Private Sectors Perspective

Submitted by: Rakuten Asia Pte Ltd
APEC Workshop on Building and Enhancing FTA Negotiation Skills on E-Commerce

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Rakuten

Founded February 1997
5 Employees
IPO April 2000 (Jasdaq)

1st office: Atago in Tokyo
Rakuten 2013

>10,000 employees

Market cap: US $13.7BN

Building the Ecosystem in Japan

<table>
<thead>
<tr>
<th>Internet Services</th>
<th>1997</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet Shopping Mall</td>
<td>楽天</td>
<td>Portal Site</td>
<td>Infowork BOX</td>
</tr>
<tr>
<td>Online Books, DVD Store</td>
<td></td>
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<tr>
<td>Blog</td>
<td></td>
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<td></td>
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<tr>
<td>Online Hotel Reservation</td>
<td>楽天</td>
<td>Pay-per-view Video Service</td>
<td></td>
</tr>
<tr>
<td>Internet Research 楽天</td>
<td>2005</td>
<td>Internet Auction 楽天</td>
<td>2006</td>
</tr>
<tr>
<td>Performance Marketing (US)</td>
<td>Rakuten</td>
<td>Internet Shopping Mall in Chinese Taipei</td>
<td>2008</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Internet Shopping in Thailand</td>
<td>2009</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Internet Finance</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
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</thead>
<tbody>
<tr>
<td>Online Security Brokerage 楽天</td>
<td>2003</td>
<td>Personal Loan 楽天</td>
<td>2004</td>
</tr>
<tr>
<td>Credit Card 楽天</td>
<td>2005</td>
<td>Internet Banking 楽天</td>
<td>2009</td>
</tr>
<tr>
<td>E-money 楽天</td>
<td>2010</td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Others</th>
<th>2004</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional BaseballFK EAGLES</td>
<td>2004</td>
<td>IP Telephony リフレッシュ</td>
<td>2007</td>
</tr>
<tr>
<td>Marriage Consultant One</td>
<td>net</td>
<td></td>
<td>2006</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1997</th>
<th>2009</th>
<th>2012</th>
</tr>
</thead>
</table>

Globalization

<table>
<thead>
<tr>
<th>in Germany</th>
<th>Rakuten.de Shopping</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>in Indonesia</td>
<td>Rakuten.co.id Shopping</td>
<td>2010</td>
</tr>
<tr>
<td>in Brazil</td>
<td>Rakuten.com.br Shopping</td>
<td>2008</td>
</tr>
<tr>
<td>in USA</td>
<td>Rakuten Group</td>
<td>2009</td>
</tr>
<tr>
<td>in France</td>
<td></td>
<td></td>
</tr>
<tr>
<td>in UK</td>
<td>Rakuten Shopping</td>
<td>2010</td>
</tr>
<tr>
<td>in Canada</td>
<td></td>
<td></td>
</tr>
<tr>
<td>in Austria</td>
<td></td>
<td></td>
</tr>
<tr>
<td>in Malaysia</td>
<td></td>
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</tr>
</tbody>
</table>

1997 2012

Internet Services

Internet Finance

Others
Rakuten Ecosystem
In Japan

Rakuten Global Footprint

B2B2C Marketplace Is The First Step
Mission of Rakuten Asia

Build eco-systems and promote cross-border EC in the Asia region

1. Boost EC in Asia
2. Build Eco-System
3. Promote Cross-Border

Rakuten E-commerce Model
Most e-commerce

Rakuten Approach
Rakuten approach - WeCommerce

You are not buying from Vending Machine

You are buying from Shop (People) behind the computer screen

Merchant

Success Stories in Asia
One of the leading ladies fashion merchants in Rakuten Belanja Online

Making Sticky Landing Page

Generating High CVR through Time Sale

Received “The most improved shop award” on April, 2012
YR-REQUEST (Thailand)

“Learning EC business from Rakuten”

Selling Watches and Jewelry

TBJ (Chinese Taipei)

“We are known as King of Steak in Chinese Taipei!”
Rakuten Cross-Border E-commerce Model

The scheme of Global Market (Japan ⇒ Overseas)

Global platform for private import from Japan ⇒ People overseas can buy Japan goods safely

Users overseas

Global Market

Auto-translated websites

Traffic from overseas

Japan

A wealth of Japan goods

Japan Shops

Support Services

Payment
Credit card, paypal etc

Call center
Inquiries from overseas

Business tool
Provide tools to merchants
## Products sold well (Japan ⇒ Overseas)

<table>
<thead>
<tr>
<th>Products</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>Japan original, High quality</td>
</tr>
<tr>
<td>Apparel</td>
<td>Japanese fashion (new trend &amp; traditional)</td>
</tr>
<tr>
<td>Bicycle</td>
<td>Popular in Chinese Taipei, HK and Korea?</td>
</tr>
<tr>
<td>Textbook</td>
<td>Japanese education for kids</td>
</tr>
<tr>
<td>Daily goods</td>
<td>Fine-segmented</td>
</tr>
<tr>
<td>Craft goods</td>
<td>Hobby of expats' wives?</td>
</tr>
<tr>
<td>Pet items</td>
<td>Pet is cute all over the world</td>
</tr>
</tbody>
</table>

## Issues for Expanding Cross-Border EC Businesses

1. **Legal regulation**: Items that can be imported/exported differ by economy
2. **High duty cost**: Int’l shipping/Duties/Import Tax/Legal Compliance costs, etc.
3. **Inconvenience**: Limits to payment method (even for small amnt.) / Return policies, etc.
4. **Language barrier**: Limits to what users/businesses can engage each other
5. **Local marketing**: Methods of marketing/exposure differ depending on member economies

EC businesses in each economy are experiencing rapid growth. However, many hurdles exist to realize cross-border trade.
### Regulatory barriers (e-commerce)

#### Case 1: Regulation of imported goods in Member Economy A (Regarding goods only for personal use)

<table>
<thead>
<tr>
<th>Type of Goods</th>
<th>Regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vitamins</td>
<td>Can only order enough for 1 person to use over 1 month. Can have as many pills, capsules, etc. that would be taken for a 1 month period according to the dosage instructions.</td>
</tr>
</tbody>
</table>
| Beauty Products    | Can only order enough for 1 person to use over 1 month. (includes non-medicinal items like make-up, soap, detergent, shampoo, conditioner, etc.)  
※ Samples are treated the same way  
※ Medicinal products (sunscreen, skin cream, anti-dandruff products, etc.) require a statement of approval from the local government’s Health Bureau. |
| Food and Drink     | ※ Raw or perishable items are not permitted, it must cost less than 1000 USD (includes both the cost of the product and the cost of shipping to Member Economy A), weigh less than 10kg in a sealed package, etc.  
※ Baby formula for a an infant less than 12-months old requires a statement of approval from the local government’s Health Bureau. |
| Kitchen items      | Package must be less than 10kg                                              |

Due to a broad array of laws that vary by member economies, cross border trade can only be achieved by:
- Global businesses that can handle all the different laws
- A small business that focuses on a niche service

### Regulatory barriers (data Transaction)

#### Data Protection Regulation

Differing systems in various economies make it hard to handle cross-border data transaction
② High Duty Cost (e-commerce)

Case 2: Import Tax at Economy A

- Custom Duty: Tax charged on goods across border
  \[(\text{Goods Price} \times \text{Custom Duty Ratio})\]
- Business Tax: Tax charged for providing goods/services in Economy A
  \[(\text{Goods Price} + \text{Custom Duty}) \times 5\%\]
- Trade Development Service Fee: Fee charged for promoting trade
  \[(\text{Goods Price} \times 0.0415\%)\]

The user is paying for the cost of the good, international shipping, and other taxes
⇒ Due to the high cost, the average user will not buy frequently

② High Duty Cost (Digital contents)

“WTO Moratorium on Customs Duties on Electronic Transmissions”

Duties cannot be levied on digital contents but regulation may change anytime

It is necessary to develop a permanent solution to ensure stability of businesses
Rakuten’s Plan to Help Asia Overcome Internal Barriers

1. Legal regulation: Can handle Asian laws by setting up companies around the region
2. High duty cost: Can aim to reduce import cost with bulk buy system
3. Inconvenience: Can introduce services that took root in the local market
4. Language barrier: Introduce support for businesses and uses (EX: Provide a multi-language platform)
5. Local marketing: Can do selective product campaigns once Asian consumer trends are understood

Rakuten is eager to build the foundation needed to facilitate Asian cross-border EC!

Proposal to APEC Workshop

1. Simplify the rules for SMEs to take the lead
2. Standardize the rules among regions/countries to promote cross-border EC trade
3. Lighten duties as much as possible to further promote cross-border EC trade