is difficult to bring it back home	33.9	21.5	44.8	23.0	58.3	28.6
you can get point	21.9	9.9	8.7	7.1	40.2	18.4
other	0.7	1.4	0.6	1.0	0.2	0.0
no merit	4.8	4.3	2.2	2.4	0.4	0.4

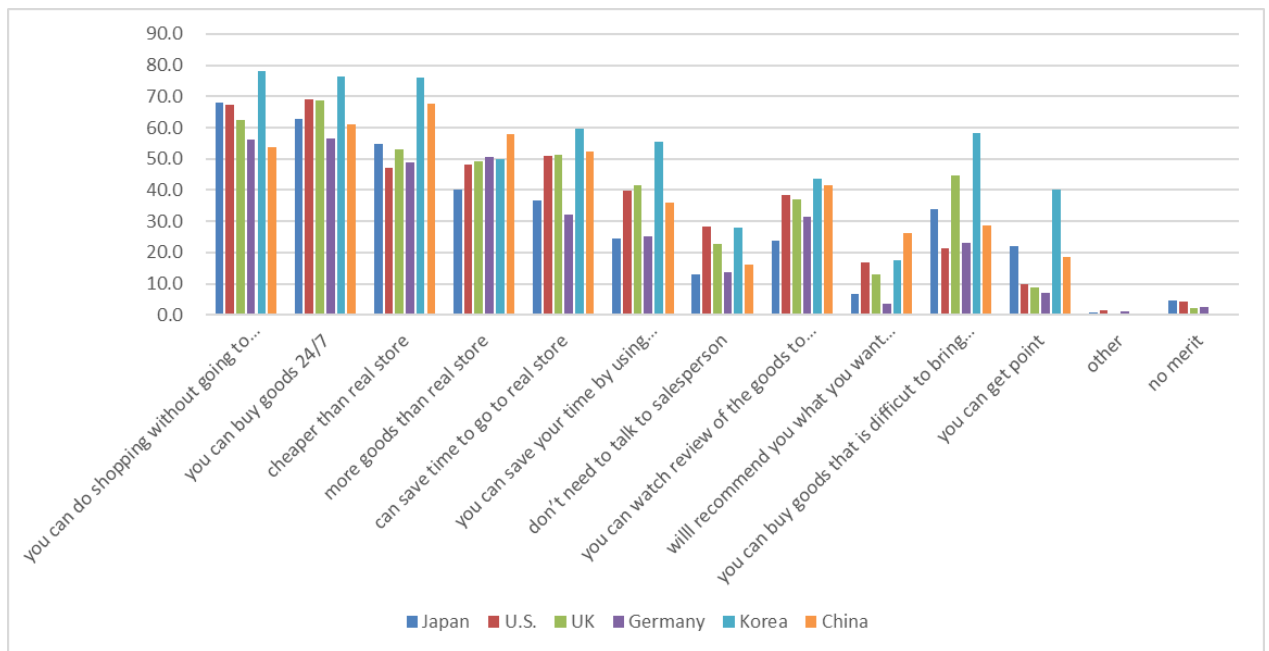


Figure 24: The main merits of using the online shopping (METI, 2016)

Furthermore, there were some data about why Japanese people buy foreign products. METI (2018) surveyed why Japanese people use Cross border E-commerce. The biggest reasons were “more convenient to use” (45%), and “there are more preferable purchasing conditions” (38%). “Quality is high” (17%), “more range of products” (13%), “favourable promotions” (9%), “The website is reliable” (7%) followed. For the people who use CBEC, they are asking for more favourable conditions related to costs or quality.

Understanding why people do not use e-commerce is important for attempting CBEC in Japan as well. By knowing this, a company can identify the major issues that they must take care of not to lose trust from the Japanese customers.

Below figure23 demonstrates the main fears or demerits customer feels when they use e-commerce. As we can see, “Want to buy things at a real store, by touching the goods”, “Security worries to the payment”, “Low trust to online shopping retailers’ were the major fear customer feel when they use online shopping. Since security issues were large worries for them, companies must take care of keeping their customers' information secure.

Compared to other countries, Japanese people do not think ‘Having the joy of walking through the city by online shopping’ was important, and most people think ‘Real store is convenient since you can buy things immediately’.

	Japan	U.S.	UK	Germany	Korea	China
Low trust to online shopping retailers	24.4	20.4	9.2	13.3	41.8	25
Registration to the sites are troublesome	16.2	26.5	26	11.1	13.5	12.8
security worries to the payment	30.8	41.5	37.2	15.3	35.4	29
don't have credit card	7.7	8.7	8.3	18.7	5.1	6.8
don't know how online shop works	3.5	6.4	4	3.4	2.6	15.6
there are no goods sold at online	5.1	10.6	8.2	5.7	9.9	20.4
don't know what to choose since there are too much goods and	14.2	14.2	10.3	8.4	28.4	25.9
have worry to buy too much by using online shopping	11.4	10.7	9.8	7.4	14.5	16.4
want to buy things at real store, by touching the goods	37.7	43.1	43.7	32.4	53.7	33.5
real store is convenient since you can buy things immediately	18.6	37.5	33.3	26.7	21.8	27.3
easier to buy things at physical store you use frequently	6.8	15.7	13.1	7.3	8.2	10.9
you can't earn information of goods from salesperson	9.1	11.4	11.4	14.2	14.6	11.3
want to be asked for needs from salesperson	2.8	4.4	2.9	4.8	6.1	3.2
you can't have joy of walking through the city by online shopping	6.9	14.6	19	17.4	19.7	17.7
don't feel any inconvenience from not using online shop	4.2	3.7	4.7	8.1	4.2	1.8
others	1.8	4.6	1.5	1	0.5	0.9
no demerits	15.2	12	15.1	21.8	5.1	9.4

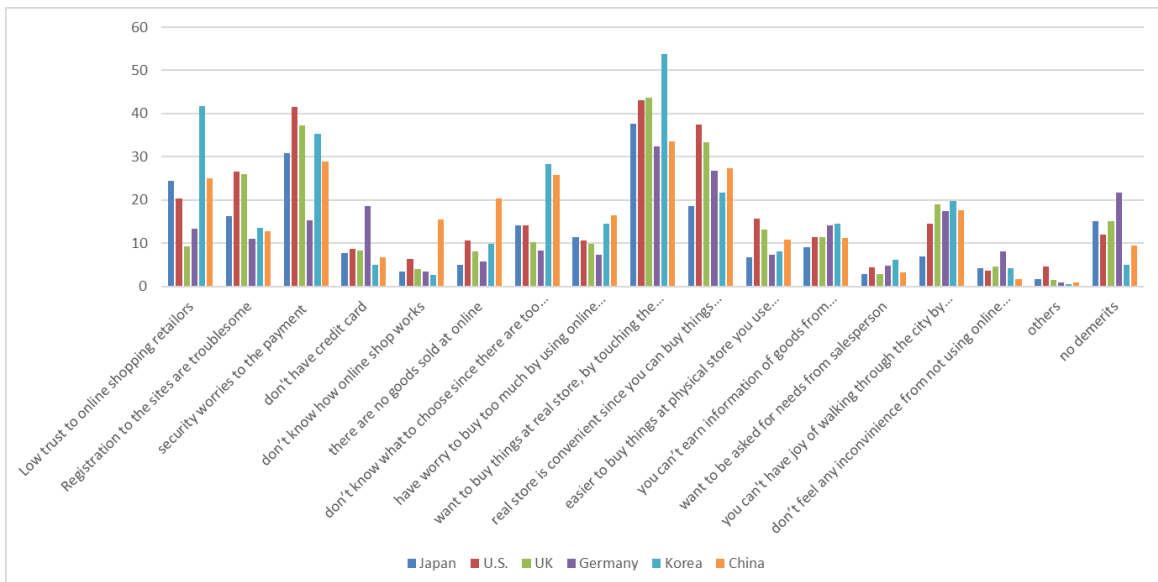


Figure 25: Reason people use E-commerce (MIAC, 2019)

Furthermore, from METI (2018), some reasons that people will not use Cross border e-commerce were found. The top reason was "It is enough with home country's EC websites", which indicates that many people do not find a reason to use CBEC. The second big reason was "Having difficulties with foreign language", and the third was "complicated to return the goods, or return fee is expensive". Language barrier and return goods policy was related to the non-use of CBEC. The fourth reason was "Takes time to get the goods", and the fifth was "Can't trust the EC websites of a foreign country".

4.1.3 Conclusion

From the previous analysis, some interesting characteristics of Japanese people related to online shopping were found. When firms attempt CBEC to Japan, they should take care of the following characteristic of the Japanese for their success.

Young people are more using online shopping in Japan, thus they spend more on online shopping. Although internet usage is high in Japan, still for old people the internet was not that popular. Since mainly people use smartphones to browse the internet, not only the usual websites but also smartphone-optimized sites will be preferred.

The main products people buy from the online channel was foods, clothing, travel-related spending, home electronics. If firms are targeting young customers, digital content can be also the suggested product.

The main reason Japanese people use E-commerce was cost and convenience. Companies must take care whether their goods are cheaper than a retail store, and customers can buy the goods easily.

The main reason they do not use e-commerce was related to security issues and unsureness about the product they buy. Companies need to make these worries clear.

4.2 Laws and regulations

Issue related to laws and regulations was important for attempting cross-border e-commerce because not only some products are prohibited to sell online, but also in some cases, firms need to follow special provisions to start a business. However, because cross-border e-commerce developed too rapidly in this decade the legislations and regulations have not been fully established. In this part, we will discuss briefly the legislation related to E-commerce between the EU and Japan.

By understanding what is agreed as important between these countries, we expect firms can understand what terms they need to be careful of, and the trend of the possible legislation that might happen in decades that might affect their business.

Since it is difficult to discuss all the related legal problems about cross-border e-commerce in this master thesis, we will mainly focus on the analysis of the holistic agreement, which is about RTA (Regional Trade Agreement) between the EU and Japan, established in 2019. For the other issues such as custom or tariffs, we will not put our focus since it is inconsistent depending on goods.

4.2.1 Current RTA's provisions

Not like traditional trade provisions, E-commerce provisions are not standardized between countries. Traditional trade usually has regulations set by WTO, but since cross-border e-commerce had developed so quickly in recent years WTO does not have a concrete provision about it. Thus, we need to check the regulation individually between countries.

However, it seems like there was some sort of tendency of the provisions that countries include inside their trade agreements.

According to Ptaskina (2018), mainly the provisions for CBEC in RTA can be segmented into four big parts, and these sets of measures are used to regulate and promote e-commerce.

1. General provisions

Include issues related to cooperation or dialogue on a predetermined array of policy areas, transparency, non-discriminatory treatment of digital products, electronic supply of services, and domestic regulatory frameworks. General provisions crosscut the entire domain of e-commerce regulations and thus do not regulate any specific type of transaction or policy area.

2. Trade facilitation measures

Encompass customs duties, paperless trading, electronic signature, and electronic certification. Trade facilitation measures relate specifically to ensuring faster and easier movement of goods and services across the border, and streamlining transactions accompanying trade flows.

3. Conductive measures

Relates to provisions regulating online consumer protection, personal data protection, unsolicited (commercial) email, access to and use of the internet, and cybersecurity. These types of measure ensure a safer and more secure transaction environment, creating more potential for the expansion of cross-border e-commerce.

4. Technological issues

Include the location of computing facilities, treatment of source code, and cross-border transfer of information. This type of provision relates to measures requiring a conceptual position on the functionality of the entire digital domain and e-commerce systems from a technological perspective.

4.2.2 Current Japan's regulations.

In the previous section, we identified that four segments are used to regulate e-commerce. In this section, we will analyse what kind of regulations are mentioned between the EU and Japan. We referenced the EU-Japan EPA, “AGREEMENT BETWEEN THE EUROPEAN UNION AND JAPAN FOR AN ECONOMIC PARTNERSHIP”, Section F “Electronic Commerce”, from Article 8.70 to Article 8.81 to find out what are the measures mentioned between them.

4.2.2.1 General provisions

Cooperation

It mentions the cooperation in most of the provisions related to e-commerce, but it is explicitly mentioned in Articles 8.80. It declares that;

The Parties shall, where appropriate, cooperate and participate actively in multilateral fora to promote the development of electronic commerce.

It also specifies to share information and maintain a dialogue in some specific area, which are; consumer protection, cybersecurity, combatting unsolicited commercial electronic messages, the recognition of certificates of electronic signatures issued to the public, challenges for small and medium-sized enterprises in the use of electronic commerce, the facilitation of cross-border certification services, intellectual property and electronic government.

Domestic regulatory frameworks and international treaties

It mentions about domestic regulation related to e-commerce, that their own countries' regulation will be respected;

Each Party shall ensure that all its measures of general application affecting electronic commerce are administered in a reasonable, objective, and impartial manner. (Articles 8.74)

4.2.2.2 Trade facilitation measures

Trade facilitation measures are regulated quite specifically compared to other segments.

Custom duties

There are no customs duties on electronic transmissions;

The Parties shall not impose customs duties on electronic transmissions. (Article 8.72)

Paperless trading

Article 8.76 implies about validity and enforceability of contracts concluded by electronic means. Moreover, not only in the E-commerce part, Article 4.4.4 asks for parties;

to promote and use of the advanced systems, ... to facilitate the exchange of electronic data between traders, operators, customs authorities, and other trade-related agencies.

An electronic signature, Electronic certification

Electronic signature and electronic authentication (certification) are also mentioned in Japan and EU EPA. It declares that parties cannot deny the use of an electronic signature or electronic certification because of the electronic signature itself:

Unless otherwise provided for in its laws and regulations, a Party shall not deny the legal validity of a signature solely on the grounds that the signature is in electronic form. (Article 8.77)

4.2.2.3 Conductive measures

Online consumer protection

Article 8.78 mentions online customer protection. It requires parties to;

adopt and maintain transparent and effective consumer protection measures applicable to electronic commerce as well as measures conducive to the development of consumer confidence in electronic commerce.

Unsolicited (Commercial) email

It also declares about the measure about unsolicited email. It asks both parties to provide preventions of the unsolicited email that customers do not want and requires pre-agreement of the consumers to receive unsolicited email. They mention identifiability as well;

each Party shall ensure that commercial electronic messages are clearly identifiable as such, clearly disclose on whose behalf they are made, and contain the necessary information to enable recipients to request cessation free of charge and at any time. (Article 8.79)

Cybersecurity

Not mentioned directly, but asks both parties for a corporation, sharing of information and experience related to cyber securities. (Article 8.80)

4.2.2.4 Technological issues

Only source code disclosure issues were mentioned in the Japan-EU EPA. Not like China, between Japan-EU Cross-border e-commerce, there are no regulations about where to put the server or restore the data.

Non-disclosure of source code

Non-disclosure of source code is clearly mentioned in the EPA. According to article 8.73, it declares that;

A Party may not require the transfer of, or access to, source code of software owned by a person of the other Party¹. Nothing in this paragraph shall prevent the inclusion or implementation of terms and conditions related to the transfer of or granting of access to source code in commercially negotiated contracts, or the voluntary transfer of or granting of access to source code for instance in the context of government procurement.

1; For greater certainty, "source code of software owned by a person of the other Party" includes source code of software contained in a product.

4.2.3 Future outlook of provisions

As we saw in the previous part, most of the regulation asks for hard commitment, using the word "shall" or "ensure" to state the measurement. However, the specific measurement is not defined, and what regulation the country asks for the foreign company is up to the domestic regulatory.

In the future, there might be a possibility that these provisions might be much specific. Although currently even WTO and other RTA have not had clear regulations about CBEC, in a long span firms must check if the regulation or provision will change.

4.3 Payment

The analysis of the preferred payment method was useful for the firms, regardless of what trade channel they are using. If the firm does not have the most used payment method on its platform, consumers will likely leave the websites and go to other platform. It is estimated that 56.6% of Japanese consumers will stop purchasing goods if they could not find the preferred payment method in the online shop (Veritrans, 2015). To avoid this, here we will discuss what are the preferred payment method by Japanese customers.

In this part, we will analyse the Japanese payment environment in three steps. First, we will seek what kind of payment methods are commonly used in Japan. Next, we will look what are the most common payment method used by consumers. Then we will analyse what are the related payment issue from the firm's perspective. Finally, we will conclude by what payment methods are mostly suggested to use if the firm wants to deploy Cross Border e-commerce in

Japan.

4.3.1 Japanese market's available payment

There are various payments in Japan, but for online shopping, nine kinds of payment methods are used commonly.

1. Credit card

It is the most used, and most preferred payment method for online shopping. The consumer will enter the number and PIN code into the form, and they will pay to their credit card company a few months later. 66.1% of Japanese customers prefer to use a credit card for their online payment (MIAC, 2017), and 85% of the Japanese have their cards (JCB, 2019). VISA, Mastercard, JCB, Union pay, American Express, Diners Club are the common card brands used in Japan. According to the research from IPSOS (2017), the most used brand in Japan was VISA with 55%, and second was JCB with 30%, then Master card 12%, American Express 2% followed. Diners club and Union Pay were not so much used in Japan.

For the sellers, the merits of introducing credit cards are immediate payment by customers, collection credibility, and a high number of users. Since customers will pay at the same time when they purchase the products, sellers can ship their goods immediately after the payment has been completed. Demerit is a commission fee. Compared to other payment methods, a seller needs to pay a higher commission fee and make a contract for each card brand.

For customers, the merits of using credit cards are easy payment process and point service. Payment with credit cards requires only the card's information and Pin code, so customers do not need to go somewhere to complete payment. Moreover, some credit cards offer points by paying with credit cards. Customers can use those points for their next purchase. Demerit is security. If the other person knows the customer's card's information, they could abuse the card information.

2. Bank transfer

A bank transfer payment is also a traditional payment method. After ordering the goods, a customer will go to a bank or ATM and pay to the shop either using their balance or cash. The merits for sellers are transaction fees, collection credibility, and a large customer pool. Not like some other payment methods, bank transfer does not require

special items like cards or phone. Moreover, a seller can reach a wide range of customers, since if the customer has cash, they can pay through ATM. The demerits are non-immediate payments. It requires a couple of times for customers to pay, thus needs time for sellers to check if the payments are done successfully.

The merit for customers is its simplicity, since if they have the cash they can pay. The demerits for customers are speed and complexity caused by using bank transfers. Sellers ship goods after they checked customer's payment, therefore the delivery of goods will be slower than some other payments. Bank transfer payments need to be done through a bank or ATM, therefore customers can only pay during ATM opening hours, and customers need to pay transaction fees as well.

3. Mobile career payment

In this method, the payment will be added to the monthly mobile phone payments, and customers will pay at the same time when they pay the telecommunication fee. Since 96.1% of people have a mobile phone (MIC, 2020), a seller can reach more customers than using only credit card payments. Sellers' merits are immediate payments and a large pool of users. Demerits are complicit in introducing the system. Unless sellers do not use payment collection service, sellers need to contract for each mobile career, and it might be cumbersome. Merit for a customer is its simplicity. If a customer has a mobile phone, they can enjoy shopping paying through telecommunication fees. The demerit is clarity. Since payments are included in the telecommunication fee, it might be not clear for customers how much they had used for the purchase.

4. Convenience store payment

After customers purchase the goods, they will get an e-mail (or SMS) from the shop with the order number. After receiving, the customers enter that number into the machine placed at a convenience store, and the machine will give the payment slip. Using that payment slip, customers will pay at the register of the convenience store.

The merit for sellers is a large customer pool. Convenience store payments are available for all aged customers, customers who do not have a credit card or even a mobile phone can enjoy shopping by using this method. Demerit is complexity. Since each convenience store offers a different system, sellers need to make a contract for each convenience store company.

For customers, security and simplicity are the merits. Since customers do not need to offer their private information for convenience store payment, customers do not need to worry about abuse of information from this payment method. Furthermore, since in Japan

convenience stores are open 24 hours 365 days, customers can pay at any time. However, for this method customers need convenience stores. If they do not have stores near their house, this method will be inconvenient.

5. Cash on delivery

Customers pay the delivery drivers when the goods are delivered at home, and the delivery companies pay later to the shop. The main merits for sellers are speed and a large pool of customers. Since sellers do not need to wait for customer payment, they can ship goods immediately after the order. Moreover, because this method only requires cash when customers receive the goods, everybody can use it. Demerit is payment uncertainty. If a customer refuses to pay, sellers need to pay for the reverse logistics and related costs by themselves.

The customer's merits are fast delivery and reliability. Since the goods will be shipped immediately after the order, delivery of goods are faster than some other payment methods. Moreover, because customers can pay at the same time when they receive the goods, they can feel safer against the risk of fraud through e-commerce. Demerit is some inconveniency. Customers need to be home for this payment method, there might be time limitations for busy customers.

6. Electronic payment (e-payment)

These payments are the methods like Paypal or Apple pay, that one use the third party payment service to purchase the goods. Like in China, QR payments called Alipay or Wechatpay are commonly used as a payment method, and in Japan, similar payments like LINEpay, PayPay, RakutenPay are becoming common and now widely used.

By introducing this method sellers can reach younger customers who are using these payments. However, it is not that popular compared to other methods.

For the customers, not only convenience, but the main merit is the "points" related to the use of this service. Usually, these e-payment companies give back 1-10% of the amount they paid, so customers can use these points to get a discount for their next purchase.

7. Internet banking

Payment using internet banking is also popular. Compared to traditional banking, a customer does not have to go to ATM but can complete the payment only on the internet. Merits and demerits are similar to the bank transfer method, but using internet banking is more convenient for customers, and usually, the commission fee is cheaper.

8. Crypto payment

Not that popular, but some shops accept crypto payments like bitcoins. Since it has price fluctuation risks and not that used, but it can be an alternative as one kind of payment method. For sellers, a low commission fee might be a reason to introduce this method.

9. Pay later

In this method, shops will send the goods first, and after customers get the goods, they will pay it to the shops generally a few months later. For the seller, they can attract more customers who want to buy the product right now but do not have enough money. However, there remains the risk of not collecting the money afterward. The main merit for customers is that they can minimize the risk of getting the unexpected quality of goods. If they did not like it, they can return the goods before their payment date.

In the fashion industry, this method is getting popular, and some Japanese fashion EC sites offer this payment service. However, customer needs to be careful not to forget the payment, and in many cases, firms do not offer too expensive purchases.

4.3.2 Preferred payments by consumers

Having identified the merits and the demerits of each payment method, here we will discuss what kind of payment is preferred by consumers, and what kind of factors will affect customers choice.

According to the Japanese Ministry of Internal Affairs and Communications (MIAC) (2019), the most used payment method is a credit card, and then convenience store payment, Cash on delivery, bank transfer follows. Mobile career payment had 11.5%, and 4.2% of people preferred e-payment. From this research, we can see that cryptocurrencies were not a popular payment method in Japan. The use of credit cards increased 3.1% from last year, but all other payment methods decreased.

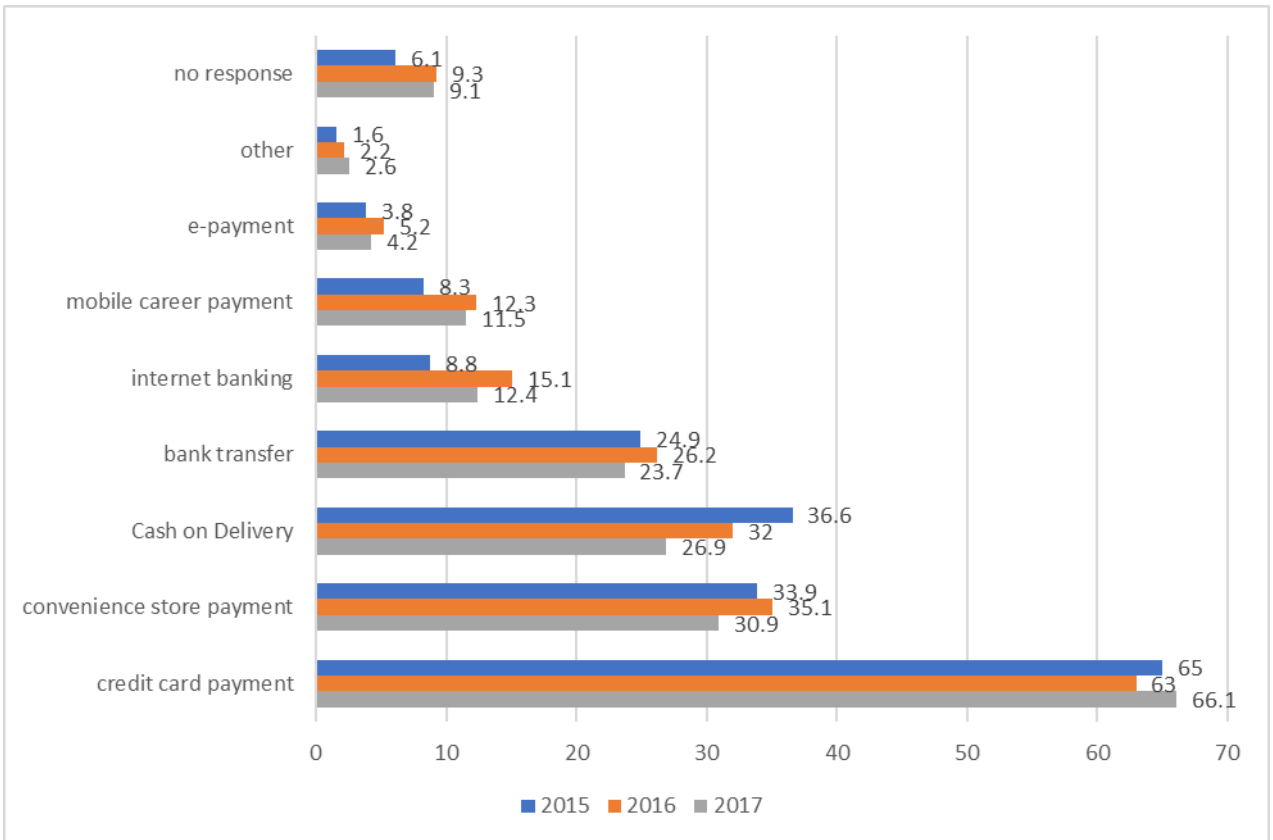


Figure 26: 2015~2017 consumer's preferred payment method for online purchase (%) (MIAC, 2019)

Gender, age

If we focus more on gender difference, here we see a slight difference.

Below is the data from the SB payment (2019), a survey from the online shopping site (fashion, books, foods, medicine categories). Although credit card payment is dominant in both genders, we see males prefer Cash on delivery or mobile career payment more than women, and women prefer to pay later or at a convenience store.

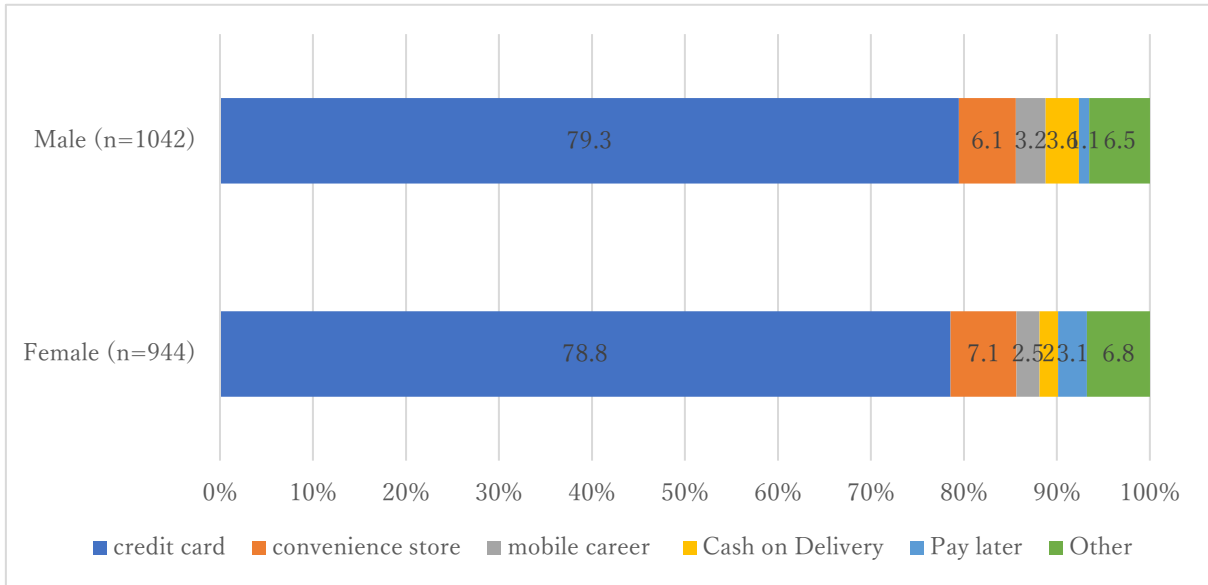


Figure 27: Payment differences between gender (SB payment, 2019)

Below figure 26 is the data are taken from the same questionnaire but divided by gender and ages. Here we can see the clear trends between 10s, the 20s, and 30s. Between these ages, the use of the payment method differs a lot.

Credit card is still dominant payment method between customers over 30s, but for 20s and teenagers, it is less popular compared to them. These differences might come from the ownership rate of the credit card. Compared to over 30s which more than 80% of the people have credit cards, in 20s only 75% of people have it (JCB, 2019), and teenagers cannot own their cards unless they are aged more than 18. The rate of non-credit card payment is more used by young people. As they get old, they more prefer to pay by credit card.

A man likes to use convenience store when they are young, but for people more than the 30s, a woman uses convenience store more. As we discussed, women are more likely to choose to pay later, and this trend is remarkable at young ages.

One interesting fact is that the “other payment” method has a large portion in the 10s and 20s. The reason might be the existence of e-payments and credit cards. E-payments are preferred and used more by younger people, also some young people cannot use a credit card because of their age or credit histories.

Cash on delivery’s differences is also interesting. Man of every age use Cash on Delivery as their preferred payment, but it is not significant in women, especially 50s.

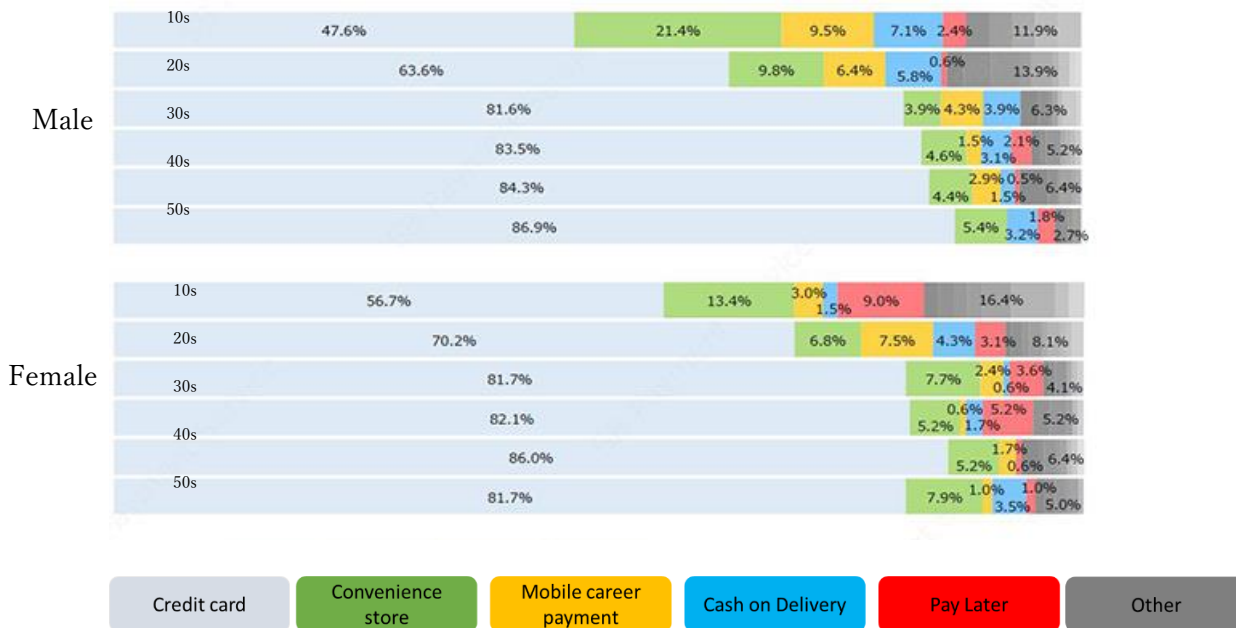


Figure 28: Preferred payments between gender and ages (SB payment, 2019)

(Others: bank transfer, smartphone payment service, prepaid service, other e-payment services like Paypal)

Categories

Categories' differences also affect consumer's payments choice.

The below figure 27 is the preferred payment between ordinal products (fashion, cosmetics, books, medicine) and digital contents (e-books, streaming service, online game). Data of prepaid payment and e-payment are included in other payments for ordinal products and pay later is included in other payments for digital products. Cash on delivery does not exist for digital categories.

Credit cards, convenience stores, mobile career payments are major payments for both categories, but for digital content, customers prefer to use prepaid or e-payments, rather than ordinal products Cash on delivery and pay later are more preferred.

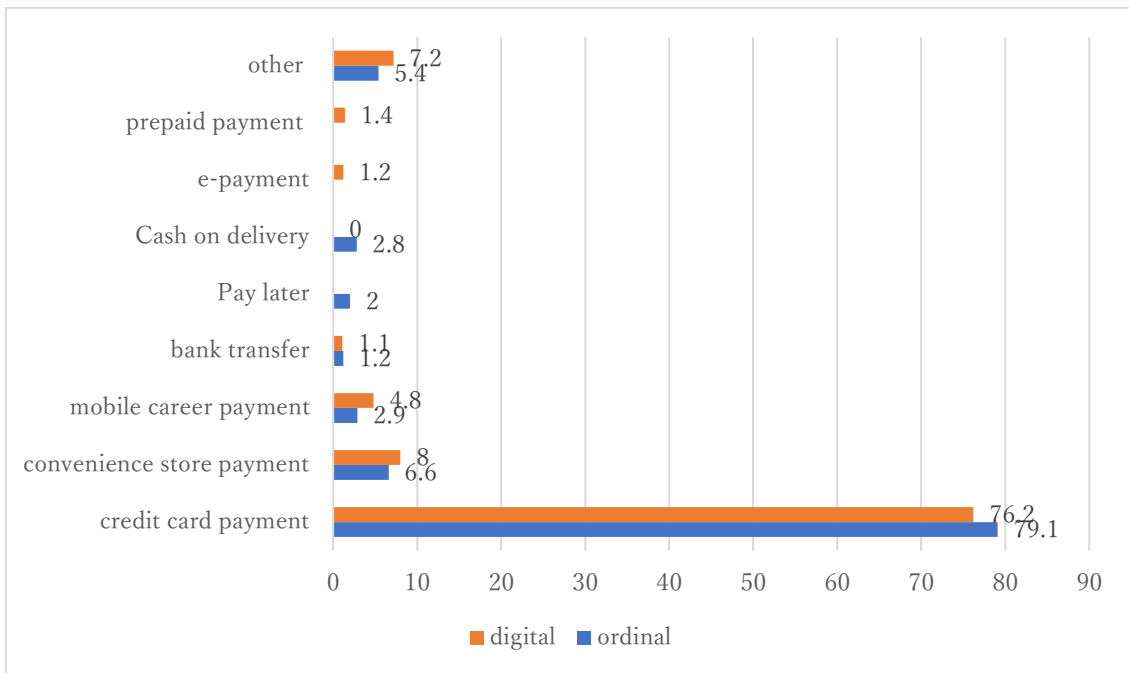


Figure 29: Payment differences between categories (SB payment)

COVID

Covid-19 influenced the change of payment method. Figure 28 is the data of the most used payment methods during the covid pandemic. Payments that are related to cash, such as bank transfer, convenience store pay, Cash on delivery decreased significantly compared to the data we saw above. Although we do not know the true reason for this drastic change, we can estimate that people have become more careful about going outside.

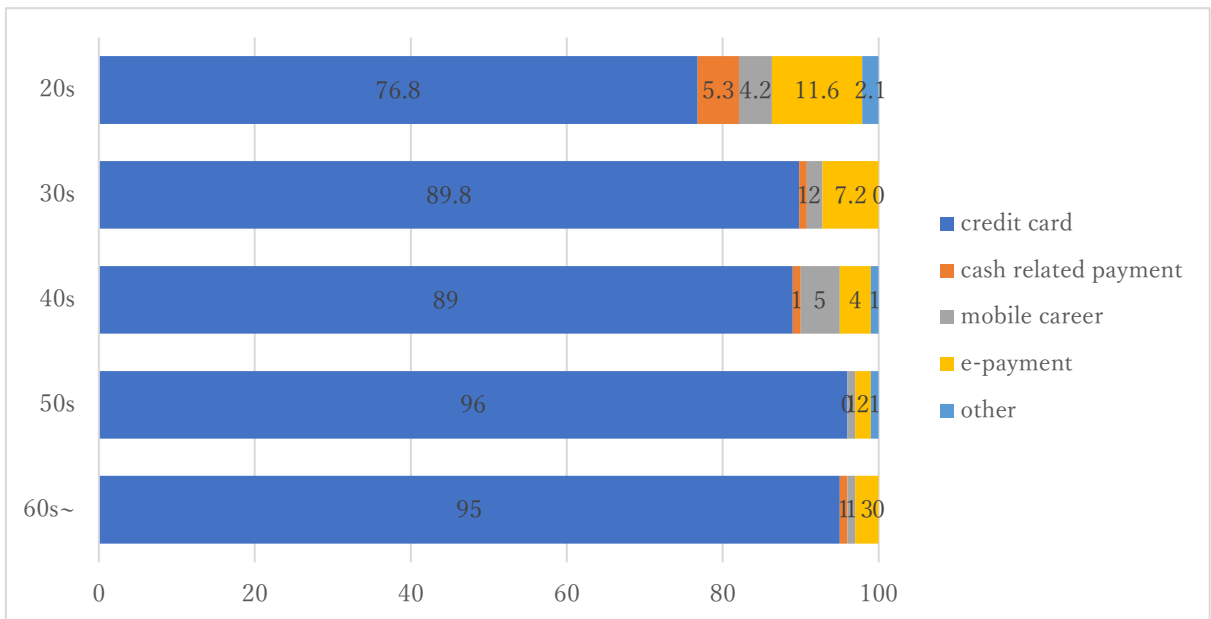


Figure 30: Most used payment method for online shopping during 2020 April~July(MS Card,

2020)

Summarising the discussions, credit card and convenience store payments are the must-have payments for firms. Whether to introduce other payment methods depends on what kind of categories, or persona firms are targeting. For example, if the company wants to sell goods for young people, they need to have smartphone payments and other cash-related payments, but if they target customers aged more than 50s, e-payments are not that necessary.

4.3.3 Cost and risks related to each method.

In the previous part, we discussed the characteristics of each payment method. Although it depends on what kind of goods the company wants to sell, from their usage rate, we concluded that having a credit card, convenience store payment, bank transfer, cash on delivery, career payment can cover more than 90% of the customer needs.

Having this result, in this chapter we will see more from the firm's point of view.

Not only the characteristic of each payment, but the cost of each payment methods are also important.

The cost differs if firms will do the payment by themselves or outsource the payment process to other agencies. We will first focus on the non- outsourcing case.

Below table 4 reveals the commission fee that the company needs to pay for each transaction. From this table, we can see that mobile career payment has the highest transaction fee, and credit card follows. E-payment comes the next, and other payment methods charge only a few hundred yen.

However, we need to take into consideration that this fee does not include the cost related to introducing these payments.

Table 4: Commission fee for each payment

Payment	Fee (for company) /transaction
Credit card	3.6%~5.5%
Bank transfer	Low (about 200yen) , or free
Mobile career	Depends on career, but usually high (10%)
Convenience store	Low (200 yen)
Cash on delivery	Low (300 yen)

e-payment	2% ~3%
Internet banking	low, or free
Crypto	Free or very low
Pay later	150~200 yen

As an alternative, firms can ask payment agencies to do their payment collection instead of doing it by themselves. In this case, although they need to pay a slightly higher fee as a commission fee to the payment agency, the payment agency will do the negotiation and other related instalments instead of the firms. For example, in the case of Amazon pay, firms do not need an initial fee or monthly fee, transaction commission, but need to pay 4%~4.5% of the amount of the transaction (Amazon, 2021). Although it is higher than the commission of a credit card, since it can cover all the major payment methods, for firms it is simpler to use these services.

Moreover, if the firms are using third-party platforms, most of the platformers offer payment collection as one of their services. Thus, if the firm already decided to do e-commerce using third-party platforms, using their platform's payment collection service might be the best solution.

4.3.4 Conclusion

A credit card is the must payment method if the firm attempts Cross Border e-commerce to Japan. However, with only credit cards, one cannot cover the remaining half of the demand, by having convenience store payment, bank transfer, Cash on delivery, career payment, firms can cover more than 90% of the payment methods that customer often uses. However, if firms do not want to lose any of the demand occurring from lack of payment method, they have the choice to use payment collection agencies. There will be some extra cost, but firms can avoid losing the customer demand occurring from a lack of paying methods.

Below are the suggested steps to determine the payment methods.

1. What is the firm's platform?

Does the firm operate its websites or is it using third-party platforms? If they are operating on third-party platforms, they should better use the payment collection service offered by them. In case firms need to do it by themselves, firms need to choose what kind of payment they will install.

2. What are the target customers?

3. The preferred payment method differs between gender or ages. The company should seek the best solution that matches the target customers.
4. How many payment methods to install?
5. Decide how many payments method do firm wants to install on their websites. If the firm wants to install a lot and related costs seem to be expensive, ask for payment agencies.

4.4 Marketing

Marketing was considered important for cross-border e-commerce, since more consumers attracted to seller's products, more sales they will likely earn. In some cases, if the firm uses EC marketplaces of the trade channel, they will offer some analytics and other marketing services to help increase the sales. In this section, not only the already existing attributes of the e-commerce websites, but we will also further discuss what kind of marketing tactics can be available to increase a firm's sales.

Although there are many types of marketing strategies, in this master thesis we will focus more on the use of web marketing. It is because the cost is cheaper than other marketing strategies, and can do it from overseas, without having an entity in Japan.

The marketing aims to increase sales by more recognized the products by customers. To investigate how to increase sales, to begin with, we will consider how people buy from e-commerce sites. Customer journey will be like following. Having the idea of what types of product they want to purchase, first the customer will access EC sites using various devices and channels. After that, when they reached to EC site, the customer will decide they will buy the goods or not. If the customer decided to purchase, they will proceed to payment.

The sales come from the overall amount customer bought from EC sites, and higher the price, a seller can earn more sales. Below formula illustrates how the sales are constructed.



- Sales

Increasing sales is the aim of this chapter.

- Access

By increasing the number of people's access to seller's websites, sellers can increase their potential customers who would like to purchase the goods. To increase this number, we can

think of many channels, such as search engines, SNS, other websites, or from other pages of the same EC sites. For each channel, a different marketing tactic is needed.

- CVR (Conversion rate)

The conversion rate illustrates how much people bought by accessing the sites. For example, if 100 people accessed the product's page and one person bought it, the conversion rate is 1%. According to WordStream (2019), the average conversion rate was 4.4% across all industries. Our goal of the marketing is to achieve higher CVR so that more people will buy after visiting the product page, and thus contribute to an increase in sales.

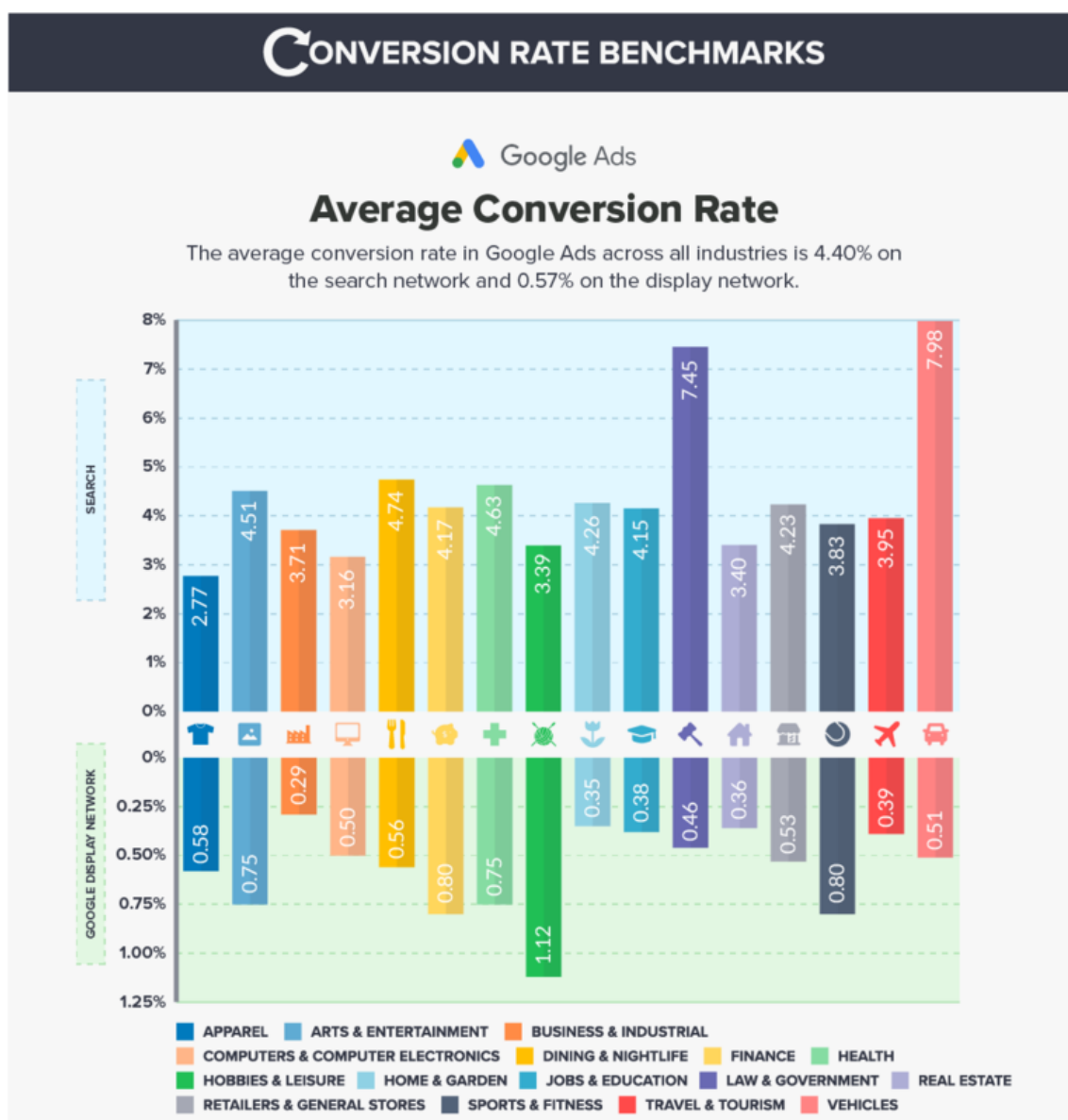


Figure 31: Average CVR per category (WordStream, 2019)

- Customer unit price

Even customers buy goods from the sites, if the unit price is too low the sales will not increase a lot. Therefore, companies should also think to increase the unit sales. Marketing for re-purchase, point service, coupon can be strategies for increasing unit price.

4.4.1 Targeting

Before focusing on what kind of marketing activities is suggested, setting preferred targets is needed.

From the customer and culture part, we analysed the Japanese EC market and Japanese attitudes to identify some interest characteristics. In this part, we will suggest preferred products, or the segment for attempting CBEC to Japan. Using this information, we hope companies will achieve higher sales from the market.

4.4.1.1 Preferred segment

As we saw, the 20s 30s were the volume segment of people having high internet usage rates over 99%, also having a high EC usage rate of around 80%. Having this fact, monthly expenditure on the internet was also high in these ages. They use 24,854 and 23,653 yen, which was twice the amount the 60s use, and fourth the amount 70s and 80s use on the internet. Thus, if the company wants to expect higher sales from cross-border e-commerce in Japan, we suggest targeting these segments.

Below figure30 demonstrates what kind of device people use frequently to connect internet. Here, over 40s people use more PC frequently than a smartphone, but for the 20s and 30s, they use smartphones more than PC. Therefore, if we are targeting this young segment, smartphone-optimized sites are recommended.

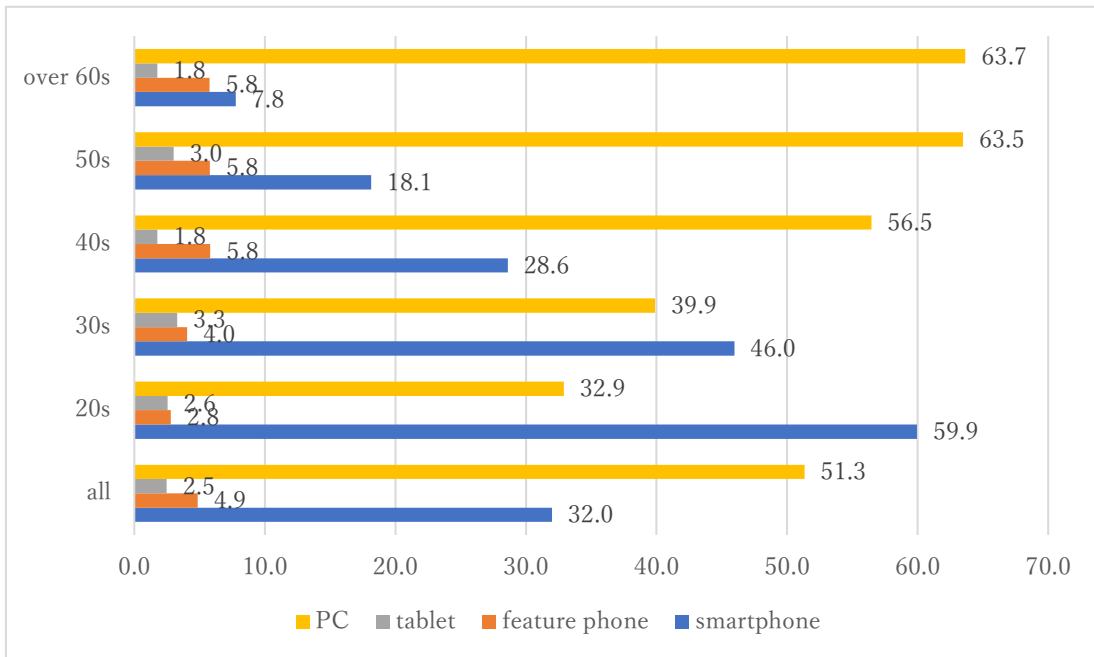


Figure 32: Most used device to connect internet (MIAC, 2015)

To more understand this segments' attitudes, below figure 31 is the data from MIC (2015) that reveals what people often do using the internet. Browsing websites and email were most of the use, and nearly 80% of the people's main purpose was browsing. Online shopping was third. For the 20s, watching videos or Livestream, SNS, blogs were also common. For the 30s, watching videos and live streams were common, but other services were not that common as 20s.

Having this result, we can estimate that if we target these segments, focusing web marketing from the web page, e-mail, videos or live stream, SNS, blogs seem to be an effective marketing channel.

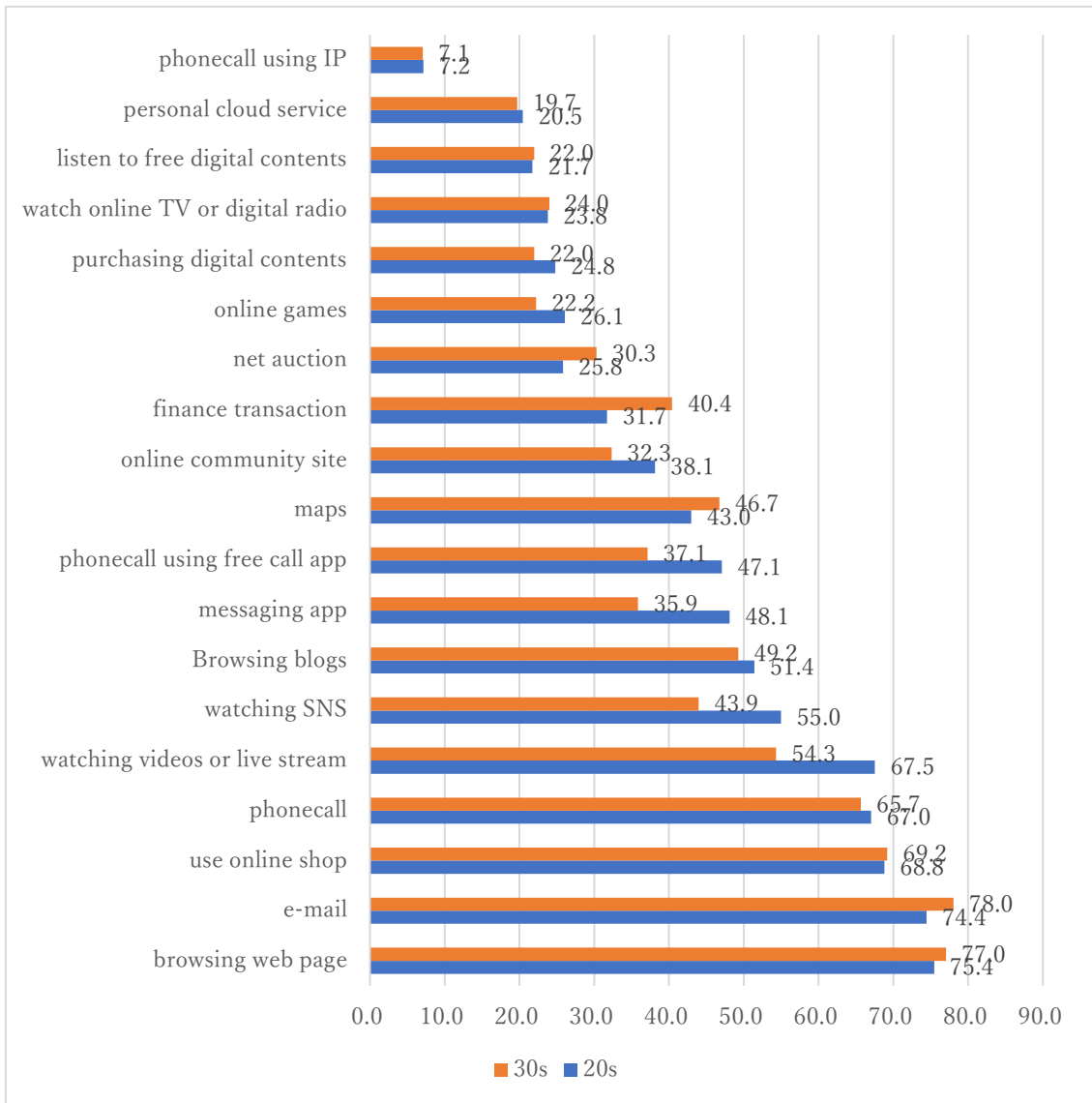


Figure 33: What people do from the internet (MIAC, 2015)

Having identified the target segment, we want to see what interests these people have, or what are they willing to purchase online.

4.4.1.2 Preferred product

In the customer and culture part, we saw that food, clothing, travel, home electronics were the most bought goods. Our interest here is how large are these products' EC market size. Below figure 32 illustrates the EC market size by the products. Clothes, foods, electronics, furniture, and books had more than a one trillion-yen market size. Food, clothing, home electronics was high as we expected, but surprisingly furniture was also a big market, even though people answered they will not spend a lot on furniture in chapter 4.1. If the firm wants to gain certain

sales from cross-border e-commerce in Japan, these goods we mentioned here has more opportunity.

The below figure32's orange line also illustrates the EC penetration rate.

The food penetration rate was low compared to its market size. This might be because perishable foods are difficult to sell online, or people want to check the product's freshness by themselves, before buying these products.

Electronics' penetration rate was high compared to other goods. Not like foods, electronic products have certain standards and consumers are more confident about the quality of the products they receive.

Books, movies, music also had a high EC penetration rate. In Japan, books and CDs were sold online from an early stage, and people do not have many psychological barriers to purchase these goods online. These are the recommended goods to sell online as well.

Clothes did not have a high EC penetration rate, but EC market size was the largest. However, since there are many EC apparel sites in Japan, firms must think carefully about how to gather customers for their products.

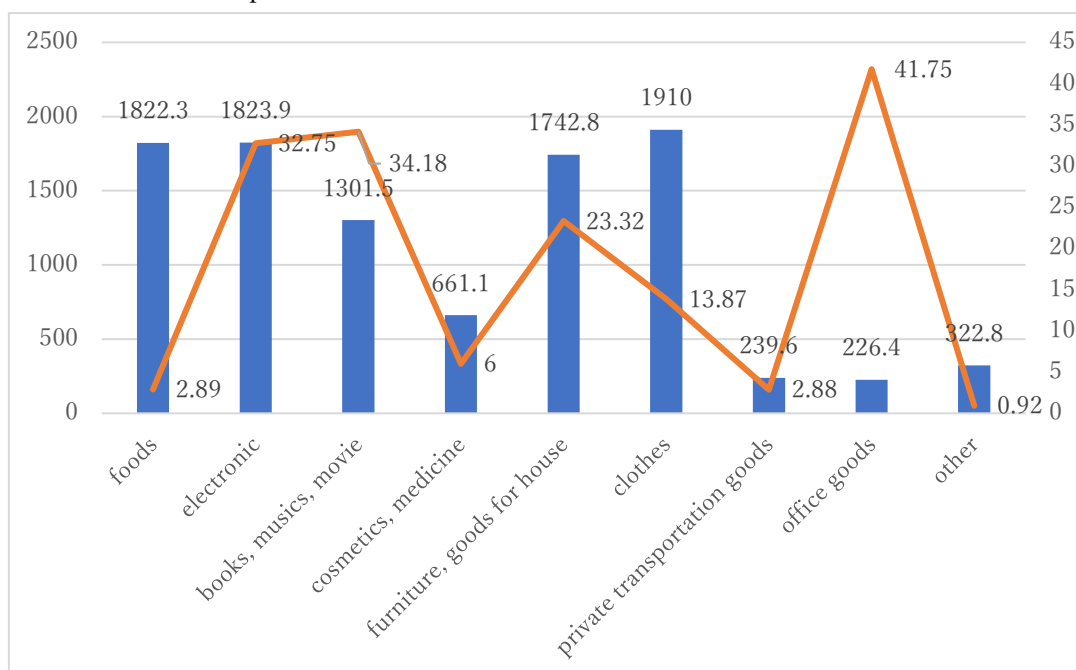


Figure 34: B to C EC market in Japan by-products (billion) (MIAC,2019)

To summarise, if the firms want to aim for a large sale, selling foods, electronics, books, furniture, clothes are the preferred option, and better to target young people.

One thing we need to take care of is that other products that are not mentioned here, still have business chances of attempting cross-border e-commerce in Japan. However, for these products, since the market sizes are not as big, companies need to observe carefully either the entry is profitable or not.

4.4.2 Web marketing

In the previous part, we identified preferred goods and segments, including what online channel we should use to attempt marketing.

In this master thesis, we will focus more on the analysis of digital marketing because we consider it is the most efficient marketing for cross-border e-commerce. For cross-border e-commerce, other marketing strategies such as mass marketing or retail store marketing does not worth the cost and effort firms spend. In most cases, firms need the help of local entities in Japan to attempt these marketing. In contrast, since digital marketing does not have these obstacles and can reach more directly to the targeting segment, it is more suitable to advertise niche products. Therefore, the remaining part of this chapter will be about digital marketing channels, what kind of channels are available and what might be more suggested.

We will continue our discussion using the formula above, to clarify what kind of marketing strategies are more effective to increase which of the variables. The variables are Access, CVR, Unit sales, and one by one we will focus on what kind of marketing tactics are more effective.

4.4.2.1 Increasing Access

Increasing the number of access to the websites is one of the methods to increase sales from e-commerce. In this section, we will discuss the marketing method which contributes to increasing access to a firm's websites.

- Text ad

A text ad is the simplest type of web advertising. It is displayed at the above or bottom of the web page. It has the title of the ad, the URL of the webpage, and the description. To start the Text ad, users need to set some keywords that their potential customers will look up on search engines. More the setting of these keywords is precise, the text ads will be more effective.

On google ads, firms can set a target or keywords for their ads by following variables;

Age, demographics

Firms can set the target's age, gender, or if they have children or not.

Affinity Category

Like "sports fan", "beauty addicted", users can select which kind of categories their target is more interested and show the ads to these segments.

Custom affinity category

Firms can select some keywords or related website URLs that their customers might be interested and show their ads to these people.

Keyword

For example, if they want to sell espresso, by setting keywords like “professional coffee”, “Italian coffee”, the ads will be shown to the customer who searched these keywords on search engines.

Audience who are willing to buy

Firms can also reach customers who are looking for a price of the products or watching a review of the related products, who are more likely to purchase their products.

Remarketing

Firms can also show their ads to the users who visited their webpage previously but left before buying it.

For efficient text marketing, understanding the target’s persona and setting the right keywords are needed.

- Product Listing Ad

Product listing ads (PLA) is the advertisement that can show product’s picture, name, price, brand on the result page of the google search (or other search engines). By using this ad, a seller can advertise their products visually to the customer who is more interested in products. As well as text ads, PLA will be automatically generated by the keyword customer looked up, using the data feed from the "merchant centre" that google registration the products. The cost structure will be Pay per click (PPC).

Since it can provide more information than text ads, such as pictures, prices, shipping costs, if the seller has a more competitive design or cost, the Product Listing Ad is more effective.

Product Listing Ads

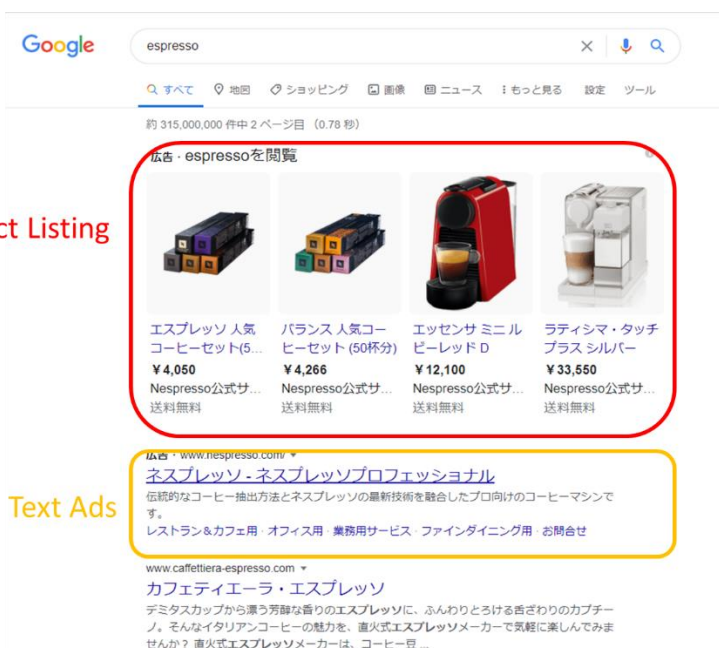


Figure 35: Product listing Ads and Text Ads

- Display Ad

A display ad is an advertisement in that firms can put some pictures or animation on third-party websites. If the user clicks on the advertisement, it will send them to correspond websites. If sellers want to use the movie for their advertisement, they can also use Youtube for the marketing channel. There are three types of movie ads. The first one is the bumper ad, which plays movies in less than 6 seconds. It is useful to tell a simple message about the products. The second is "True View in-stream" Ads, and they will be played before/after or during the video. Users are possible to skip the movie after five seconds, so the firm needs to catch viewers' attention in the first five seconds by putting the brand name or logo, or slogan of the products to be recognized by customers. The third ad is the "TrueView action" Ad. It will show the tab and button during or after the ad, to urge customers to access their websites.



Figure 36: Display Ad

- SNS Marketing

SNS is also known as a major channel to attract users to the products. The below figure 35 demonstrates how many people are using SNS, by age. As we see, for the 20s and 30s more than 80% of the people use SNS, which implies using SNS as a marketing tool in Japan seems reasonable.

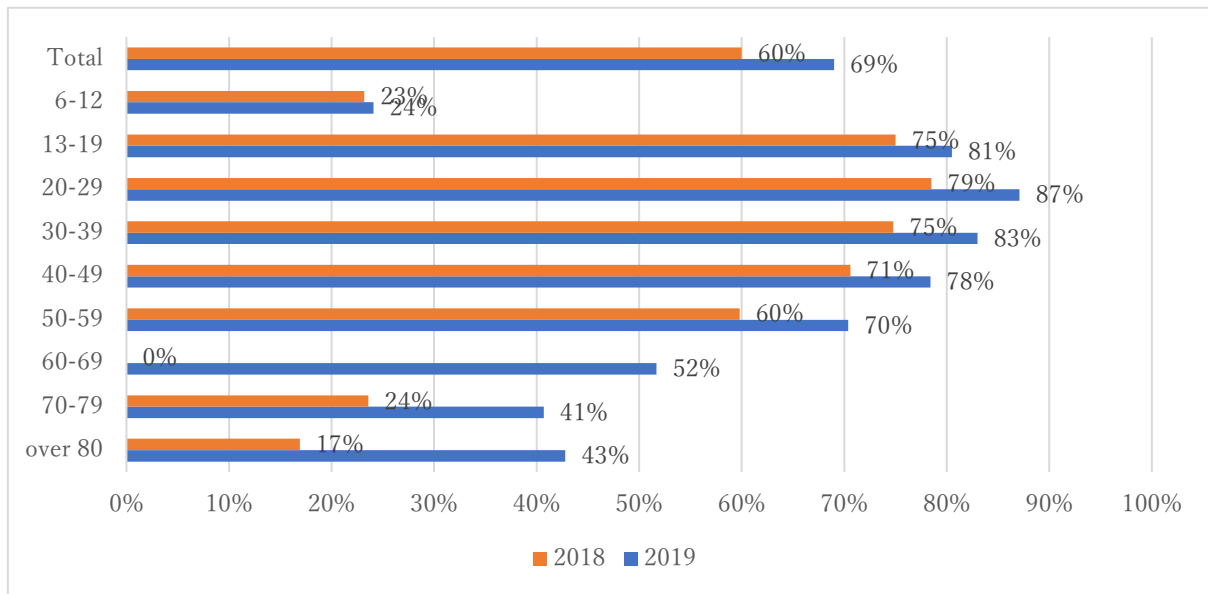


Figure 37: Use of SNS by age (MIAC, 2019)

Before we focus on how to use the SNS as a marketing channel, we will look at a characteristic of the most used SNS in Japan. The below table5 demonstrates the numbers of users using each SNS in Japan and World, ranked from first to eighth by the number of users. As we can see, the most used SNS services are quite different compared to the world trend. In the world, Facebook was the most used SNS, but in Japan Instagram, Twitter, YouTube, LINE was more common compared to Facebook. The existence of LINE, the free communication tool was also an interesting characteristic of the Japanese SNS market. Additionally, we can see from the table, Chinese SNS services (excluding TikTok) such as WeChat and QQ were not common among Japanese users. This implies that it is dangerous for firms to apply a uniform SNS marketing strategy even if they already had success in other countries. Even between Asian countries, their nationality of taking a communication via SNS might be different. SNS has a different characteristic, thus firms need to understand these differences for effective marketing. In the later section, we will briefly introduce the top five most used SNS in Japan

Table 5: SNS users in Japan and World (million) (Insta Lab, 2020)

	Japan		World	
1	LINE	86	Facebook	2,797
2	Youtube	62	WhatsApp	2,000
3	Twitter	45	YouTube	2,000
4	Instagram	33	WeChat	1,213
5	Facebook	26	Instagram	1,000
6	TikTok	9.5	Linkedin	740
7	Pinterest	5.3	TikTok	689
8	Linkedin	2	QQ	617

LINE

LINE is the most used SNS in Japan, having 86 million users in Japan. Not only in Japan, but LINE is popular in Indonesia, Thailand, Taiwan as well. First released in 2011, now it is recognized as the most popular communication app used by many people. The 20s are the volume users, but also 30s to 50s use LINE as their main communication tool as well. For companies, uses of LINE official account is most used as a touchpoint between target customers. Ads on LINE manga or LINE news are also a common use of this app for companies. Since it is the most used SNS in Japan, companies can reach the largest number of customers among any other SNS services.

You Tube

YouTube, known as the world's biggest video streaming SNS, is also a common SNS in Japan that is widely used in every age. Companies can advertise their products either using advertisements that are shown between the videos, or using YouTuber, a person who uploads produces, or appears in videos on Youtube. If companies want to use advertisements, since it is operated by Google, they should apply from the google ads. They can also use YouTubers as influencer marketing. The precise definition of influencer marketing will be explained later.

Twitter

Released in 2006, Twitter is one of the most used SNS in Japan as well. It is a service that users can post short text under 140 characters. Not only a text, but users can post photos and videos as well, and by "retweet", users can share other users' posts. 20s males are the main users, and in all age male users are more dominant than female users. By showing ads or making official accounts, companies can advertise their products to target users.

Instagram

Although released in 2010, Instagram is already one of the most used SNS services in Japan as well. The posts on Instagram are mainly Photos or videos, and some attributes such as

"stories", "Reel" attracts users to browse more on Instagram. Compared to Twitter, Instagram has more female users, and 20s females are the volume users. Companies can place an ad or create an official account, but also can induce users directly to EC sites inside Instagram.

Facebook

Being the world's largest SNS released in 2006, Facebook has the number one users in the world. However, it does not have a high presence in Japan compared to other countries. Although it is used by every age, the main users are the 30s and 40s. By making companies official Facebook pages or listing an advertisement, companies can appeal their goods. Compared to other SNS, since users register their profile more completely, companies can make more precise targeting than other SNS.

Knowing the different characteristics of the most used SNS in Japan, there are five possible ways for companies to use SNS as a marketing channel.

1. Create an official SNS account

By creating the company's official account, firms can produce their product or brand on SNS. By using an SNS account, a company can have more touchpoints between customers and can build a relationship between customers. Moreover, by posting some videos and photos of the brands, firms can build a brand's image or increase recognition.

2. SNS Ads

Each SNS platform offers some advertising services, and by using them firms can put their advertisements on each SNS. Since firms can use pictures and videos with messages to reach customers, they can attract customer's attention. In these services, firms can set precise characteristics of the customers like age, gender, work, hobby, and interest. By setting these characteristics effectively, firms can deliver their ads more specifically to the target customers.

3. SNS campaign

Firms can also use SNS to do a campaign to attract customers. By using "#hashtag" to gather photos from customers or people who joined their campaign, firms can increase the touchpoint with customers.

4. Influencer marketing

Using influencers is a major method for SNS marketing as well. By hiring a famous influencer who has many followers, firms can advertise a brand or product to the followers influencers have. Moreover, since some influencers are professionals of a certain genre such as food, fashion, etc., they know how to PR goods effectively by SNS.

5. Social listening

Social listening is the method to collect customers' voices using SNS. By analysing what kind of opinion is posted on SNS or what types of photos are posted with the firm's

product's hashtag, the company can get more straight opinions from the consumers. Not only the product's reputation but also their competitors' reputation, a trend of the consumers, further requirements from the consumers can be identified from the social listening.

- Affiliate Ad

Affiliate is a type of marketing that individuals introduce products on their blogs or SNS, and if consumers buy from the link posted on these blogs, they will get a rebate. By setting the large rebate amount, or by selling attractive products, firms can increase the access from affiliate partners and earn some more access.

- SEO

Search Engine Optimisation (SEO) is also important to increase the access of customers from search engines. By optimizing SEO firm's products will come up at top of the search result and more likely to get access.

- Contents marketing

Contents marketing is marketing tactics that a company will make other websites or events to increase recognition of the firm's brands or products.

4.4.2.2 Increasing CVR

Increasing CVR is important, since even if the customer visits product page, if they do not purchase it the sales will not increase. The objective of the marketing for CVR is to increase the purchase rate of the products from their web page.

- Inside website search

Optimizing Inside website search is also important if a firm has its own EC websites. If customers cannot reach their willing products from the inside search, more likely they will leave to other shops to find their goods.

- Landing Page Optimisation (LPO)

Landing Page is the first page customer see when they visit the websites. By attracting customer's attention from the landing page, firms can prevent them leaving from the websites, and expect more purchases from the customers. Some important points for doing LPO are test and targeting.

- TEST

Doing tests is an important point for LPO. If we do not know what design is more effective, asking the user is the best practice. For example, the A/B test is one of the famous test

methods used to test the effectiveness. The test is applied as follows; first, sellers will make few patterns of pages with different designs and show these pages randomly to the users who visited the sites. By comparing which design contributed more to purchase, we can identify effective webpage to increase CVR.

- Targeting

Setting the right target is also important for LPO. For example, if a firm wants to sell pasta, whether appealing pasta's brand, quality, or produced country, the appealing segment will be different. If they are appealing different attributes of the product that customer considers not important, CVR will not increase.

By repeating tests and making the right design for the target customer, firms can increase the CVR.

- Entry Form Optimisation (EFO)

EFO is an optimization to help customers to enter the necessary information for purchase so that customers will not quit purchasing at the very last step of the purchase.

Some reasons customers exit from the entry form can be; too many forms to fill, there was an error but didn't know which error it was, the information disappeared from some kind of accident while filling the form.

By making the form simple as possible, or highlighting what form the customer must enter, or automatically fill in the address from the postal code, a firm can expect less withdrawal from the entry form phase.

- Cart abandonment rate

Cart abandonment is the incident that customers leave the webpage even though they had put the product inside the cart. According to Baymard Institute (2021), the average documented online shopping cart abandonment rate was 69.80%.

According to the research from Baymard Institute (2021), 58.6% of the shoppers have abandoned because "I was just browsing/not ready to buy". Most of these will abandon even before they initiate the checkout flow. Below is the reason why people abandon during checkout, segment out "just browsing" customers. Extra costs, asking for an account, delivery were the top three issues, and other reasons related to security, costs, payment follows.

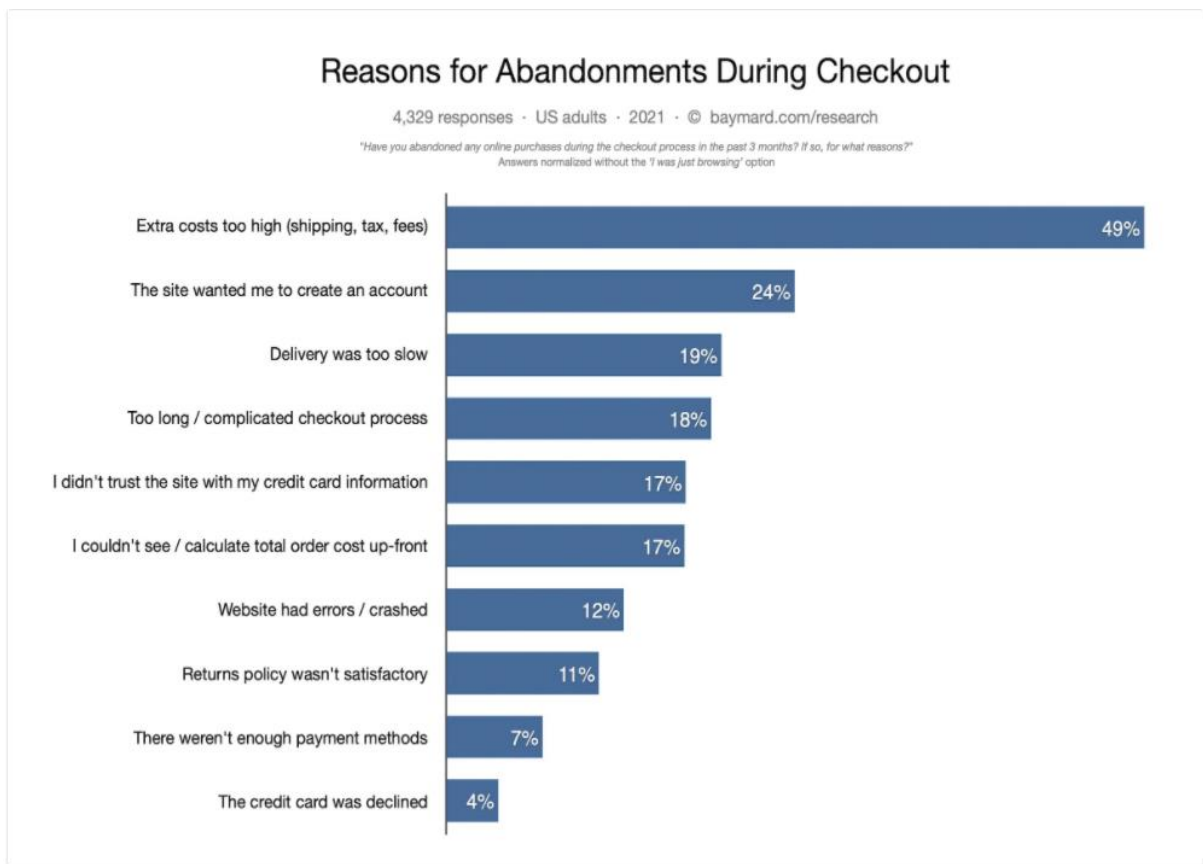


Figure 38: Reasons for abandonments during checkout (baymard, 2021)

Having these results, we will focus on the first seven reasons including “just browsing” and discuss what kind of countermeasures can be considered.

- Just browsing

Most of the customers are in this case. They are browsing the internet and find some attractive goods. They put it into the cart, but they realize they do not want to buy it right now and leave the sites.

For these customers, remarketing is effective. For example, using the marketing automation tool that will send the email to the customers automatically, firms can expect them to come back to their store.
- The extra cost is too high

The high extra cost was a big reason for customers to abandon shopping. The customer was satisfied with the product and its price, but because the tax, shipping cost, and other related fees were too high they will leave the websites.

Making the shipping fee for free or showing the all-included price can be the solution. By using logistic service that EC platformers offer, or by including the shipping fee to the product's price and show "free shipping" can be other solution as well.

- The site wanted me to create an account
The third reason was asking for an account. As a countermeasure, firms can make their websites able to purchase without having an account. If they want their customers to make their account, either tell the merits of having the account or make the application simple might be needed.
- Delivery was too slow
Since logistic processes are out of the seller's control, it is difficult to think of an efficient countermeasure. Choosing a company that offers high-quality logistic service can be a solution to this problem.
- Too long/ complicated checkout process
Some customers quit their shopping because the checkout process is too long. Making purchase flow simple or installing other payment services that can reduce entering the form can be suggested.
- I don't trust a site with my credit card information
For these customers, showing the site's security is needed. If the websites are still "HTTP", install SSL and change it to "HTTPS".
- I couldn't see/calculate the total order cost upfront
Some customers quit their purchase because as they proceed to the checkout phase, they see the amount they need to pay increases and reach higher than the amount they are willing to pay. For this problem, firms can solve by showing the total price on the first page or show how much additional cost customers will need to pay from the first step.

4.4.2.3 Increasing unit price

Increasing unit price also affects sales. Some marketing strategies can be considered to increase unit sales. Here, increasing unit sales means increasing the amount a customer spends. Therefore, urging remarketing is also included in this part.

- Coupon
Giving coupons can contribute to increasing unit sales. By giving a bundle coupon (Buy three, get one for free), or a discount for a second purchase, firms can expect an extra purchase of their goods.
- Point service
Giving points that can be used for the next purchase can also encourage people to purchase more. Not only giving the points, by doing the campaign for giving more points is also effective.
- Remarketing

Remarketing is also an effective way to increase unit sales. By sending e-mails or showing display ads to the customer who purchased the goods before, firms can expect repurchase of the products.

- Mail magazine

By sending mail magazines, firms can reach their past customers and push them to purchase. Introducing related products, or noticing the campaign, firms can expect them to buy products at their sites again.

4.4.3 Conclusion

In this section, we discussed the possible marketing strategies that firms can take for successful cross-border e-commerce in Japan. By breaking the sales into smaller elements, such as access, CVR, unit price, we analysed possible market strategies that contribute to increasing each element. From several marketing mixes we introduced, firms must carefully consider which marketing channel will best attract customer's attention, and will contribute to their overall sales.

4.5 Logistics

The last factor firm needs to think about is logistics. It is recognized as the biggest factor company needs to consider for cross-border e-commerce and has been discussed a lot in the academic field as well. In this section, we will more focus on the logistic characteristics of Japan from empirical view, to understand what logistic choices firms can take to deliver goods to the customer.

4.5.1 Japanese Logistic overview

One way to measure a country's logistic service level is to check the Logistic Performance Index (LPI). LPI is the index that World Bank publishes every year, and it compares the logistic quality by six indicators. Which are; customs, infrastructure, international shipments, logistic competence, tracking and tracing, timeliness.

Japanese logistic service level seems to be high based on LPI. According to the World Bank (2019), the LPI of Japan was 4.03, and it was rank fifth in the world.

Below figure37 illustrates Japan's LPI Compared to Germany (ranked 1st), Singapore (ranked second in Asia), and the average of the top 20 countries. Compared to other countries,

Japanese logistics have strengths in customs and infrastructure, but international shipments, tracking & tracing, timeliness keeps around the average level. However, none of the indicators reached Germany's level. If the firms are considering operating EC in Japan, one should not expect the service level as they had in Germany.

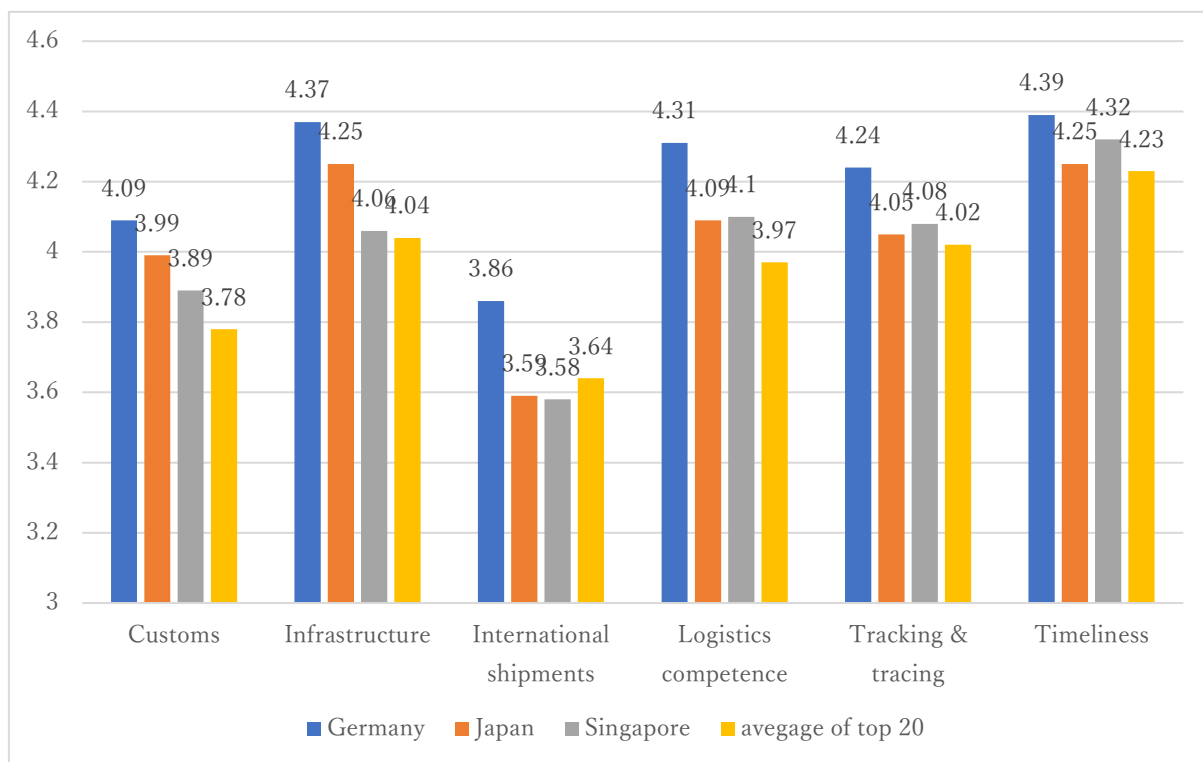


Figure 39: Comparison of LPI between Japan, Germany, Singapore, and the average of top 20 countries (World Bank, 2020)

Having briefly analyzed the logistic infrastructure level of Japan, in the remaining part of the chapter we will focus more precisely on how to send goods to Japan. To start with, the logistic flows from the company's warehouse to Japanese customers can be divided into three steps. The first step is to send the goods from the homeland's warehouse to the warehouse in Japan. Since Japan is an island firm must use intercontinental transportation to ship goods. The possible transportations are water and air, thus firm must make a choice which modes they will use, depending on what goods they want to sell.

The second step is where and how to operate the warehouse in Japan. Before shipping the goods, there is the problem of where to store the shipped goods. A firm must choose where they will rent a space to store their goods.

The final problem is the last-mile delivery. Since it is too costly to insource last-mile delivery, companies must choose what logistic service they will use. Companies must choose what kind of service they will use, depending on their goods and customer needs.

We will start from the first step, what type of transportation firm must use to ship goods to Japan (4.5.2), then we will consider what type of warehouse is available, or where to place the warehouse (4.5.3). Then we will analyze what types of logistic means are available for last-mile delivery (4.5.4), and the last part we will analyze some scenarios firms can take, depending on what level company will involve; direct delivery to the customer, store warehouse in Japan, or operate whole logistic process by themselves.

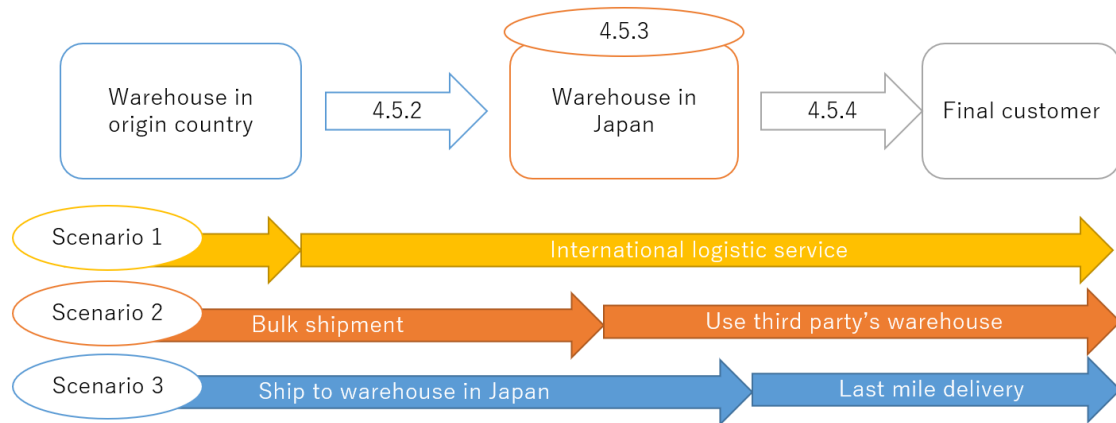


Figure 40: Logistic flows of Cross-border E-commerce in Japan, and possible scenarios

4.5.2 Shipping to Japan

In this section, we will analyze what is the firm's option to ship goods to the warehouse in Japan. Since Japan is an island and there is no channel to bring goods via land, we should consider using intercontinental shipments, which are air or water.

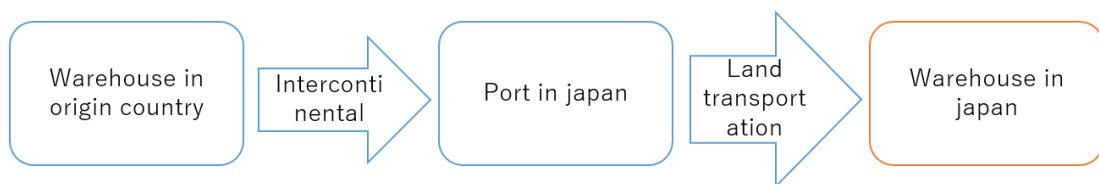


Figure 41: Logistic flows from Firm's warehouse to warehouse in Japan

4.5.2.1 Water

The most traditional way to bring goods overseas is to use water transportation. Compared to air transportation, the main merit of water transportation is its low cost. However, there are some demerits as well. The first is very low accessibility. Since the loading and unloading must

take place in sea-ports, it requires land positioning through other ground transportation modes. Second is its low speed and high transit times. It needs some weeks or months to deliver goods to destination. Between Europe and Japan, usually, 5-6 weeks of transportation time is required.

Although there are 1079 ports in Japan, the Japanese government determines five ports as "International strategic hub port", and 18 ports as "International hub port" (MLIT, 2005). Between these ports, a firm must select the port placed near their warehouse in Japan. However, from the easiness of customs and the geographical merit, choosing an international strategic hub port will be the better choice.

If we analyze more about the most used port to import and export goods, Nagoya port came first. The main reason Nagoya came first is that TOYOTA automobile produces and exports cars from Nagoya. If we purely look at the number of imported goods, Tokyo came first, and Nagoya Yokohama, Osaka follows (MLIT, 2019).

Since the main merit of water transportation is its cost, it is mainly useful to ship goods with a low value-to-weight or commodities goods, which transportation cost is a significant portion of the selling price. Since Air is the only other possible transportation for CBEC to Japan, water is most attractive in many cases.

4.5.2.2 Air

The other option for companies to send goods is to use the airport. The main merits are its high speed, low transit times with good reliability. Since it can deliver the goods in few days, there will not be big delay delivering the goods to customers. However, there are some demerits as well. First is its cost. Using Air is very expensive compared to water transportation. The second is its limited accessibility since they need to load the goods at the airport.

Because using air transportation firms can ship their goods quicker than water transportation, goods with high value-to-weight, perishable goods, fashion goods, short life cycle products are recommended.

Among many ports in Japan, Narita is the most used airport for both imports, export goods. Narita is known as the biggest international airport in Japan, thus traditionally it is used as an international trading hub.

4.5.3 Warehouse in Japan

After firms decided how to bring their goods to a warehouse in Japan, our next interest is where or what kind of warehouse the firm will use. Firms can choose whether they will have their warehouse or borrow the space to store the goods.

4.5.3.1 Outsource

One way to store the goods is to outsource the storing activity. There are two merits to outsource these activities. The first is the initial cost. Investing in a whole storage system is too costly as an initial cost. In addition, if their business in Japan became unsuccessful, firms might think of withdrawing from the Japanese market. In that case, if they were outsourcing the warehouse, it will be easier and less costly to withdraw. The second is the easiness of operation. If they insource the storage activities, they need to negotiate with more stakeholders such as mortgage company, temporary staff company, security company, etc. Since transaction costs related to these shareholders will be high, by outsourcing the activities firms can reduce these costs. Having these merits, they can either use the platform's warehouse, other logistic companies' warehouse.

Platform's fulfillment service

If the firm is using a third-party platform (e.g. Amazon, Rakuten) and they offer a fulfillment service, using that service can be one of the options. The main merits of using this option are cost and easiness. Firms need to pay some service fees to platformers, but they can outsource all the related costs for warehouse and last-mile logistics. To use these services, firms will first ship their goods to the platformer's warehouse, and after they received their goods, platformers will do all the rest of the logistic flows. Since this service is synchronized with the platformer's marketplace, they can ship immediately after the customers' purchase. Thus, using these service firms can expect higher customer satisfaction from faster delivery. Easiness is also merit. Since these service providers offer their service in several languages, even if a firm is not good at Japanese, they can communicate with platformers in other languages.

The demerit of these services is cost and limitation. If the amount of firms' sale increase, the amount of the fee they need to pay to platformers increase as well. If their sales reached a large amount, it might be better to own an individual warehouse. Moreover, if they are selling the goods on multiple channels, (such as both Rakuten and Amazon) they might need to subscribe to both fulfillment services. In this case, it is better to operate their warehouse so that they can deal with both purchases from different platforms. A limitation is about the goods that platformers will accept in their warehouse. For example, FBA (Fulfillment by Amazon) will not accept cold or freeze goods. If the seller wants to sell these goods, they should look for other services that accept these goods or own a warehouse that can store the frozen goods.

Other warehouse

Not only platformers, but some logistic service providers also offer storage and shipping service. If a firm wants to outsource the storage activity but does not want to use the platformer's fulfillment service, this will be the choice. Some Japanese last-mile delivery service providers offer their warehouse, or some company just offers picking service. The merit is cost. The cost of using these services is not that high compared to building their logistic center. Furthermore, some company offers cold warehouse. If firms want to ship frozen products, they should use these special warehouses. However, since many of these logistic companies are quite domestic, in many cases communication in Japanese will be needed.

4.5.3.2 In house management

If firms are not going to outsource their warehouse, they need to rent a space to store their goods in Japan. Like other countries, in Japan, there is many rental warehouses that companies can use to store the goods and do the warehouse operations. The cost of the warehouse varies between the size, but on average 6m³ for 7000 yen, which is cheaper than outsourcing. However, since they need to do the operation by themselves, it might be more costly, and need to hire some people to do the related job.

Where to place the warehouse is also important. Many of the EC platformers place their warehouse near an urban area, such as inside the Kanto area (Area includes Tokyo) or Kansai area (Area includes Osaka, second largest city). Considering that most of the demand comes from urban places, firms should rent a space near an area with a high population.

4.5.3.3 Do not use a warehouse

The last case is not to use a warehouse. If the firm is in the early stage or does not want to take a risk to keep an inventory in Japan, shipping directly to Japanese customers will be a good option. In this case, firms do not need to have a warehouse but just ship the parcels directly to Japanese customers using an international courier service. We will further discuss this later, with the possible scenarios for the company.

4.5.4 Last-mile delivery

The last-mile delivery is the movement of goods from the transportation hub to the end

customer, and after deciding all the flows until the warehouse, this is the final issue firm must consider with cross-border e-commerce to Japan. Since it is the only physical touchpoint with the customers, the service quality of the last mile delivery directly affects customer satisfaction. As we saw in the LPI world ranking, Japanese logistic service was ranked fifth. Since Japanese customers are used to this high service level, courier must have re-delivery service or scheduled delivery service as a basic service, and the quality of delivered products must be high as well.

Having this complicity and required service level, it is too costly to invest and operate firm's original last-mile delivery service in Japan. Therefore, in this master thesis, we will focus our analysis on the use of the third-party courier service to deliver the goods to final customers.

4.5.4.1 Takuhaibin

The main characteristic of the Japanese last mile logistic service is the courier service called "Takuhaibin". Takuhaibin is the service that couriers collect a small bunch of parcels from various customers, and send them to each address (Miyatake, 2017). Takuhaibin was first started in 1976 by Yamato transport. Expanding its network nationwide in 1997 now is the most common option to send goods (Yamato transport, 2020). Using Takuhaibin people can send their goods anywhere inside Japan.

Not only door-to-door delivery, but Takuhaibin also offers some other services for consumers to answer customers any kind of demand; pick-up-box, re-delivery, scheduled delivery or cool (temperature) delivery, etc.

Recently, by the increasing demand for EC, the number of goods shipped by Takuhaibin are increasing as well. In 2019, 4.3 billion goods were delivered by Takuhaibin, which was a 15% increase from 2015, and this trend seems to continue (MLIT).

From the increased needs of the EC delivery, courier service companies started to offer packaged service for E-commerce. Here, taking Yamato transportation as an example, we will analyse what kind of service are available for EC last-mile delivery using Takuhaibin.

International service

In some countries, international Takuhaibin service is available. Firms can bring their goods to Takuhaibin company's international branch, and they will ship the goods to a Japanese address. By using this service, firms do not need to have a warehouse inside Japan, and the cost might be cheaper compared to some international logistic services.

EC service

From the increasing demand for E-commerce in Japan, some companies started the new service plan for EC. In the case of Yamato corporation, they offer the service that they will do

all the rest of the flows after firms gave their goods to Yamato. After giving Yamato corresponding products and customers' data, Yamato will do the rest of making the receipt, single pick, packaging, and delivery.

For the foreign companies, since they do not need to invest extra money for packaging or a single picking process, this can be one of the strategic choices as well.

Comparison

Having understood Takuhaibin is a suitable choice for last-mile delivery, our final step is which company firm should choose. In Japan, five major delivery service companies offer Takuhaibin services. They are Yamato transport, Sagawa Express, Japan post, Fukuyama transporting, Seino transportation. Below illustrates each courier's characteristics compared to others.

- **Yamato Transport**

Yamato transport is the oldest courier service in Japan, which was the pioneer of the Takuhaibin service in Japan. They offer the service called "Takkyubin". Since Yamato is one of the major courier companies, it has a high level of speed of delivery and related service. They also offer a freeze courier service, so firms can send the freezing products as well. Compared to other couriers they offer several discounts as well. Demerit is its size and tracking. Compared to other couriers, the maximum size they can send by Takuhaibin is 160cm, 25kg. The tracking service is also limited. The sender can only notice whether the goods are delivered or not and cannot identify where are the goods during the delivery.

- **Sagawa Express**

Sagawa Express offers a service called "Hikyaku Takuhaibin". They will accept cold, freeze goods, until 160cm, 30kg. Their delivery service is fast as well and offers some discount for an entity. They offer freeze delivery and can track the parcels as well. For the companies, there are not so many demerits. Since they offer more discount and service mainly for companies, for individual customers they cannot get many discounts.

- **Japan post**

Japan post, once the government's postal service, also offers the Takuhaibin service called "Yu-pack". Since it was before a government postal service, number of the delivery hub is the largest among these five companies. Some merits are size and tracking. The maximum size they accept is larger than Yamato or Sagawa, up to 170cm, 25kg. Due to that, firms can send a wider range of goods compared to other services. Moreover, a tracking service is supported as well. The demerit is discount and frozen goods delivery.

They do not give a discount for their delivery, and they do not offer freeze goods delivery service as well. If firms want to send freeze goods, they need to choose another company (cold goods are accepted).

- Fukuyama transporting

Fukuyama transporting also offers Takuhaibin called “Fukutsu bin”, but they also offer a service called “Parcel one” for the big customers. Parcel one is the same service as Fukutsu-bin, but the cost is cheaper. The main merit is this service called parcel one, and it is the cheapest in all the five companies. The main demerit is its service time. They do not offer service on Sundays and Holidays, so if the company wants 365 days delivery service, other companies will be their choice.

- Seino transportation

Seino transport offers a service called "Kangaroo Express". The main characteristic is its calculation method. Not like other companies, they calculate their fee by weight and distance. The maximum amount they can carry is up to 1500 kg, which is the heaviest among all the other companies. Thus, if firms want to send heavy products, Seino will be the choice. However, their service is only available only for companies.

The figure 40 below illustrates how much numbers of goods were transported from each company (MLIT, 2018). As we can see, Yamato transportation has the biggest share, and including Sagawa express, Japan post, it occupies more than 90% of the whole courier delivered.

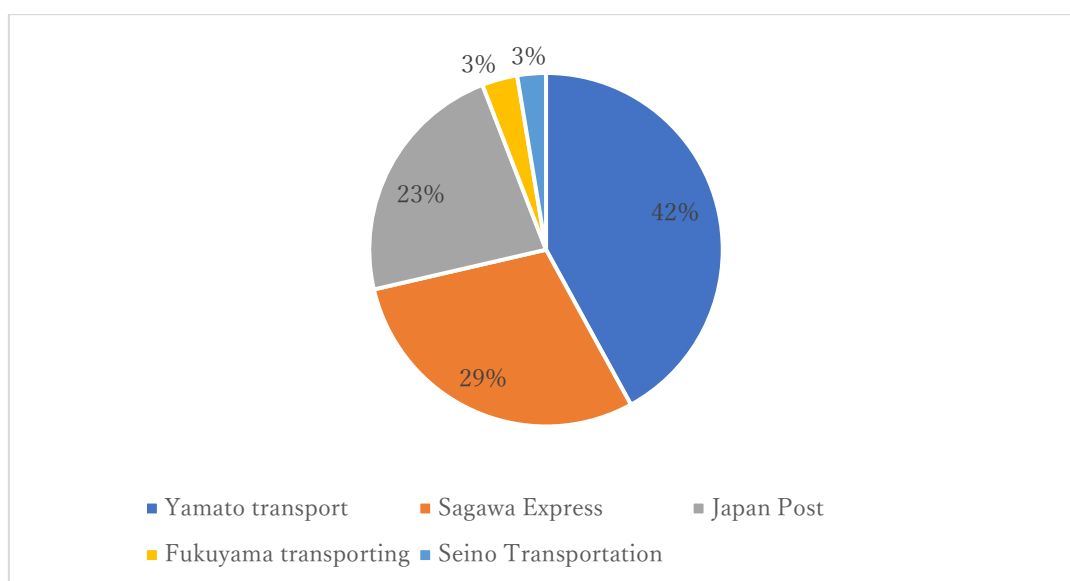


Figure 42: The number of parcels transported (MLIT, 2018)

The next question was how much do these couriers costs for small business players. Below is the table that tells us how much fee a firm will need to pay for goods under 60 size (L+W+H under 60). Data is from 2021, sending goods from Kanto area to Kansai area, weight must be under 2kg. From this table, the cheapest courier was Sagawa express, and the most expensive was Fukuyama transporting.

Table 6: Cost of Takuhaibin (for small companies)

Company	Weight	fee
Yamato transport	Under 2kg	1040
Sagawa Express	Under 2kg	880
Japan Post	Under 2kg	970
Fukuyama transporting	Under 2kg	1100
Seino Transportation	Under 10kg	900

The next table7 illustrates how much firms need to pay for a large contract. For the large contract, Fukuyama had the cheapest. If the companies are establishing an entity in Japan, Fukuyama is better in terms of cost.

Table 7: Cost of Takuhabin (for large contract)

Company	Weight	fee
Yamato transport	Under 2kg	1040
Sagawa Express	Under 2kg	880
Japan Post	Under 2kg	970
Fukuyama transporting	Under 2kg	600
Seino Transportation	Under 10kg	1610

4.5.5 Scenarios

Having discussed each logistic flows from the firm's country to the Japanese end customer, in this section we will discuss how will the best logistic flow changes depending on the size of the shipments. The size of the shipments can be segmented into three-level, which are small, medium, and large.

4.5.5.1 A small level of shipments (direct shipping)

The easiest mode to send the goods to Japan is to use the international courier service. By using these services, firms can ship directly to Japanese customers from their origin countries. Firms can either use their country's international mailing service, or third-party logistic services such as DHL, UPS, FedEx, or Japanese courier companies. The main merit of using this mode is its easiness and cost for shipping a small amount. As soon as firms collect the customers' addresses, they can ship goods immediately. Moreover, since firms do not need to own a warehouse or pay for related operating costs, the cost is cheaper for a small amount of shipping. However, since firms will ship after the customer's purchase, in this case, it will take time to deliver the goods to customers. Furthermore, if the number of goods increases, this option might be expensive from the economics of scale. Most of the cross-border e-commerce to Japan will start from this option, since the initial logistic-related investment cost is almost zero. Thus, it is easy to expand or withdraw from the market.

4.5.5.2 Medium level of shipments (bulk shipment and outsource warehouse activity)

A medium amount of shipment happens when firms started to sell a certain amount of goods in Japan. In this case, sending individual goods to each customer using an international courier service might be too costly, thus sending the bulk of goods to a Japanese warehouse and shipping to customers using last-mile logistics have more merits from both cost and service. The main merit is economy of scale and delivery speed. Shipping each good individually using courier service is expensive than shipping goods with the bulk, so unit shipping cost will be cheaper with this option. Moreover, since firms can ship their goods to customers from the warehouse located in Japan, delivery speed is faster than using an international courier service, so the service level will increase too. Generally, in E-Commerce, delivery speed is considered one of the most important factors, this is the biggest merit for introducing this option.

4.5.5.3 Large shipments

In the case of operating a large business and shipping many goods to Japan, rent the warehouse (or space) in Japan and operate by themselves might be more economical. However, if the firm's business is this successful that it is efficient to own a warehouse, it might be better to start selling their goods not only on E-commerce but also using the retail channel, by establishing a Japanese entity.

In many cases, the firm will start cross-border e-commerce from a small amount. Therefore, it is recommended to start from small level shipments, shipping their goods individually, and then move on to the next level as their sales increase.

4.5.6 Conclusion

In this final section of chapter 4, we discussed the optimal logistic selection of cross-border e-commerce to Japan. From the analysis of each step of the logistic flow, we identified three scenarios for the firms to ship goods to Japanese customers. For firms to achieve successful cross-border e-commerce, selecting the right scenarios and logistic modes are essential.

Chapter 5

5. Focus on the Trade channels

In this chapter, we will focus on our main topic, which is the selection of the trade channel. Since the selection of the trade channel affects all the remaining barriers we identified, careful selection of the trade channel is necessary for the success in cross-border e-commerce to Japan.

5.1 Patterns to start Cross-border E-commerce

To start with, if the firm wants to start CBEC in the Japanese market, we can consider some levels of involvement in the market. If the firm wants a successful entering into the market, understanding the options and choosing the correct entrant is important.

The level of involvement in the Japanese market can be segmented into four options by how much the firm wants to involve deeply in the Japanese market. The first option is to extend firms' existing market channel to Japanese customers. Some firms that already have their own EC sites, or firms who wants to build their own EC websites can take this option. Allowing shipments to Japan, firms can reach its market channel to Japanese customers. The second option is to sell their goods on the EC marketplace (or EC mall) in their original countries. In this case, Japanese customers will buy the goods from the EC mall, and after receiving the purchase information from the EC mall, the firms will ship the goods to customers. The third option is to list their goods in the Japanese marketplace. The process is similar to option 2, but in this case, Japanese customers can find the websites more easily than the EC mall in firms' countries. The last option is to open localized EC websites on their own. In this case, firms can achieve more closer touchpoint compared to selling their goods via EC mall. In this case, the firms can store goods once in their warehouse in Japan, or directly ship their goods from their original countries. In the next paragraphs, we will discuss more deeply about these options.

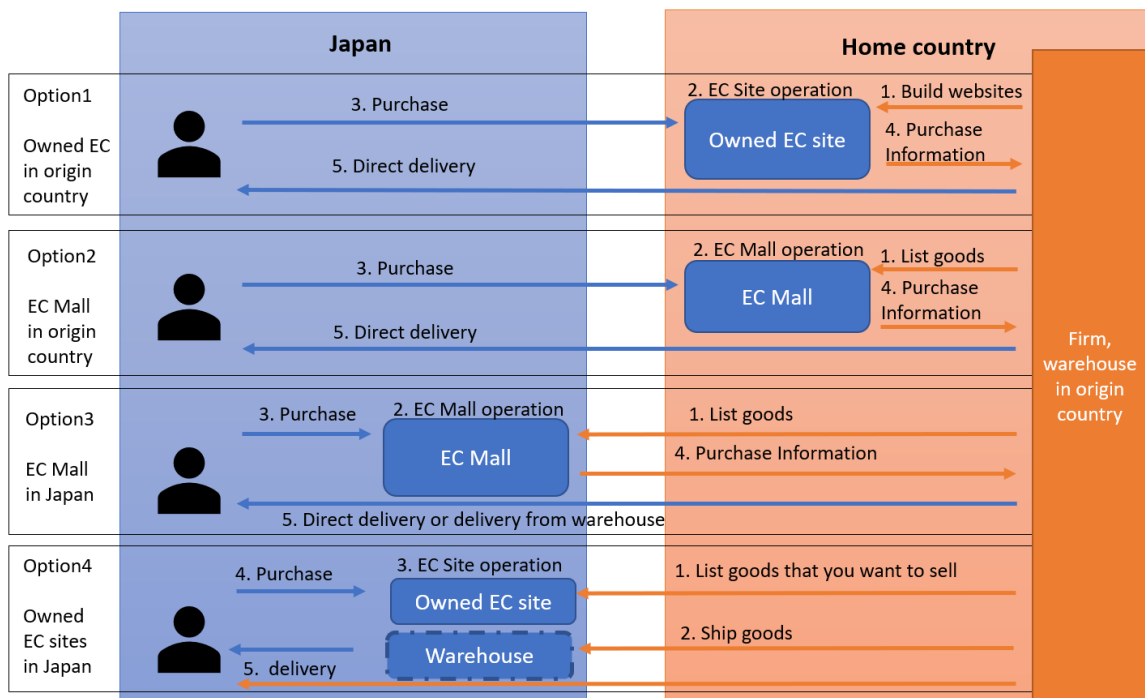


Figure 43: Options to sell goods to Japan by cross-border e-commerce

- Option 1 –Owned EC in origin country

The first option is to extend the existing market channel to Japan. If the firms already have their EC websites, by allowing shipping to Japan they can achieve this option. The firms will make its website from zero, or by using related services. In this option, we assume that the websites are not made for Japanese customers. The firms will offer products to Japanese people and have a distribution system to deliver goods, but their scope is more on their current market, and websites will be optimized for their existing users. The main merit of this option is freedom of choice. Not only the design or delivering policy, but firms can also make more free choices of payment methods, marketing strategy, etc. Therefore, compared to other options that use EC market places, in this option firms can design their websites more optimized for their target customers. Furthermore, in this option firms do not need to pay extra fees to marketplaces, which will be quite expensive depending on the goods. The demerit is an operational difficulty. Since they need to do the support to Japanese customers by themselves, these operations might be costly.

- Option 2 - EC Mall in origin countries

The second option for firms to start CBEC is to list their goods on the EC marketplaces operating in their country. The firms will subscribe to the marketplace (or several market places) and list their goods that they want to sell. If the products were sold, they will ship the

goods from their warehouse. The famous marketplaces that offer shopping opportunities to Japanese customers are Fruugo, Amazon, etc. The two main merits of this option are that firms do not need to invest a lot to start a store, and it is easier to attract customers via the marketplace. If the firm subscribes and lists their goods on the marketplace, they can offer the purchase opportunity to worldwide customers. Not like option 1, even if the firm does not have its website, they can start selling the goods to Japan. Additionally, for example in the situation that the products are not so well known outside their origin country, it is difficult for foreign customers to reach the products. By using EC marketplaces, even if the customers do not know about the products, they might reach the products by other keywords or suggestions through the marketplace.

Some demerits are commission fee, freedom of design, and familiarity. Most of the marketplace requires some fee for using the platform, and the margin will be lower than selling through firm's website. Add to that, some platforms are still not famous enough to Japanese people, or do not accept shipping to Japan (e.g. Zalando). CBEC via EC mall in their country, firm needs to check if the marketplace offers the shopping opportunity to Japan as well.

- Option 3 – EC Mall in Japan

This option is similar to option 2, but it is more adapted to the Japanese market. Instead of the company's country's famous EC marketplace, the company will list their products on the Japanese EC mall. After the products were sold, they will ship the goods directly or from the warehouse in Japan. Whether to use the warehouse or direct shipping depends on the volume of the goods they want to sell in Japan. If they are selling quite an amount of goods, storing at a warehouse might be cheaper from an economy of scales. Compared to option 2, by using the EC marketplace in Japan, a company can expect more sales from the Japanese market.

Demerit is a commission fee and lower freedom of the website design. Moreover, since firms need to deal Japanese customers with Japanese, in some cases firm uses a third party to do the related operations.

- Option 4 – Owned EC sites in Japan

The final option is to localize the websites for Japanese customers. The difference between option 1 is whether the language of the website is Japanese and other attributes are more customized for Japanese people or not. After customers bought from the websites, the firm can ship the goods from their country or store the goods in a Japanese warehouse beforehand and ship from there. In the latter case, the firm needs to ship the goods to a Japanese warehouse before they list the goods on their websites. This option is more effective when firm's products are well known to Japanese people, and already have certain experience about

how to operate EC websites.

Merit for this option is the freedom of design and other attributes. Demerit is its transaction cost. Since websites need to be in Japanese and firms need to deal with Japanese customers in Japanese, it entails high transaction cost.

Below is the table summarising the merits and demerits of each option.

Table 8: Merits and Demerits of the option

Option	Merits	Demerits
Owned EC in origin country	No commission fees. More freedom of the website design.	Difficult to gather Japanese customers.
EC Mall in origin country	Less spent on operations. Have more opportunity for customers to find the goods.	Less margin per sales from the deducted commission fees. Limited freedom of the design.
EC Mall in Japan	Easy to attract customers. Cheaper than making websites in Japan.	Slight language barrier. Less margin per sales from the deducted commission fee. Limited freedom of the design.
Owned EC sites in Japan	No commission fees. Freedom of the website design.	High transaction costs.

Having these four options, we classified and evaluated the choices by the means of cost and effectiveness. Effectiveness comes from whether the option is effective to increase sales of CBEC in Japan. Cost is the sum of initial cost and estimated operating cost to start CBEC in Japan.

For Option1 (Owned EC in origin country), effectiveness is very low. Since customers need to access websites made in a foreign language, it is difficult for them to understand the precise attributes of the products. However, the initial cost is very low. Since firms do not need to specialize for Japanese customers. Cost for localisation is almost zero, and they also do not need to pay a commission fee to platforms.

Option 2(EC Mall in origin country) effectiveness is low since it is still difficult for Japanese customers to find companies' products. However, compared to option 1, since some EC

platforms are famous in Japan, by choosing some famous platforms there is still a chance to reach Japanese customers. The cost for option2 is also low. There is not so much initial cost, but firms need to continuously pay the commission fee to market place.

Option 3's (Sell at EC Mall in Japan) effectiveness is very high. If firms use the famous marketplace in Japan, since there will be more users visiting the websites, customers are more likely to reach the products. The cost will be higher than Option1 or 2, but it is quite low compared to making websites in Japan. To decrease the transaction cost occurring from the communication with customers, some firms use an agency to ease the communications.

Option 4 (Owned EC websites in Japan) will also be an effective way to start CBEC in Japan, but the cost is extremely high since firms need to do all the related marketing, contraction, payment issues by themselves. However, since the operation cost will be lower than the option3 because there is no commission fee, if the company is sure about the sales and want to expand the business more in Japan, this option will be more effective.

Below is the table that summarises above discussions.

Table 9: Comparison of each options

Option	Effectiveness	Cost
Option1	Very Low. Usually not optimized for Japanese customers.	Very Low. The initial cost is low. Operation cost is lower than using the platform.
Option2	Low. Not optimized for Japanese customers, but from its brand of a platform, some people might buy it from overseas.	Low. The initial cost is low, but the operating cost is medium.
Option3	High. More customers able to access firm's product.	Medium. The initial cost is medium. The operating cost is medium.
Option4	High. Firms can optimize the websites for Japanese customers	Very High. The initial cost is very high, Operating cost is lower than using the platform, but adapting to Japanese culture is needed.

Below is the chart classified from its effectiveness and cost. The right upper corner will be a more preferred choice. As we can see, the most effective option was option 3.

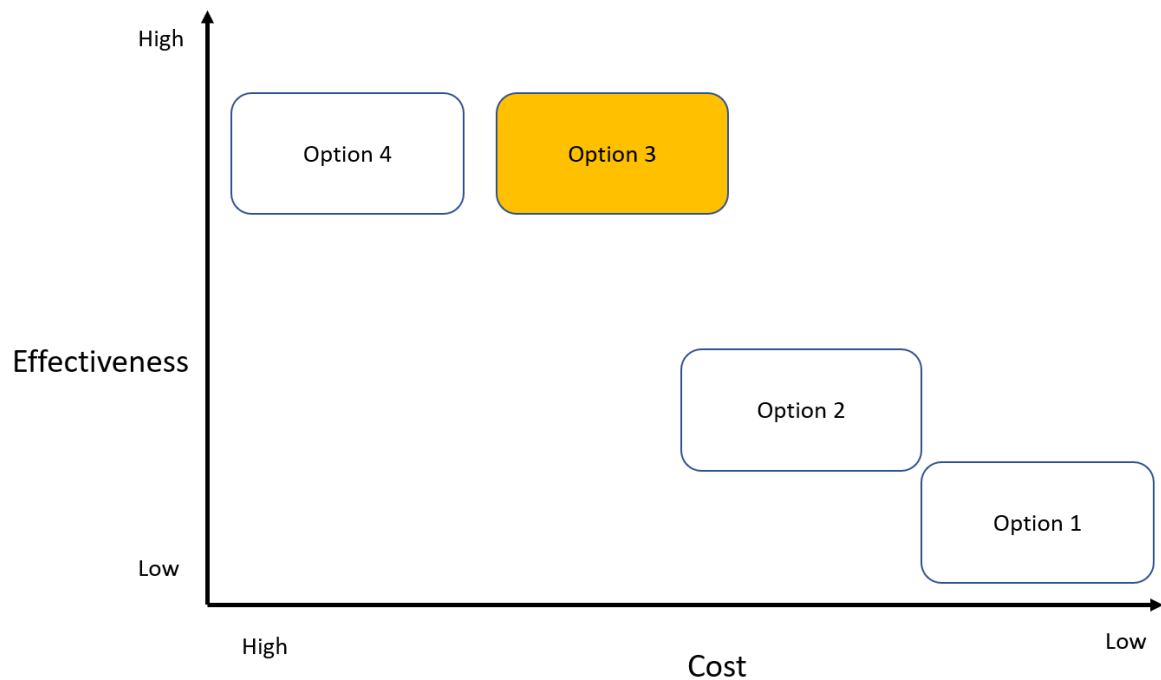


Figure 44: Positioning of each option

Having the previous discussions, in this master thesis we will focus more on option 3, which is entering the Japanese market using the Japanese EC marketplace. The further discussion about trade channels in this chapter will be more focused on option 3, and what kind of market channel is suggested for these entry modes.

The analysis of option 1 will not be discussed since it can be implementable by allowing international shipping service. For the discussion of logistics, see chapter 4.5. For option 2, since firms can start this option by just listing their goods on the EC marketplace, we will also not discuss deeply.

For option 4, the cost of implementing this option is significantly high compared to other choices. The firm needs to deal with the customers by themselves and need to design the websites in Japanese. This option is suggested to the firm which their brand are already known by Japanese customers. For the related barriers which entail with this option such as marketing, payment, logistics, we will discuss in the other chapters.

5.2 Two EC giants in Japan

In Japan, there are various types of EC websites and many of them have different characteristics. Below is the figure from ENpower (2020), the Japanese EC consulting company. According to them, the biggest EC market places in Japan are Rakuten, Amazon,

and Yahoo! Shopping. After that, Yahoo! Auction (auction sites), mercari (C2C EC sites), zozotown (fashion EC sites) follows. According to the figure, we can see that Rakuten and Amazon are the two huge marketplaces in Japan, having over 3 trillion yen of the yearly total distribution amount.

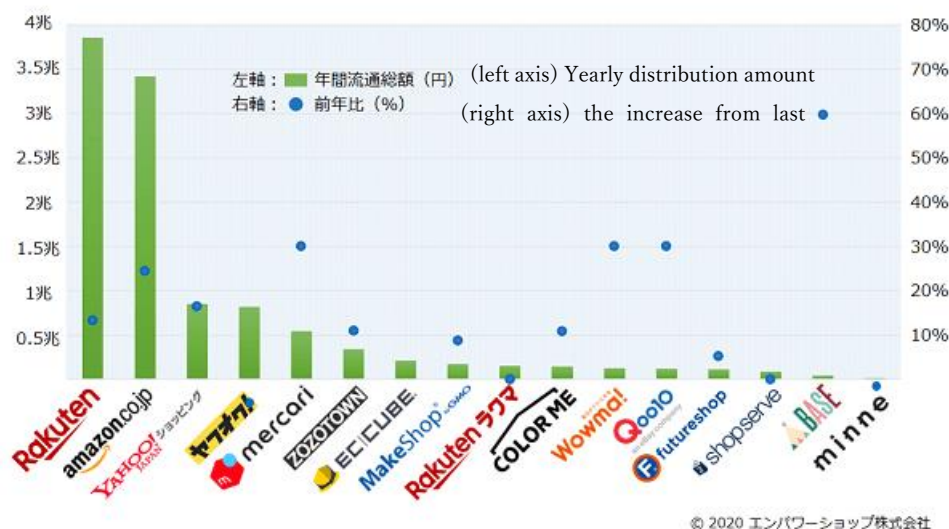


Figure 45: Sales of the famous EC websites (trillion) (Enpower, 2020)

Above these, Rakuten, Amazon, Yahoo! shopping are the EC marketplace that companies can sell their goods online (other sites are C2C platforms). However, although Yahoo Shopping has the cheapest commission fee, it only offers its marketplace to the companies that have the registration inside Japan (Yahoo! Japan, 2021). Thus, in this chapter we will discuss and compare about other two dominant platforms in Japan, which are Rakuten and Amazon, which both offer a marketplace to foreign companies. In each small chapter, we will briefly discuss their business, and then we will look closer to the additional service related to marketing, payment, logistic, which we identified as the important factors for CBEC.

5.2.1 Rakuten

Rakuten, a Japanese EC platform company established in 1997, is known as the company that owns the biggest EC mall in Japan. From 1997, their business is growing significantly, and in 2001 their total distribution amount reached 1 trillion yen, now having 3.9 trillion-yen total distribution in 2019, which was 13.4% growth from the last year (Rakuten, 2020). Rakuten first started to operate overseas in 2008 in Taiwan, and now they operate in 30 countries over the world.

Business model

The main difference between Amazon is its business model. Compared to Amazon, Rakuten

has more freedom on website design and marketing campaigns. Rakuten is like a shopping street, that retailers buy the space on this shopping streets. Since the retailers are only borrowing the space, they have the initiative to decide the design of their shop. Customers will browse through the shopping streets, and when they purchase from the shop, it is not Rakuten but the shop who will send the purchased goods.

Below is the figure that illustrates the business model of Rakuten. Rakuten will do the payment, marketing support, but the supplier must ship the goods by themselves from their warehouse to customers.

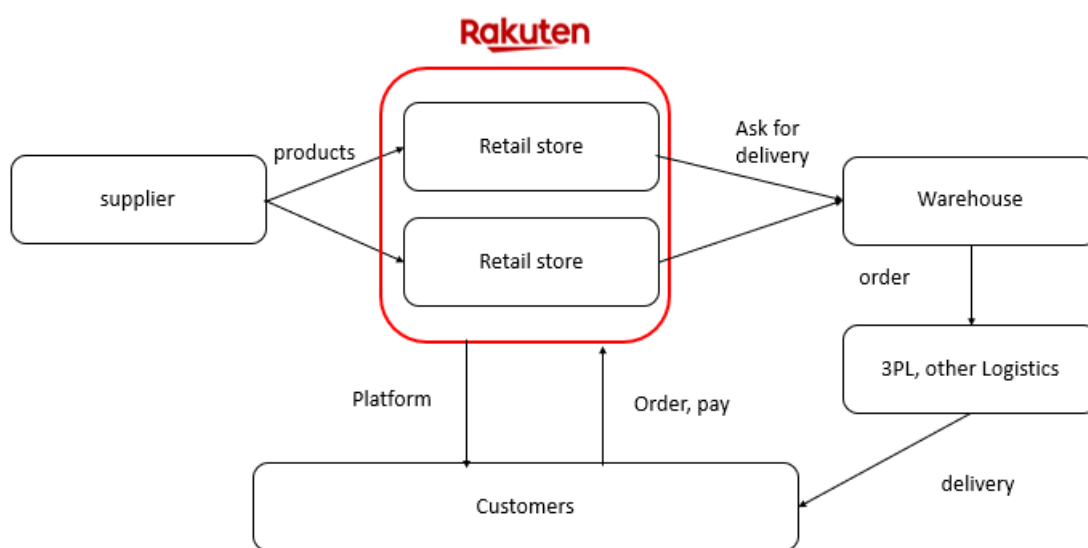


Figure 46: The business model of Rakuten

Rakuten Ecosystem

The biggest characteristic about Rakuten is its eco-system, mainly supported by their related service. Not only an online shop, but Rakuten also has other web services, such as credit card, travel agency, banking, mobile career, etc. From this ecosystem, Rakuten induces customers from their other services to their EC sites. For example, if the customer purchases the travel ticket at Rakuten travel, that website will suggest the related goods that people might need when they go to travel and induce a customer to purchase at Rakuten marketplace.

Point system

One of the strong points is their point service. When customers purchase products at Rakuten, they will get a point according to the 1% of the price they paid, and customers can use these points not only at Rakuten's services but also at their familiar café or supermarkets. Rakuten issues 320 billion points annually. Furthermore, Rakuten does a campaign that doubles or triples the point rate which also induces customers to buy at their EC mall.

Design

The other difference between Amazon is its freedom of design. Since Rakuten gives shops the freedom of how to design the websites on their online shop, retailers can design their websites on their own to enhance customer purchases.

Below figure 45 is the webpage of the Italian food shop that sells pasta on Rakuten. Figure 46 is the webpage of the same pasta product sold on Amazon. As we know the design of Amazon is all the same and it is difficult to distinguish from other shops from the perspective of design. In a contrast, in Rakuten, sellers can customize their product's page by their own. Therefore, sellers can boost their sales by optimizing the website design or setting original discount plans. Additionally, from the freedom of the website, sellers can place their brand (or company's) name at the top of the product page in Rakuten. If the customer is satisfied with the products, it is more likely to have a repeater than Amazon since customer will more likely to remember the brand name than Amazon.



Figure 47: Rakuten's product page



Figure 48: Amazon’s product page

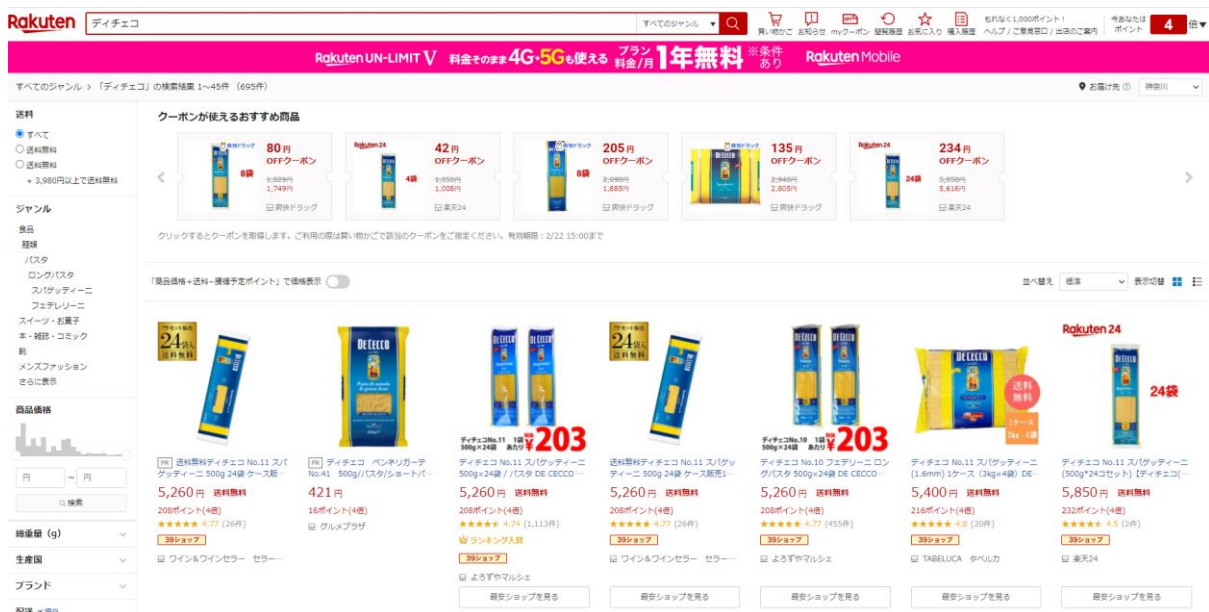


Figure 49: Rakuten’s search result page

Cross border E-commerce using Rakuten

Rakuten already offers an opportunity of Cross border e-commerce to foreign companies. There are two scenarios to start CBEC using Rakuten.

Scenario 1: Make A Direct Contract Using the Overseas Business Entity outside of Japan

The overseas business entity signs a direct contract for store opening with Rakuten. In this scenario, sellers will be responsible for managing all store operations and should have staff on hand fluent in Japanese.

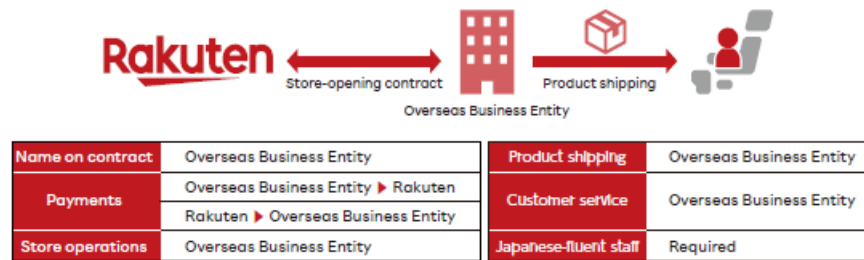


Figure 50: Entering scenario without any service provider (Rakuten, 2020)

Scenario 2: Outsourcing service partner

The overseas business entity signs an outsourcing contract with the service partner, then the service partner signs a direct contract on their behalf, with Rakuten. In this case, if seller's service partner is fluent in Japanese, they do not need to have Japanese communication skills.

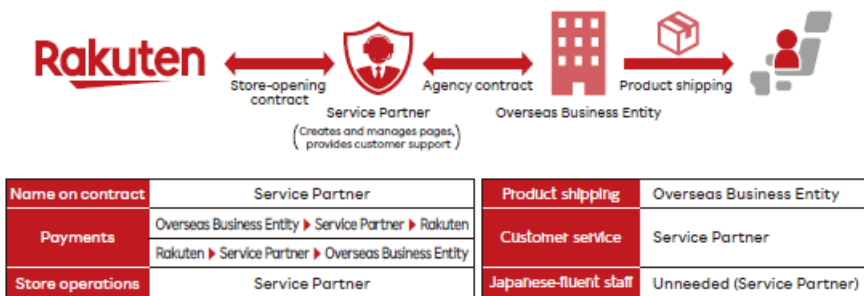


Figure 51: Entering scenario with a service partner (Rakuten, 2020)

Fee

Rakuten's commission fee is shown on the below table 11. Their commission fee is constructed with fix fee and variable fee. Variable fee depends on the amount of sales company made from Rakuten. Sales up to 1 million yen will cost 4% of the commission fee, but as the sales increase, the commission fee decreases up to 2.0%.

Table 10:Commission fee of listing the goods (Rakuten, 2020)

Registration Fee	¥60,000
Monthly Fixed Fee	¥50,000
Contract Period	1 Year
Initial Listing Capacity	20,000 Items※
Total Fixed Cost	¥660,000
Fixed After Your 1st year	¥600,000
Total Commission	Variable Percentages Reference: Page26-27

Marketing support

Rakuten offers a marketing support system and some consultants to support the success of the e-commerce using Rakuten.

R-Karte

R-karte is the system that Rakuten offers to the retailers, which will automatically analyze the data of the store that sellers opened in Rakuten. It offers multiple data useful for the operation of the store such as the number of visits, conversion rate, and helps suppliers to strategically consider what kind of marketing strategies they need to take, or what are the main customer they need to target.

E-Commerce consultants

Rakuten also owns consultants who are specialized in each stage of the store, and they will give retailers advice about how to achieve success in Japan. They have; "Onboarding consultants" who are specialized in analyzing whether it is better to open a store or not, "Shop Open advisors" who are responsible for the related issue opening a store, and "E-commerce consultants" who are specialized for each category such as food or fashion, who will give sellers the advice to increase sales. The supported languages are Japanese, English, Chinese, Korean. By using these consultants wise firm can increase their sales.

Payment support

Rakuten also offers some payment collecting service called Rakuten Pay. It covers most of the payment methods commonly used in Japan. Not only the collecting, but they will also give some of the security services.

Table 11: Available payment and fee to use each payment

Method	Fee needed for customer
Credit card	0
Convenient store	0
Electronic money	0
Amazon prepaid card	0
Cash on Delivery	324yen (the company also need to pay an extra fee)
ATM	The commission depends on the bank
Net banking	The commission depends on the bank

The usage fee depends on the amount companies used. higher the sales, less the percentage of the fee need to pay.

Table 12: Fees for Rakuten Pay (Rakuten, 2020)

Fees for Rakuten Pay									
Average payment amount	Monthly payment balance								
	Amount up to ¥1 million	Amount up to ¥2 million	Amount up to ¥3 million	Amount up to ¥5 million	Amount up to ¥10 million	Amount up to ¥30 million	Amount up to ¥100 million	Amount up to ¥500 million	Amount over ¥500 million
Up to ¥7,000	3.5%	3.4%	3.4%	3.3%	3.3%	3.2%	3.2%	3.0%	2.9%
¥7,001 – ¥15,000		3.4%	3.3%	3.3%	3.2%	3.2%	3.0%	2.9%	2.8%
¥15,001 – ¥25,000		3.3%	3.3%	3.2%	3.2%	3.0%	2.9%	2.8%	2.7%
¥25,001 – ¥35,000		3.3%	3.2%	3.2%	3.0%	2.9%	2.8%	2.7%	2.6%
¥35,001 – ¥50,000		3.2%	3.2%	3.0%	2.9%	2.8%	2.7%	2.6%	2.5%
¥50,001 and higher		3.2%	3.0%	2.9%	2.8%	2.7%	2.6%	2.5%	2.5%

* An additional 0.4% of the payment amount will be added to the usual user fee for deliveries to addresses outside Japan.

Logistic support

Rakuten asks for companies to ship their goods by themselves. After receiving the order, shops need to ship the goods directly to the customers. But recently, Rakuten had started the service called Rakuten Super Logistics, which does the logistic service instead of the shops. The shop will send the goods to Rakuten's fulfillment center, and when they receive the order, the fulfillment center will ship the goods instead.

Fee

Rakuten's super logistic cost is made with the sum of inventory storage cost, shipping prepare fee, and shipping fee. Each cost depends on the size of the goods, extremely small, small, medium, large.

Size	Very Small	Small	Medium	Large
Definition ; (W x D x H)	W < 32cm, D < 23cm, H < 2.7cm	W x D x H < 100	W x D x H < 120	W x D x H < 160
Inventory storage cost	$7.5\text{yen} \times (\text{cm}^3) \div 1000 * \text{store days} \div \text{the month days}$			
Shipping prepare fee	50 yen	80 yen	100 yen	200 yen



Size for shipping	Postal size	60~100	120	140~160
Shipping fee	180 yen	380 yen	500 yen	850 yen

Figure 52: Rakuten Super Logistics (Rakuten, 2021)

5.2.2 Amazon

Amazon, one of the world's largest U.S. companies operating e-commerce, was founded in 1995 by Jeffery Bezos, and currently operating in 175 countries around the world. Not only its EC platform, but Amazon is also operating various types of service such as Amazon Web Service, Amazon prime video, Amazon pay. Total sales were 386,064 million USD, but the main sales of Amazon come from E-commerce activity, having sales of 197349 mil USD, which was 51.1% of the overall turnover.

Amazon started its service in Japan in 2000, and now it is one of the biggest E-commerce platforms in Japan. The growth of Amazon in Japan is still significant, and its sales are continuously increasing each year reaching 20461 million USD in 2020, having a growth of 27.87% from the last year.

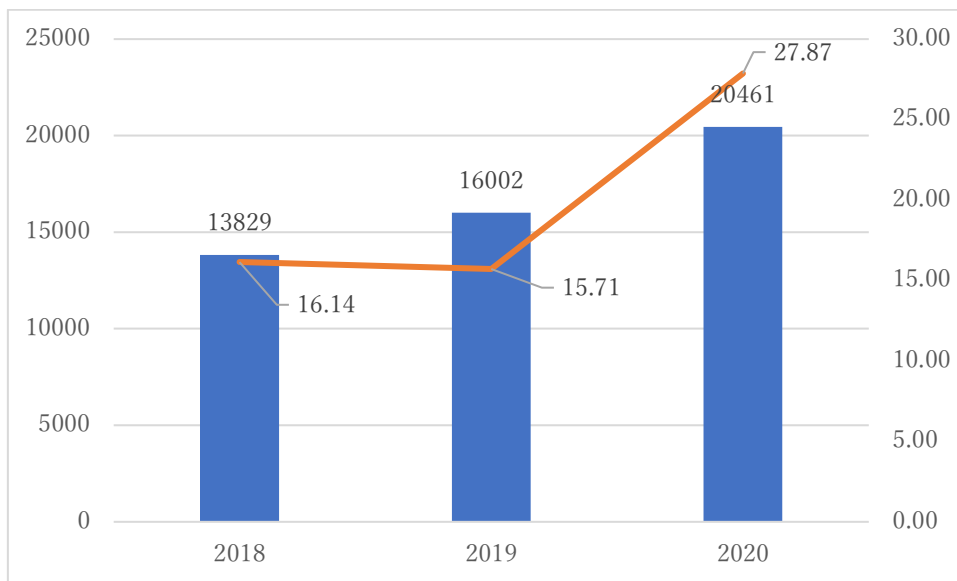


Figure 53: Amazon yearly sales (Amazon, 2021)

Not only their own EC market, but they also offer the service called amazon marketplace. In the Amazon marketplace, the suppliers can sell their goods through amazon's EC websites by paying a certain amount of commission fee. Having monthly visitors of 13.2million by desktop, 43 million by mobile, Amazon.co.jp is one of the best places to sell the products via e-commerce (Amazon,2021).

Business model

The business model of Amazon slightly differs from Rakuten. If Rakuten is the shopping street that retailers can open their shop at the street called Rakuten, Amazon is like the supermarket which retailers fulfil their goods at the shelf by themselves.

Below is the figure of the business model of the Amazon marketplace, when a company sells the goods on Amazon. If companies use the FBA (Fulfilment By Amazon), Company will ship the products to Amazon's warehouse, then if the consumer purchases the goods from the websites, Amazon will ship the goods from their warehouse instead of the company. If the company will not use FBA, the company needs to ship the goods by themselves after the customer's purchase. Like Rakuten, Amazon marketplace, will also offer the payment and order control service, and deduct some commission fee from each sale they made.

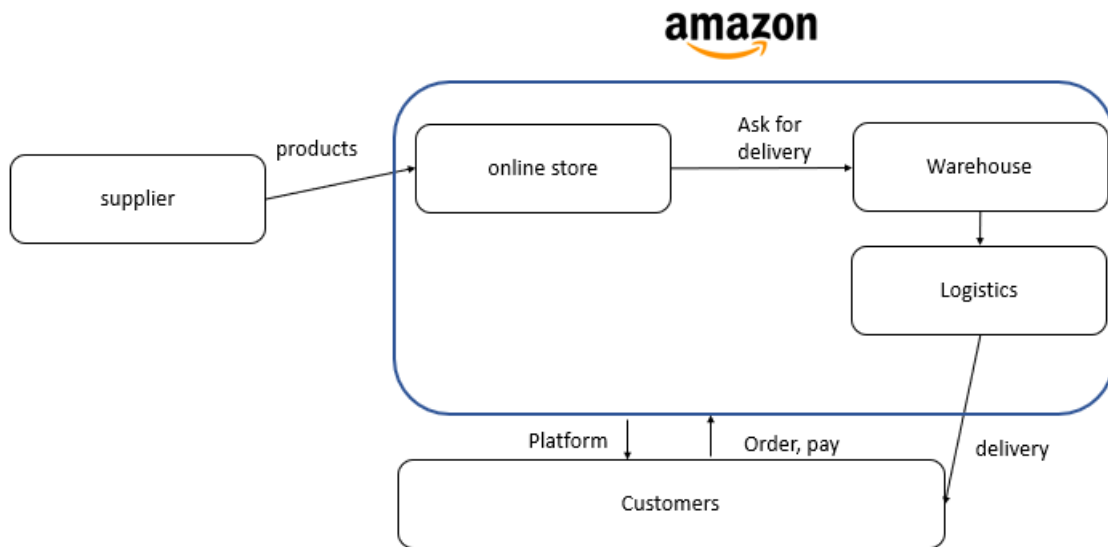


Figure 54: Business model of Amazon

Design

Not like Rakuten, Amazon's website design is simple. Amazon's website highlights only the important information and it is easier to compare the characteristics or costs between similar products. Looking at the product selection page, (figure 4) we can see for each product's; name, price, and customer rating, and the seller's name(or brand) is not shown. Because of this website design, consumers cannot distinguish which shops they are looking at, thus for the shops, it is harder to differentiate their products from the website design or by the companies' name. Therefore, retailers need to compete with the price of the goods to be chosen by customers.



Figure 55: Amazon's product page

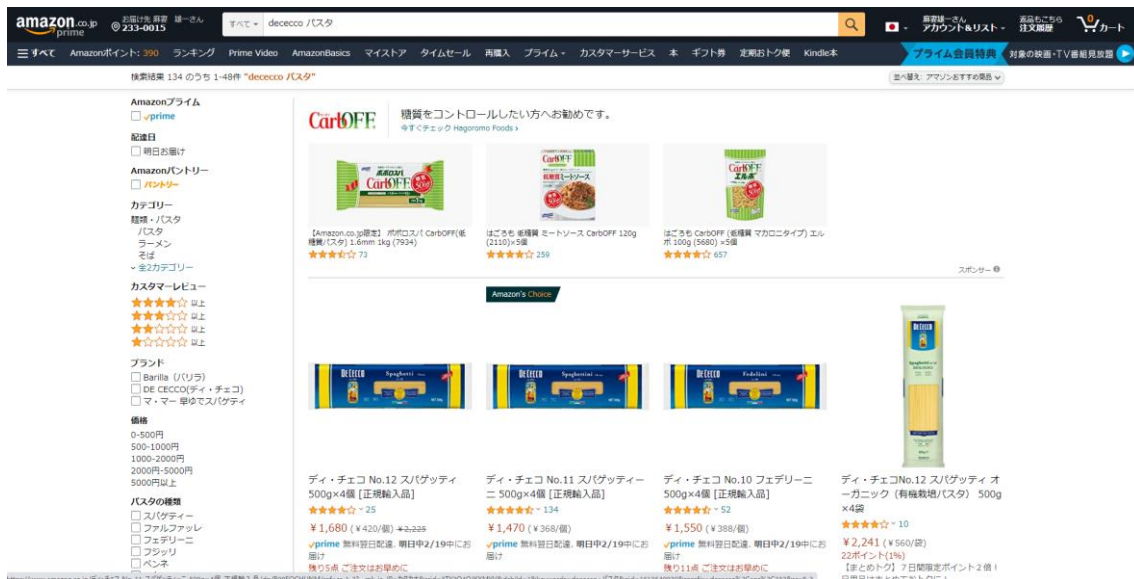


Figure 56: Amazon's product searching page

Cross border e-commerce using Amazon

Amazon offers the Cross border e-commerce service to Japan as well. If the firm already has the Amazon seller account in their country, seller can start to sell in other countries by registering Amazon global selling. There are two ways to start cross-border e-commerce in Japan using Amazon. The scenario depends on whether the company wants to use FBA or not. Scenario 1: With FBA (Fulfilment By Amazon)

Fulfillment by Amazon (FBA) is the logistic service that Amazon offers to its retailers that are using Amazon's marketplace. By using FBA, retailers can use storing and distribution service that Amazon owns. For using FBA, after listing their products on market place company needs to ship the products to the Amazon warehouse. The products will be stored inside Amazon's warehouse, and if the products are successfully stored, the products are available to purchase on the websites. Finally, when a customer purchases the goods, Amazon will ship the purchased goods from their warehouse to the customer. The shipping fee will be determined by Amazon, depending on the product's size and weight.

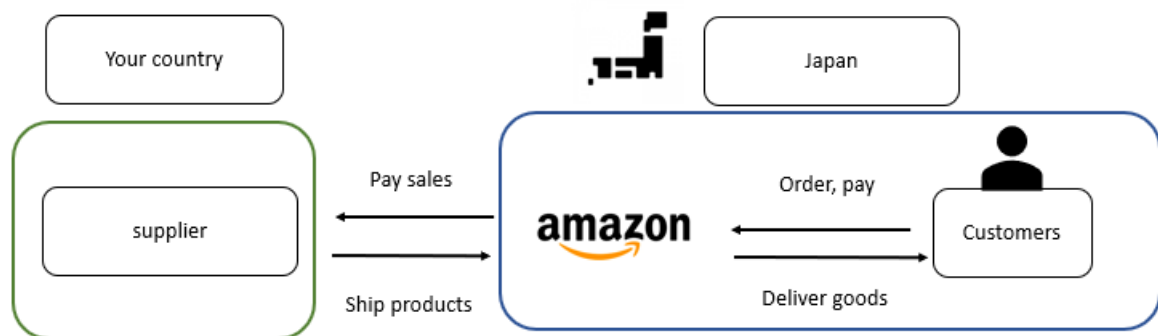


Figure 57: Model of FBA

Scenario2: Without FBA

If the company will not use FBA, then the company needs to ship the goods by themselves to the customers. In this case, after the company receives the order from the customer through Amazon, they will ship the products directly to the customers. In the case of an individual plan, the shipping fee will be determined by Amazon depending on the product category. In the case of a professional plan, retailer can decide by themselves.

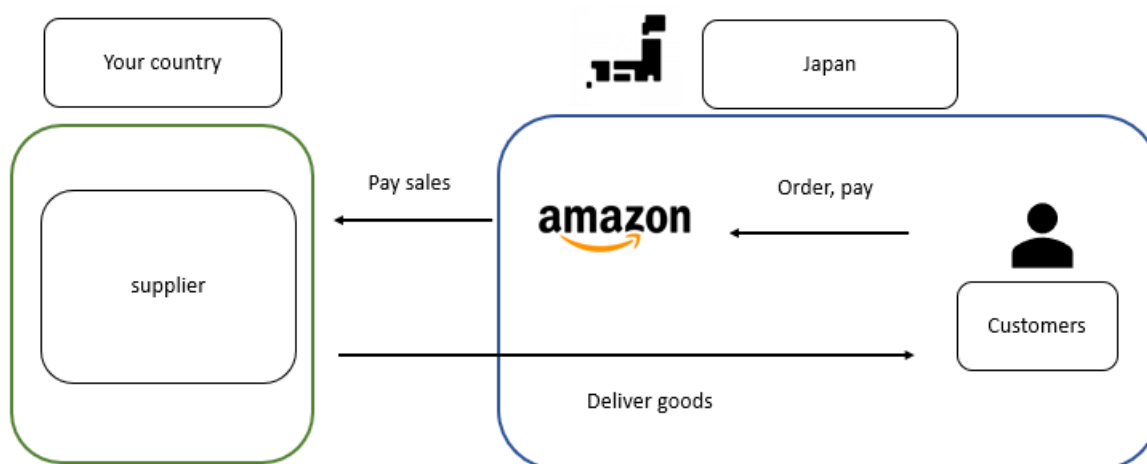


Figure 58: Model without FBA

Fee

The commission fee of Amazon marketplace is made by the registration fee and selling fees. For the registration fee, there are two types of plans. If the firm wants to sell fewer than 40 items per month, an individual plan is recommended, which requires \$0.99 per item sold. If they want to sell more than 40 items per month, a professional plan is recommended since the registration fee is fixed, no more than 39.99 USD per month. For each plan, for each item sold seller need to pay additional selling fees. The additional selling fees are imposed on the final price the customer paid, and it will be 8~15%, according to the item they sold. No matter which plans seller choose, they need to pay the additional selling fee.

Financing

Amazon also offers to finance to small & medium enterprises which are selling items at Amazon market place. By using these loans to expand a product line, marketing, or inventory management, sellers can have more chances to succeed in a business on Amazon.

Marketing service

Market Place Premium

If sellers use FBA or use the add-on called marketplace premium, the seller can put the "prime mark" on the products they sell on Amazon. The products with prime marks are ensured with the fastest delivery, so by having the prime mark to their products sellers can attract more

customers who are more sensitive to the fast delivery.

Advertisement support

Amazon offers three types of advertising services. By using these services, sellers can expect more views of their product pages.

- **Sponsor product advertisement**

If sellers use the sponsor product advertisement, sellers' products will be put on the top page of the result window. Below figure 57 is the result of the keyword "espresso" on the Amazon page. The "sponsored" marked products are placed on the very top, and then other products will be shown below. The fee of this service is based on CPC (Click per Cost), and the advertisement fee will be paid per customer's click to the sponsored product.

- **Sponsor brand advertisement**

Sponsor brand advertisements are CPC ads that feature companies' brand logos, a custom headline, and multiple products. These ads appear in relevant shopping results and help drive the discovery of seller's brand among customers shopping for products like them (Amazon, 2020). Below is the figure of the sponsor brand advertisement. In the "espresso" case, we can see that Nespresso has its logo and its product at the top of the result. By using this ad, the shop can not only enhance its sales but also can make customers recognize its brand and its products.

amazon.co.jp Hello Select your address All espresso Hello, Sign in Account Returns & Orders

1-48 of over 100,000 results for "espresso" Sort by: Featured

Eligible for Free Shipping

Free Shipping (Conditions Apply)

All customers get FREE Shipping within Japan on orders over ¥2000 shipped by Amazon

Delivery Day

Get It By Tomorrow

Category

Coffee Equipment

Stovetop Espresso & Moka Pots

Coffee Presses

Espresso Hand Tamper

Espresso Machines

Roasted Coffee Beans

Coffee Machines

Single-Serve Coffee Capsules & Pods

See All 6 Departments

Customer Reviews

★★★★☆ & Up

★★★★☆ & Up

★★★★☆ & Up

★★★★☆ & Up

Brand

BIALETTI(ビアレッティ)

DeLonghi(デロンギ)

illy(イリ)

Nespresso(ネスプレッソ)

WACACO

See more

Price

0-1500 Yen

1500-5000 Yen

5000-10000 Yen

10000-30000 Yen

Over 30000 Yen

Our Brands

Our Brands

コーヒーメーカーの材質

Glass

Metal

Plastic

Porcelain

Silicone

Stoneware

Color

Color selection palette

Kitchen Supplies Features

Supports Induction Heating Cooking Units

Supports Ovens

With Heat & Cool Insulation Feature

Water Repellent Finish

Commercial

Supports Microwave Ovens

Supports Dish Dryers

See more

International Shipping

International Shipping Eligible

Amazon Points

Amazon Points Eligible

Import

NESPRESSO ボタンひとつで本格的なコーヒーが楽しめる

Shop ネスプレッソ

Sponsor brand advertisement

Nespresso D30WH-CP Essentia Mini, Pure White, D ★★★★★ 134

Nespresso D30RE-A3B-CP Essentia Mini Bundle Set, Ruby Red ★★★★★ 33

Nespresso F111WH Lattissima One, Silky White ★★★★★ 202

Sponsored

Your search "espresso" was automatically translated into "エスプレッソ." Undo

Price and other details may vary based on size and color

Sponsored

De'Longhi BCO430BM Combination Pump Espresso and 10c Drip Coffee Machine with Advanced...

★★★★☆ ~ 1,144

¥47,055

FREE Shipping

Usually ships within 6 to 10 days.

Sponsored

Grano Milano Coffee Capsules (Espresso, 10 Count)

★★★★☆ ~ 2

¥1,480 (¥1,480/個)

FREE Shipping

Only 12 left in stock - order soon.

Sponsored

[Keurig] Keurig Rivo Espresso, Cappuccino & Latte System, 12 Pack Lavazza Sampler](Parallel...

¥139,438

1/394 pt (1%)

FREE Shipping

Usually ships within 1 to 3 weeks.

Sponsor product advertisement

Sponsored

[COLOUR]Comandante C40 MK3 ニトロブレード - コーヒーグラインダー - espresso Red Sonja [並行輸入品, 海外正...

★★★★☆ ~ 43,544

¥3,173 ~~¥3,630~~

32 pt (1%)

Get it Tomorrow, May 25, 8:00 AM - 12:00 PM

More Buying Choices

¥2,800 (21 used & new offers)

Best Seller

Bialetti Stovetop Moka Express 3 Cups

★★★★☆ ~ 71

¥28,255 ~~¥47,800~~

283 pt (1%)

Get it Tomorrow, May 25, 8:00 AM - 12:00 PM

DeLonghi EC680R Espresso and Cappuccino Maker, Red

★★★★☆ ~ 71

¥28,255 ~~¥47,800~~

283 pt (1%)

Get it Tomorrow, May 25, 8:00 AM - 12:00 PM

Figure 59: Examples of advertisement using Amazon

- Sponsor display advertisement

Sponsor display ads are advertisement that displays seller's products somewhere inside or outside of the Amazon websites, which induces customers to firm's products' page.

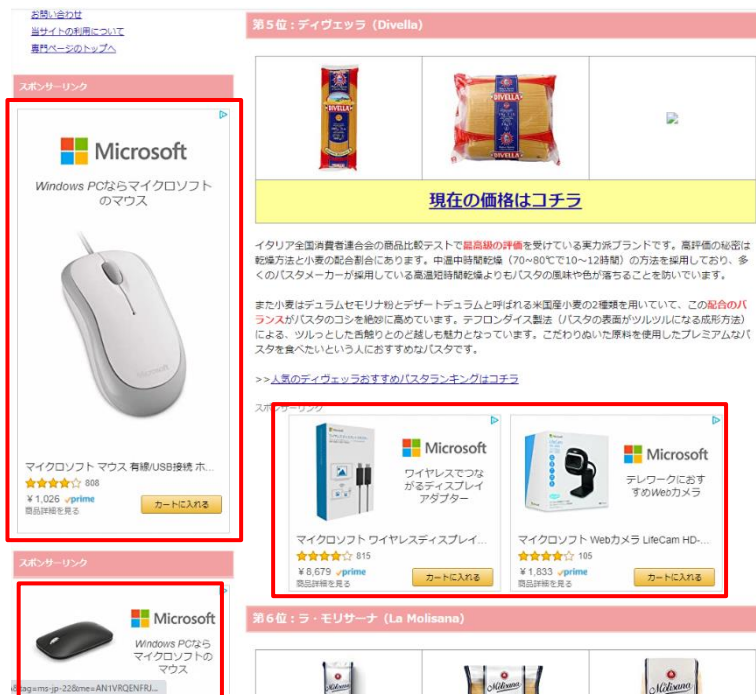


Figure 60: Sponsor display Advertisement

There are three types of targeting options in sponsor display advertisements.

1. Product targeting

More suitable if the company is looking to drive consideration or cross-selling. This ad will promote the product among audiences who are actively browsing their product or similar products and categories.

2. Audiences: view remarketing

In this ad, it will reach the audience that had seen sellers' products' detail page or viewed similar products' detail page and aims for the repurchase. However, this service is not available in Japan (2020).

3. Audiences: Interests

If sellers are more interested to increase the recognition of their brand, this option is the choice. It will appear to the new audiences whose shopping behaviours signal that might be interested in their products.

Support

Amazon also has a support center for the shops to help them improve their sales. However, it doesn't have the EC consultants respectively to each store like Rakuten.

Analytics

Amazon also offers analytical reports such as views, purchase sales, and other related numbers. These numbers will help increase the sales or planning marketing strategies.

2.2.3 payment service

Amazon also does the payment instead of the supplier. It covers major payment methods that are used in Japan.

Table 13: Fee needed for customers to pay

Method	Fee needed for customer
Credit card	0
Convenient store	0
Electronic money	0
Amazon prepaid card	0
Cash on Delivery	324yen
ATM	The commission depends on the bank
Net banking	The commission depends on the bank

Amazon also offers a service called Amazon Pay. It is a service that Amazon does the payment instead of the firm, but it is mainly the service for the third party EC sites. If firms are choosing option 4, using Amazon pay can be a choice.

2.2.4 logistic service

The biggest characteristic of Amazon is its logistic service. Amazon offers its logistic service to vendors, and it is called Fulfilment by Amazon (FBA). The service is simple; sellers will ship their goods to Amazon's warehouse, and Amazon will do the rest of the shipping process.

Fee

The fee of FBA consists of inventory storage cost and shipping cost. Both of the costs depend on the size and the weight of the products including the carton box.

The size of the goods is divided into very small, small, medium, large, and extra-large. Firms cannot ship goods over 50kg or W+D+L is more than 260cm.

The below figure 59 demonstrates the cost they need to pay using FBA by the size of the

product. The monthly inventory storage fee will be calculated from the below formula substituting the numbers from the table below. The total shipping fee will be adding shipping cost to the inventory storage cost.

Formula 4.2.1:

$$\{unit\ fee\} * \{size\ of\ the\ goods\ (cm) / (10 * 10 * 10)\} * \{total\ storage\ dates / days\ in\ the\ month\}$$

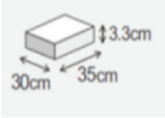
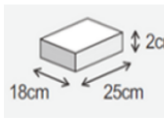
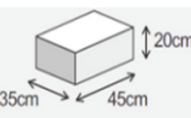
Size	Very Small	Small	Medium	Large	Extra large
Definition ; (W x D x H), Max weight	Under 35 x 30 x 3.3 cm, Under 950g	Under 25 x 18 x 2 cm, Under 250g	W x D x H < 100 Under 9 kg	W x D x H < 200, Under 40kg	W x D x H < 260, Under 50kg
					
Inventory storage cost: Cloth, fashion, Shoes and bag categories (Jan ~Sep)/(Oct ~ Dec)	3.10/5.50	3.10/5.50	3.10/5.50	3.10/5.50	3.10/5.50
Inventory storage cost: other goods (Jan ~Sep)/(Oct ~ Dec)	5.160/9.170	5.160/9.170	5.160/9.170	4.370/7.760	4.370/7.760
Shipping cost	198	282	381~ 548	589~1756	3970 ~ 6250

Figure 61: FBA fee for unit (Amazon, 2021)

5.3 Yahoo shopping and other platforms

Although Yahoo Shopping has the cheapest commission fee to companies, it only offers its marketplace to the companies that have the registration inside Japan. Thus, we will not explore this option right now. The same discussion can be applying to other market places available in Japan as well. If the firm is using a Japanese agency to support their business, through that agency, Yahoo Shopping can be a good choice from its low commission fee.

5.4 Selection of Trade channel

Having analysed the two platforms in Japan that offer CBEC service, in this final part we will identify what platforms are more preferred depending on the companies' characteristics.

We will compare both from qualitative and quantitative perspectives. From a qualitative view, we will compare two platforms from the discussion we made above, and from a quantitative view, we will calculate the cost needed for using each platform.

We will first compare them qualitatively according to which strategic factors the firm considers are important. For example, if sellers already sell products at Amazon in their original country, using Amazon might be convenient. If they already have experience with the marketing and UX design of EC websites, using Rakuten might induce more success.

From the analysis we have done, we can rate the attributes of each platform as the table follows. Rakuten is more suitable for marketing, and Amazon is more suitable for Logistics and cost. Therefore, if a company wants to focus on marketing they should choose Rakuten, and if they want to have more secure delivery at low cost, they should choose Amazon. The following part will discuss why we rated as the table 15.

Table 14: Comparison of Rakuten and Amazon

	Rakuten	Amazon
Marketing	○	△
Logistics	△	○
Payment	○	○
Cost	△	○

5.4.1 Qualitative Comparison

Marketing

Comparing Rakuten and Amazon with marketing, Rakuten has more merits than Amazon. It has more freedom of design, point service, and support of EC consultants to increase sales. In a contrast, since the design of Amazon's product page is fixed, it is difficult to differentiate from the UI.

Table 15: Comparison on marketing

	Rakuten	Amazon
Design	The seller can design the product page.	Cannot change the design of the product page.

Analytics	Analytic tools for marketing.	Analytic tools for marketing.
Points	Rakuten Points.	Amazon Points.
Ads	Offer Ads service.	Offer Ads service.
Campaign	Many campaigns like Rakuten super sale, super point day	Few campaigns like cyber Monday, prime day
Support	EC Consultants for each shop	Support centre.

Logistics

Rakuten and Amazon both offer logistic service, but since Amazon has more warehouses, know-how, international shipping, for using logistic Amazon is more preferred.

Table 16: Comparison on Logistic

	Rakuten	Amazon
Logistic Service started	2008	2005
Number of warehouses	6	27 (including delivery station)
Operating time	24h 365 days	24h 365 days
Oversea shipping	No	FBA international shipping
Optional service	gift wrapping, flyer, consultants	Gift wrapping

Payment

Not so much difference was found between payment issues. Both parties cover major payments that are frequently used in Japan, and they will do the collecting instead of the firm as well. However, Rakuten asks for an extra fee for CoD (Cash on Delivery), so Amazon might be a slightly better choice.

Table 17: Comparison on Payment

	Rakuten	Amazon
Credit card	○	○
Bank transfer	○	○
Mobile career	○	○
Convenience store	○	○
Cash on delivery	Optional	Need extra fee
e-payment	○	○

Internet banking	○	○
Crypto	×	×
Pay later	○	○

5.4.2 Quantitative comparison

Cost

From the data collected, we calculated the overall cost needed to use each EC platform. Cases were considered for both companies, with and without using the logistic service they offers. The model was made with Excel. The cost is calculated under certain assumptions such as price, categories, etc.

Assumption;

Wine, (average 5000 yen per unit) (alcohol, size:10*10*30), mobile purchase 60%,PC purchase 40%, affiliate purchase 15% of whole purchase. 200 units sold. Rakuten, ganbare plan, logistic service used. Amazon, professional plan, FBA used.

Table 18 Cost comparison (yen)

basic cost		Rakuten	Amazon
	system usage fee (PC)	120	
	system usage fee (mobile)	195	500
	point affiliate	50	
	system safety fee	78	
	system safety fee	5	
unit cost	Payment	175	
		623	500
	monthly shop opening fee		
		19500	4900
fix fee	R-messe	3000	
		22500	
Total		147100	104900
logistic cost			
unit	Shipping prepare fee	80	unit FBA fee 421
	inventory storage fee	2.25	inventory storage fee 15.48
	shipping fee	380	

unit monthly cost	462.25	unit monthly cost	436.48
total with logistic service	239550		192196

In the case of small-medium wine sellers who are willing to sell 1 million yen sales per month, using Amazon was about 47000 yen cheaper. If they are not that sure about the marketing strategies, Amazon will be the better choice even without the logistic service.

5.5 Conclusion

In this chapter, after comparing four different options to enter Japanese market, we focused on the use of Japanese market place and compared two EC platforms that offer cross-border services from Europe to Japan. From the careful analysis of the various perspective, we found out that both platforms have each strength and weakness.

Rakuten has strength in Marketing. Since the seller can design their products' webpage by themselves and there will be EC consultants to help seller's marketing, for the seller it is easier to differentiate with other retailers selling on the market. However, since they offer many services, the cost of using the platform is expensive and complicated.

Amazon has its strength in logistics and cost. Their cost structure is simple and cheaper than Rakuten, and Logistics services are more complete. However, Amazon's web pages are fixed to a certain format and they do not gave many support, for the seller it is difficult to differentiate their product from other retailers.

Therefore, the company should choose the platform by their products' strength. If the company wants to sell many cheap commodities, Amazon will be better from the cost perspective, but if they want to sell expensive products that they want to show the specialty to Japanese customers, Rakuten is better from the perspective of marketing.

Chapter 6

6. Business Cases

This chapter presents the empirical study to support the research questions that we stated in Chapter three. In the previous chapters, we presented the possible solutions for the obstacles that exists for cross-border e-commerce to Japan. To highlight how real companies deal with these problems, in this chapter we will research what choices real companies take for cross-border e-commerce to Japan.

This chapter is organized by four sections. The first section presents the methodology of this business case research. Second section explains the selected companies' description, their backgrounds and their business models. The third part will discuss how each company are dealing with the barriers of cross-border e-commerce, and the last part summarizes the overall discussion about the trade channel.

6.1 Case methodologies

The objective of this chapter is to understand how real companies deal with the cross-border e-commerce to Japan. By understanding how the real company works, we aim to further understand the suitable options for companies to enter Japanese market via e-commerce.

Methodologies

We collected the company information from the available online sources, of real firms attempting cross-border e-commerce to Japan.

Determining the methods of data collections, the companies were collected depending on the trade channels they use to sell goods in Japan. As we discussed, there were four options to start cross-border e-commerce in Japan; use firm's own websites, use market place in Europe, use market place in Japan, and make Japanese websites. We selected several companies for each option, and in total eight companies were determined, choosing two companies from each option.

As we identified in section 4.1, since the most sold product in Japan from cross-border e-commerce were food, apparel, and electronic goods, we chose our companies from out of these categories.

For option 1, the companies were discovered from the search engine, combining the keywords of category name, country name, etc. After choosing several companies, companies that offer

shipments to Japan are selected. For option 2 and 3, the companies are chosen from the search window of the marketplaces. Since for these options our interest is the use of market place, not only the company's description the market place characteristics were also investigated. Option 4 companies are selected also from the search engine, but in this case, the companies were searched by keywords in Japanese.

6.2 Companies selection

6.2.1 Company description

- Option 1

Companies that offer shipments to Japan with their personal websites, but not operated in Japan are included in this category.

Company A (Shoemaker)

Company A is the Italian shoemaker which produce high quality shoes in affordable price. Frist started its business in 1965, now it has more than 300 employees, it is still delivering high quality shoes for man and woman.

Company B (Winery)

The next company is also an Italian farm who sells wines and other food products. From 1992, located in the heart of Chianti region, they own 370 hectares of land to produce their wines, olive oils, and other traditional products.

- Option2

The companies that operate on two different European e-commerce platform are chosen as the sample companies for option 2. Since they sell their goods from the market place, the analysis are based on the attributes of the market place. For example, even if their official website does not offer Japanese version, if the market place support Japanese, we consider this company is adapted to Japanese.

Company C (home electronics company/ Fruugo)

Company C is a Swedish company that sells original designed smartphone cases and wallets.

They sell more than 500,000 designs of smartphone cases for almost every type of smart phone brands. They sell their products on their official webpage, but also in several marketplaces. One of the marketplaces they sell their goods is called Fruugo. Fruugo is a British marketplace that offers worldwide shopping experience, including Japan. Having over 10 million products and 20 thousand brand, now it is known as one of the biggest market place in Europe.

Company D (Shoemaker /Asos)

Company D is a footwear company that is based in UK, who creates contemporary, high quality and conscious footwears. They do not have official online shop, but they sell their products on a British marketplace called ASOS, which mainly sells fashion and apparel related products. ASOS, which stands for “As Seen On Screen”, was first started as celebrity-linked clothing websites when it was first launched. Established in 2006, now ASOS is one of the most selling fashion sites worldwide, offering both marketplace and the e-commerce sites.

○ Option 3

Companies that sell in Japanese marketplace but does not have official online trade channel in Japan are chosen here. More precisely, companies that sell goods in Rakuten or Amazon are chosen. Some companies sell their goods from their official websites as well. In that case, we will consider the purchase from marketplace since we consider customer more purchases from marketplaces because of the language adaption.

Company E (Italian food company)

Company E is the Italian company that sells number of Italian products through online commerce. Founded in Verona back in 2000, now not only in Italy, but they also ship their goods around the world. Their goods are chosen carefully so that they are in best condition when it is delivered.

Company F (Apparel company)

Company F, located in Leicester, UK, first opened an online store in Japan in 2014. Started their business in 1986 with the sock manufacturer, as the expansion of internet, they started to sell other clothes and furniture via online channel. They sell their goods in Japan with the help of local agent called “commerce robotics”, which makes them able to facilitate their business in Japan. They offer marketplace both on Rakuten and Amazon, with the cheap price, high quality.

- Option 4

Companies that sell their goods in Japanese websites (companies that has domain of “.jp”, or operates on Japanese server) are included in option 4. In many cases, these companies also sell their goods on marketplaces as well. If so, we will consider purchase from the official channel since prices are cheaper form official channel.

Company G (Coffee product)

Company G is a company that produce and sells coffee related products. First established small aluminum factory in 1919, its beautiful and sophisticated design always fascinates customers worldwide. They are directly selling their products from official Japanese brunch, which was established in 2015.

Company H (Home electronic products)

Company H is a French company that sells home electronic products. Established in 2012 by three young entrepreneurs, it offers many products to make people’s sleep better. In Japan, the product for sleeping assistant is widely sold. Not only their official websites, but they also offer shopping experience both on Amazon and Rakuten.

6.3 Findings and discussion

6.3.1 Description of the attributes

For these identified companies, we will further seek on what choices companies made to deal with cross-border e-commerce. More precisely, we will segment the barrier into five elements that we identified in previous chapters and analyse for each elements.

Customer & culture

Customer and culture issue is important to see how much the company is considering about Japanese market. According to EF set (2020), the Japanese English score was low, placed 53rd worldwide (excluding English native countries) which was evaluated “low” English level. Having this fact, for foreign countries it is essential to have Japanese version of their websites if the company aims to achieve success in the Japanese market. Thus, the adoption of customer and culture will be measured whether the firm offers Japanese version of their web sies, or support center for Japanese customers. Moreover, whether the company offer price in

Yen (Japanese currency) is also considered.

Laws and regulations

For this factor, we will measure the handling of VAT, custodies, and the security of private information. For customers, if they know exactly the amount of VAT and the custom fee, it is more convenient for them to purchase cross-border. Additionally, as we discussed in chapter 4, an online consumer protection was considered important between Japan-EU RPA. Not only that, since some customers has worry on the security of their private information, we estimate mentioning of the private information is important.

Payment

For the payments, we will seek the available payment methods in the websites. Although there are many possible payment methods, companies do not offer all of them. By analysing what kind of methods are mostly offered depending on the trade channel, we can understand what the methods are most used in practice.

Marketing

We will also check what kind of marketing strategies companies take. However, since it was difficult to determine the exact marketing strategies companies use for Japanese customers, we will focus on company's SNS, and company's official membership. By checking if the companies have their customer's touch point in Japanese or not, we can understand the company's attitudes for Japanese market.

Logistics

Finally, we will seek what kind of logistic solutions they choose to ship goods to Japanese customers. In the previous chapter, we figured out that there can be three scenarios to ship goods to Japan, depending on the size of their business. In this chapter, we will focus on what real companies take in practice, to deal with the logistic problem.

6.3.2 Results

Below figure 60 illustrates the result of the survey.

	customer & culture			payment						
	customer service	language adaption	currency adaption	credit card	bank transfer	mobile career	convenience store	cash on delivery	e-payment	pay later
Company A	email, phone call	Italian, English, Russian	Euro	x(Visa, master card)	x(Italian bank account)				paypal	
Company B	email, phone call	Italian, English	Euro	x(Visa, mastercard, American Express, PostePay)	x(Italian bank account)					
Company C/Fruugo	official form from websites	Japanese	Yen	x(Visa, mastercard, American Express)					paypal, alipay	
Company D/Asos	official form or chat box from websites	English	pond, USD	x(Visa, mastercard, American Express)					paypal	
Company E/Amazon	whatsapp, email	Japanese	Yen	x(Visa, mastercard, JCB, Diners, American Express, UnionPay)	x	x				x
Company F/Rakuten	official form, e-mail	Japanese	Yen	x(VISA, Mastercard)	x		x		Applepay	
Company G	email and official form	Japanese	Yen	x(Visa, mastercard, JCB, Diners, American Express)	x	(x)	x		(x)	(x)
Company H	official form	English, French (partially Japanese)	Yen	x(Visa, mastercard, JCB, Diners, American Express)	x	x	x		paypal	(x)

	laws & regulations		marketing			Logistic		
	VAT and custom	privacy mentioned	SNS	register	brand site	Delivery to Japan	return	shipping fee
Company A	not included	x	facebook, instagram, pinterest, twitter, youtube linkedin	x	Italian, English, Russian	EMS/ from Italy	x	
Company B	not included	x	facebook, Instagram	x	Italian, English	From Italy	x	
Company C/Fruugo	custom fee not included.	x	facebook, instagram		English, Swedish	not mentioned.	x	free
Company D/Asos	custom fee not included	x	Instagram		English	From London	x	free
Company E/Amazon	not included	x	facebook, instagram, vimeo	x	English	From Italy	x	
Company F/Rakuten	Vat included	x	-		Japanese	From London	x	free
Company G	included	x	instagram, facebook	x	Japanese	Domestic	x	free
Company H	included	x	facebook, instagram, twitter, youtube		Japanese	Domestic	x	free (FBA)

Figure 62: Result of the research

Having the result of the above table, below paragraph summarizes the characteristics by each element.

Customer & culture

All the companies offered customer service, but the method and the languages were different. Particularly, marketplaces offer the Q&A form for the trouble, but private websites had email or phone call to deal with the customer troubles. The main reason of this difference can be considered as a cost. Since it will be too costly and time consuming to deal every customer using private email or phone call, to communicate with large number of customers using the questionnaire form in official websites will be cheaper.

Another interesting characteristic is use of the local agent. Especially in the case company sells their goods in Japanese marketplace, some of them used Japanese agency to do the operation and customer support. For example, in the case of Company F, they let their agent do the customer services and shop operations. The merit of using agent is for smoother communication and operations. For foreign companies, using Japanese agency is easier than establishing a local entity, or hiring Japanese fluent staff.

Language and currency adoption had relation between the choices of trade channels as well. There was no language and currency adaption for option 1, but for option 4 and 3 the website was shown in Japanese and the price was shown in Yen. For option 2, we saw in some marketplace there was an adaption.

Laws and regulations

VAT and custom fees were not included if we purchase from foreign websites. Since for sellers is difficult to predict the exact amount of these fees, companies choose not to include them into price.

Not surprisingly, privacy terms and conditions are all mentioned inside their websites. From this result, we can understand that companies are taking the security of private information seriously.

Payment

The most popular payment method was credit card. All the sample companies had credit card as their acceptable payment, and VISA, Mastercard were available in all of the websites. JCB was only available in companies in option4, and company using Amazon as their trade channel. Since JCB is more used in Japan compared to the world, we see an adaption to Japanese customers here.

Additionally, although there were many payment methods, some of the payment methods were not used at all. Cash on Delivery was not used at all, and mobile career payment was only used by two companies.

Moreover, Paypal was more used in the foreign marketplace, and pay later was available only in the case when company is using Amazon Japan as their marketplace. Convenience store and bank transfer were accepted by all the companies that operates in Japan.

Marketing

We focused official websites and SNS Media presence to analyse company's marketing strategies. Facebook was used in every company. Since it is the most used SNS around the world, we see companies also consider that use of Facebook is important for presenting their

products. The second most used SNS was Instagram. Since Instagram can build brand image more easily than Facebook, most of the company uses them to tell their brand stories. However, for the companies from option 1 and 2, most of these SNS are not operated in Japanese. In contrast, companies from option 4 and 3 had their Japanese SNS account, which offer information about their brands in Japanese, for Japanese customers.

Japanese official websites are also seen in some companies in option 3 and 4. In these pages, company's history or their brand mission were presented in Japanese. We did not see much relationship between registration to websites and trade channel.

Logistic

Finally, the logistic modes are analysed. Clear difference was seen between option 4 and other trade channels. In cases for option 1,2 and 3, companies ship their goods using international courier service, and none of them held an inventory in Japanese warehouse. In contrast, both company from option 4 had inventory in Japan and offered delivery to customers in 2~3 days. This result implies us that barrier to hold an inventory in Japan is quite high. If the companies are considering holding inventories in Japan, they need to think seriously about selling their goods in Japanese market. Second interesting fact was the used of FBA, or Rakuten super logistics. It seems like that use of these fulfilment service is not that popular by foreign seller. The possible reason is also the cost. Since to use these services, sellers must send their goods first to platformer's warehouse. Not only that cost, but these services also ask sellers to pay inventory fees and commission fee per shipments, and we can estimate that these total costs are higher than using international courier service. Therefore, for foreign companies direct shipping is the most cost-efficient option to ship their goods.

Free shipping was only offered in option4. We assume the reason of this is international shipping cost. Return of the goods was available in all the companies. It seems like return of the goods is essential offer for customers who buy from online commerce.

Below figure 61 summarises the discussion we argued above. After selecting the preferable trade channel, firms are suggested to determine other cross-border e-commerce aspects illustrated below.

	customer & culture			payment				
	customer service	language adaption	currency adaption	Credit Card (preferred brand)	bank transfer	mobile career	convenience store	e-payment
Option 1	Official email			x(Visa, master card)				paypal
Option 2	Official form, since we need to deal many customers	Japanese if possible		x(Visa, mastercard)				paypal, alipay
Option 3	Official form, with Japanese customer centre	Japanese	x	x(Visa, mastercard, JCB)	x	x		
Option 4	Official form with Japanese customer centre	Japanese	x	x(Visa, mastercard, JCB)	x	x	x	(x)

	laws & regulations		marketing		Logistic		
	VAT and custom	Privacy Policies	Suggested SNS for marketing Japanese customers	brand site	Delivery to Japan	return	shipping fee
Option 1		x	Facebook, Instagram	English	direct delivery	Must	
Option 2		x	Facebook, instagram	English, (Japanese)	direct delivery	Must	
Option 3		x	Facebook, Instagram	English, Japanese	Can hold inventory in Japan, but not must	Must	Free shipping is preferable if possible
Option 4	Should include in price	x	Instagram, Facebook, Twitter	Japanese	Suggested to hold inventory	Must	Free shipping is suggested

Figure 63: Summarised characteristic of each trade channel from real companies

6.4 Trade channel selection

Having the Results of the previous chapters, we will finalize our suggestion of the use of each trade channel.

Option 1

Option 1 is suitable for a company that want to sell their goods in Japan, but do not want to do special operation except for shipping.

This trade channel is optimal if the companies do not want to invest extra cost to start cross-border e-commerce to Japan, since the only possible cost is the shipping cost to Japan. Although the sales will be not high from Japanese market, they are still purchasing opportunity to Japanese customers.

Small medium companies, or companies that just want to try the market opportunity in Japan are more suggested to use this option.

Option2

Option 2 is preferred when companies want to attract more Japanese customers, but still do not want to invest a lot on cross-border e-commerce. In this case, by choosing the Japanese adapted marketplace, companies can expect more sales from Japanese customers. Since some marketplace offers their service in Japanese, there will be more sales than using option 1. Additionally, not only from Japan, by using marketplace companies can even reach their sales channel to other countries as well. Even though the companies need to pay a commission fee to the marketplace company, companies that want to sell their goods globally are suggested to use this option than option 1.

Option 3

If the company is considering cross-border e-commerce to Japan seriously, using the marketplace in Japan will be the first step. Compared to previous two options, in this option companies need to make some strategic choices. The first choice is to use local agent or not. As we saw in the real cases, by using local Japanese agency the communication between Japanese customers will be easier than doing it by themselves. The second choice is which marketplace should they use. As we discussed in chapter 4, each marketplace has different characteristic, and company should choose the marketplace that best matches with their strategy. In the case of Amazon and Rakuten, for cost Amazon was better and for marketing Rakuten had more strength. However, if the company had chosen the marketplace, there is not so many other elements that they need to consider compared to option 4. Marketing and logistic will remain to be determined by companies.

Yet, since initial cost and operation cost will be higher than option 2, company still need careful investigation before starting cross-border e-commerce using this option.

Option 4

If companies are sure about the success in Japanese market or want to challenge cross-border e-commerce to Japan, option 4 is suggested. Here companies need to consider every aspect that we discussed in this master thesis. Especially, addition to the discussion of option 3,

companies need to consider whether to use direct delivery or hold inventory in Japan. If the company sells various type of products, direct delivery is suggested from the cost perspective. If the company sells only few types of products, storing inventory in Japanese warehouse might be preferred mainly from the customer satisfaction perspective. Only the companies that already has certain brand recognition in Japan or can invest enough in Japanese market are suggested in this option.

In conclusion, having the analysis of the real company cases, we discovered some of the characteristic that we were missing out from the analysis based on the research, and succeeded to enrich the discussion of the relation between trade channel and other possible aspects of cross-border e-commerce to Japan. Additionally, gathering the information of previous chapter and these business cases, we established some suggestions for real companies.

However, because the cases were only analysed from the accessible data and real interview was not carried out, we could not dig deeper to the real strategy companies are taking. For further development on this topic, we believe real interviews is still needed.

Chapter 7

7. Conclusions

7.1 Conclusion

The objective of this master thesis was to fill the existing gap of cross-border e-commerce to Japan. To answer this question, we divided the objective into two research questions. The first question aimed to clarify the barriers that exist for cross-border e-commerce to Japan, and the second question was about the selection and the relation of the possible trade channel for cross-border e-commerce to Japan.

The first research question was answered in Chapter 2 and Chapter 4. In Chapter 2, a literature review was performed. We analysed the past academic research, and from the carefully selected papers, we identified that; customer and culture, laws and regulations, payments, marketing, trade channel, logistics were the main obstacles that firms need to think of. After that, with additional research collected, we decided to focus more on the choice of trade channel, since the research related to trade channel was a severe shortage, and the choice of trade channel will affect many other strategic choices on barriers. In Chapter 4, the analysis and the additional answers to research question one was performed. For each barrier to cross-border e-commerce, we offered the possible problem and solution for that.

The answer to the second research question was discussed in Chapters 5 and 6, from secondary sources and empirical researches. Chapter 5 segmented the trade channel into four options, and from the perspective of cost and effectiveness to the Japanese market, we concluded that using the Japanese marketplace was the most suggested choice. Having this hypothesis, we further analysed two huge e-commerce marketplace platformers in Japan, which were Amazon and Rakuten. Comparing these two characteristics, we found out that Rakuten has an advantage in marketing, and Amazon has an advantage on cost. Having this result, in Chapter 6 we collected the real cases from the European companies that use cross-border e-commerce to sell their goods to Japan. For each chosen company, we investigated how the choice of the trade channel affects the selection of other strategic choices, and we found out some tendencies depending on the trade channel. In the last part of chapter 6, we redefined the characteristic of each option, considering the result of case studies.

7.2 Further development of the work

Although in this master thesis we succeeded to answer the research questions we first defined, there remains some work to proliferate cross-border e-commerce to Japan. First, further analysis of each six factors is still needed. In our research, we identified the six factors and had a brief survey about these obstacles, but the result is still not complete to cover all the information that is needed to dispel the uncertainty of the companies. Therefore, deeper research on these elements is needed. Related to this discussion, research of the relationship of each factor is still needed. In this master thesis, we focused mainly on the trade channel and the effect of the trade channel on other factors. However, the selection of other factors will affect the choice of trade channel as well. Thus, the analysis focused on different aspects can also help the companies to reveal the relationship between each factor. Finally, further empirical research can be possible to deeply analyse the EU-Japan cross-border e-commerce. In our master thesis, we conducted an empirical study from the real company's data, since we wanted to investigate more companies to see the tendency between trade channel and other aspects. However, since from the online sources we could not gaze deeply into companies' real strategy, empirical research based on company interviews can be suggested to improve the work. By understanding what each company exactly target to achieve success in cross-border e-commerce to Japan, we can expect a more valuable result of the use of trade channel. In conclusion, even this research will fill in the certain gap of the cross-border e-commerce between the EU and Japan, there are still many topics that are still needed to discuss. For more growth of the EU-Japan cross-border e-commerce market, we expect further research on this topic needs to be done.

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