



**公正取引委員会**  
Japan Fair Trade Commission



Survey Report Regarding Transactions in B2C E-Commerce  
(Overview)

January 29, 2019

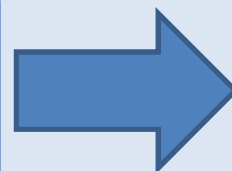


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## Purpose of the survey (I-1 (p.1))

### Changes in market environment of B2C e-commerce

- Further expansion of market
- Development of a variety of business models by enterprise
- Emerging of new online shopping malls



### Effect on competition

- Promotion of competition through the expansion of retailers' trade areas and expansion of choices for consumers, etc.
- Possibility to induce acts that restrict competition as the situation of transactions becomes easier to grasp

- The survey was conducted on trade practices regarding B2C e-commerce in general such as trade terms between manufacturers and distributors and the state of transactions at online shopping malls. The survey was conducted with a wide scope from two viewpoints: The pro-competitive effects, and the anti-competitive effects, comparing the trade practices of brick and mortar stores.

## Method and subject of the survey (I-2 (p.1))

- ✓ Subject: Transactions regarding products that consumers purchase from enterprises through the Internet
- ✓ Method: (1) Questionnaire for enterprises (January, 2018 to February, 2018)

|              | Number of addressees | Number of respondents (response rate) |
|--------------|----------------------|---------------------------------------|
| Retailer     | 3,276                | 848 ( 25.9% ) *                       |
| Manufacturer | 1,063                | 360 ( 33.9% )                         |
| Total        | 4,339                | 1,208 ( 27.8% )                       |

\*596 retailers answered that they are conducting online sales

### (2) Questionnaire for consumers (September, 2018)

The survey was conducted for 2,000 general consumers purchasing products once or more per month through the Internet (contract research)

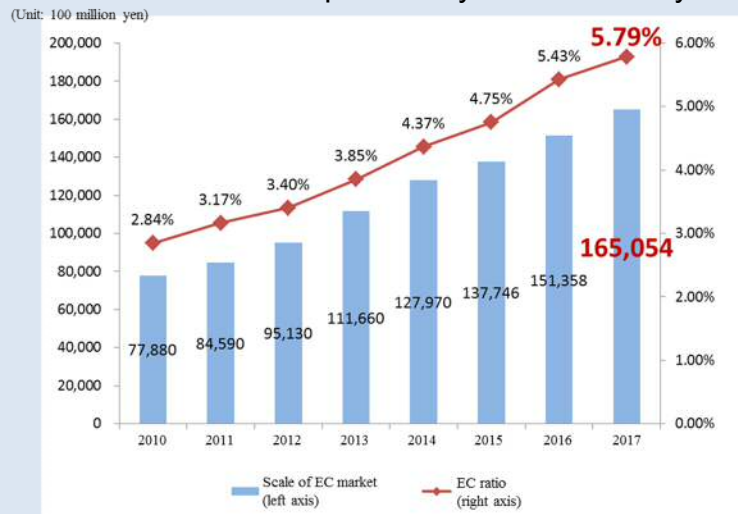
### (3) Interview survey (as needed)

Retailers (68 enterprises), manufacturers (39 enterprises), Online shopping malls (7 enterprises), other (3 enterprises) \*Total

## II Survey results (1. Overview of B2C e-commerce)

### Market scale of B2C e-commerce (II-1(1) (p.4))

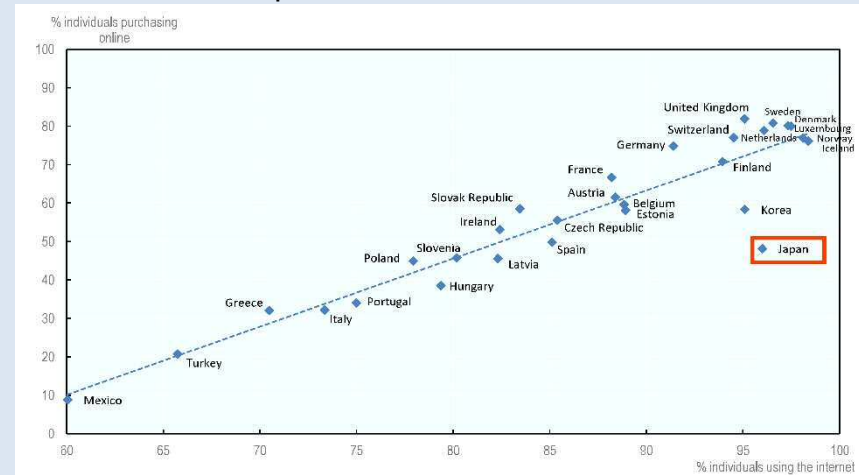
- ✓ Market scale has expanded by 73.5% in five years



Source: Created by JFTC based on Figure 4-4 of METI "FY2017 Report on Infrastructure development pertaining to data driven society in Japan (Market survey regarding e-commerce)"

### Characteristics of B2C e-commerce market (II-1(2) (p.5))

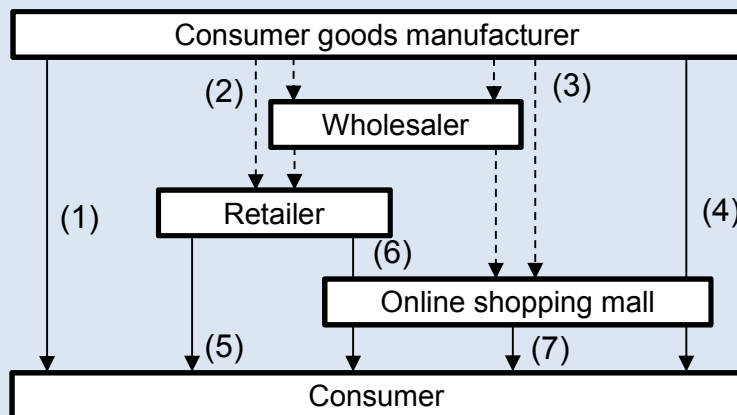
- ✓ Internet utilization rate is high but e-commerce utilization rate is low compared to other countries of similar levels



Source: Created by JFTC based on OECD(2018), "Implications of E-commerce for Competition Policy - Background Note"

### Image of product distribution in B2C e-commerce (II-1(3) (p.6))

- ▶: Online retail transactions
- - - - -▶: Other transactions



#### 《Product distribution channel in e-commerce》

- ✓ Direct sales to consumers by the manufacturer
  - Direct sales to consumers through the manufacturer's own website ((1) in figure on the left)
  - Direct sales to consumers from the manufacturer through online shopping malls ((4) in figure on the left)
- ✓ Sales by the retailer
  - Sales at the retailer's own website ((5) in figure on the left)
  - Sales to consumers from the retailer through online shopping malls ((6) in figure on the left)
- ✓ Sales to consumers by online shopping mall operators through online shopping malls ((7) in figure on the left)

### Overview of retailers conducting online sales (II-2(1) (p.8))

- ✓ **Small and medium-sized enterprises among respondents (with capital of 50 million yen or less): 57%**
- ✓ **Major product fields where respondent conducts sales ( Top 5 fields )**  
 (1) Food and beverages (including alcohol), (2) Clothing, shoes, fashion goods, (3) Furniture, interior, everyday goods, (4) Cosmetic, medicine, health food, (5) Home appliances, AV equipments, computer/peripheral devices  
 (up to three answers possible)
- ✓ **Sales form**  
 Conducts sales online and at brick and mortar stores: 61%, Conducts sales only online: 24%

### Situation of retail sales for consumers (1)

#### Advantages/disadvantages of online sales (II-2(2)-i (p.11))

- ✓ **Advantages (main answers)**
  - Expansion of trade areas/purchaser base
  - Sales without time constraints is possible
- ✓ **Disadvantages (main answers)**
  - Costs for creating/operating online retail websites and for use of online shopping malls is a burden
  - Costs for delivery of products and for communication with customers is a burden

#### Effect on brick and mortar store sales (II-2(2)-ii-(i) (p.13))

- ✓ **No effect in particular: 59%**
- ✓ **Sales has increased: 31%**

| Details of answer       | Number of respondents (people) | Percentage |
|-------------------------|--------------------------------|------------|
| Sales have increased    | 128                            | 31%        |
| Sales have decreased    | 20                             | 5%         |
| No effect in particular | 241                            | 59%        |
| Other                   | 20                             | 5%         |
| Number of respondents   | 409                            | 100%       |

#### Difference in customer base/product lineup compared to brick and mortar store sales (II-2(2)-ii-(ii) (p.13))

- ✓ **Difference in customer base**
  - Numbers of answers for “Different” and “No difference” are of the same level
- ✓ **Difference in product lineup**
  - Number of answers for “Same” and “Almost the same” account for over 80% of the total responses

### Situation of retail sales for consumers (2)

#### Showrooming phenomenon (II-2(2)-ii-(iii) (p.15))

- ✓ **“Do not feel it at all”: 44%**
  - Together with the answer “Do not feel it much” (38%), the number of answers stating that they do not feel the showrooming phenomenon often accounts for over 82% of the total responses.
    - \*In cases where retailers are handling home appliances, etc., sports goods, etc., toys, etc., the percentage of answers stating “Feel it often” tended to be high.
    - \*In cases where retailers are conducting online sales only at their own website, or only holding brick and mortar store sales, the percentage of answers stating “Feel it often” or “Feel it sometimes” tended to be low
- ✓ **(In cases where retailers feel that showrooming phenomenon occurs) “No particular measure is taken, though I want to”: 62%**
- ✓ **Measures for the showrooming phenomenon**
  - Making the shop floor a place where customers can enjoy first-hand experiences
  - Making an effort to bring the sales prices of online sales close to brick and mortar store sales

#### Sales strategy (II-2(2)-iii(i) (p.17))

- ✓ **Matters most focused on in each sales form**
  - Sales at <Own website><Brick and mortar stores> → Focus is on service for customers and quality
  - Sales at <Online shopping malls> → Focus is more on price

| Sales form                           | 1st  | 2nd   | 3rd                         |
|--------------------------------------|--|---|-----------------------------|
| Own website<br>(N = 505)             | Usability of website<br>(236 cases, 47%)                                     | Quality<br>(230 cases, 46%)                   | Price<br>(207 cases, 41%)   |
| Online shopping malls<br>(N = 418)   | Price<br>(239 cases, 57%)  | Variety of product lineup<br>(169 cases, 40%) | Quality<br>(154 cases, 37%) |
| Brick and mortar stores<br>(N = 625) | Sales service (product description, customer service, etc.) (453 cases, 72%) | Quality<br>(377 cases, 60%)                   | Price<br>(282 cases, 45%)   |

(Up to three answers possible) (Top 3 items answered with high percentage)

#### Effects of development/expansion of e-commerce

(II-2(2)-iii(ii) (p.18))

- ✓ **Points where competition become intense**
  - **Price: 79%**
  - **Product lineup: 53%**
  - **Delivery speed: 43%**

\*In cases where retailers are handling home appliances, etc., and sports goods, etc., the percentage of answers stating “Price” tended to be high.

## Situation of retail sales for consumers (3)

### Competitors

(II-2(2)-v(i) (p.23))

✓ **By sales form**

- <Online sales>  
→ Online sales of other retailers
- <Actual store sales>  
→ Actual store sales of other retailers

| Sales form                            | 1st   | 2nd  | 3rd   |
|---------------------------------------|---|--|---|
| Own website<br>(N = 815)              | Other retailer's own website<br>(567 cases, 70%)              | Store on the mall of other retailers<br>(435 cases, 53%) | Brick and mortar store of other retailers<br>(224 cases, 27%) |
| Online shopping mall<br>(N = 647)     | Store on the mall of other retailers<br>(488 cases, 75%)      | Other retailer's own website<br>(292 cases, 45%)         | Store on the mall of other manufacturer<br>(188 cases, 29%)   |
| Brick and mortar store<br>(N = 1,141) | Brick and mortar store of other retailers<br>(973 cases, 85%) | Other retailer's own website<br>(446 cases, 39%)         | Store on the mall of other retailers<br>(388 cases, 34%)      |

(Up to three answers possible) (Top 3 items answered with high percentage)

### Reference of sales price

(II-2(2)-v(ii)a (p.24))

When deciding on a online sales price, do you refer to prices of other enterprises?

- ✓ **Numbers of answers for "Referred" and "Not referred" are of the same level**

### Reference source of sales price

(II-2(2)-v(ii)b (p.26))

✓ **By sales form**

- <Online sales>  
→ Online sales price of other retailers

| Sales form                        | 1st  | 2nd  | 3rd  |
|-----------------------------------|--|--|--|
| Own website<br>(N = 353)          | Other retailer's own website<br>(251 cases, 71%)         | Store on the mall of other retailers<br>(215 cases, 61%) | Brick and mortar store of other retailers<br>(74 cases, 21%) |
| Online shopping mall<br>(N = 392) | Store on the mall of other retailers<br>(316 cases, 81%) | Other retailer's own website<br>(190 cases, 48%)         | Store on the mall of other manufacturer<br>(106 cases, 27%)  |

(Up to three answers possible) (Top 3 items answered with high percentage)

### Method for grasping sales prices

(II-2(2)-v(ii)c (p.26))

- ✓ **Checking by viewing other enterprises' websites directly or retail websites at online shopping malls: 93%**
- ✓ **Viewing price comparison websites: 33%**
- ✓ **Using software such as price searching tools, etc.: 7%**

### Difference in price revision frequency of online sales and brick and mortar store sales

(II-2(2)-vi(i) (p.27))

- ✓ **Not different: 65%**
- ✓ **Answer stating that it is different: 35%**

### Difference in sales prices of online sales and brick and mortar store sales

(II-2(2)-vi(ii) (p.29))

- ✓ **Providing no difference: 59%**
- ✓ **Answer stating that there is a difference: 41%**

## II Survey results (2. Retailer)

### Situation of retail sales for consumers (4)

| Use of price comparison websites<br>(II-2(2)-vii (p.31))  | Utilization of automatic pricing tools, etc.<br>(II-2(2)-viii (p.33))   |
|---|---|
| <ul style="list-style-type: none"> <li>✓ <b>Sales price of own product</b> <ul style="list-style-type: none"> <li>• <b>“Posted”</b>: 11%</li> <li>• <b>“Not posted”</b>: 89%</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>✓ <b>“Using automatic pricing tools, etc. in our enterprise”</b>: 4%</li> <li>✓ <b>Use of automatic pricing tools, etc. at other retailers</b> <ul style="list-style-type: none"> <li>• “Can guess that others are using an automatic pricing tool, etc.”: 11%</li> <li>• “Have heard from other enterprises that they are using an automatic pricing tool, etc.”: 6%</li> </ul> </li> <li>✓ <b>Reason why can guess that others are using automatic pricing tools</b> <ul style="list-style-type: none"> <li>• “Because when revise a sales price or other enterprise do the same, another enterprise revises its price accordingly.”: 90%</li> </ul> </li> </ul> |

### Measures for use of automatic pricing tools, etc.

(II-2(2)-viii(iii) (p.33))

✓ **Measures taken by retailers who answered “Can guess that others are using automatic pricing tools, etc.”**

- “Took some measures”: 40%

✓ **Details of measures**

- “Revised sales price indirectly through providing store points and bearing delivery costs”: 50%
- “Started to use automatic pricing tools, etc. as well ”: 11%

| Details of answer   | Number of answers (cases) | Percentage |
|---|---------------------------|------------|
| Revised sales price indirectly through providing store points and bearing delivery costs                                      | 31                        | 50%        |
| Started to deal with products which do not compete with the products of other enterprises using automatic pricing tools, etc. | 19                        | 31%        |
| Increased the price revision frequency  | 17                        | 27%        |
| Enforced competitiveness in sales service and after sales service, etc., but not in price                                     | 16                        | 26%        |
| Started to use automatic pricing tools, etc. as well  | 7                         | 11%        |

(Multiple answers possible) (Top 5 items answered with a high percentage)



### Situation of transactions with manufacturers, etc.

#### Presence of restrictions regarding online sales and its details (II-2(3)-i. (p.36))

##### ✓ Presence of restrictions

- **“Have experience in being restricted”** (on sales methods or sales form regarding online sales, by manufacturer (supplier), etc.): **29%**

\*In cases where retailers are handling home appliances, etc., cosmetics, etc., sports goods, etc., toys, etc., or conducting sales at online shopping malls, the percentage of answers stating “Have experience in being restricted” tended to be high.

##### ✓ Details of restrictions

- Prohibition of sales at online shopping malls: 50%
- Prohibition of online sales entirely: 39%
- Specifying the design of online sales sites (appearance of website, product photographs, product descriptions, etc.): 28%

| Details of restrictions  | Number of answers (cases) | Percentage | Main reasons for being restricted   |
|--|---------------------------|------------|---|
| Sales at online shopping malls is prohibited (sales at own website is not restricted.).  | 131                       | 50%        | <ul style="list-style-type: none"> <li>• To maintain the brand image</li> <li>• Because it competes with the online retail website of the manufacturer</li> </ul> |
| Entire online sales are prohibited   | 102                       | 39%        | <ul style="list-style-type: none"> <li>• To maintain sales price</li> <li>• Because it competes with the online retail website of the manufacturer</li> </ul>     |
| There are designations for the design of the online retail websites (appearance of the website, product photographs, product descriptions, etc.) | 74                        | 28%        | <ul style="list-style-type: none"> <li>• To maintain the product's brand image</li> </ul>   |
| Online sales is prohibited in cases where there is no brick and mortar store (for cases where only online sales are conducted)                   | 51                        | 19%        | <ul style="list-style-type: none"> <li>• In order to protect specialty stores where the product can be explained appropriately</li> </ul>                         |
| When conducting online sales, provision of information is required which replaces the information received from face to face sales.              | 29                        | 11%        | <ul style="list-style-type: none"> <li>• Because face to face explanations, etc. are necessary due to the characteristics of the products</li> </ul>              |

(Multiple answers possible) (Top 5 items answered with high percentage)

#### Inquiries from manufacturers, etc. (II-2(3)-i(iv) (p.39))

- ✓ When selling products online, **“Received inquiries, etc. (asking about the distribution channel of the product, requests not to sell the product online, etc.)”** from the manufacturer, etc. who made the product in question: 12%

\*In cases where retailers are handling home appliances, etc., or conducting sales at online shopping malls, the percentage of answers stating “Received inquiries” tended to be high.

#### Instructions/demands for sales prices, etc. (II-2(3)-i (p.40))

- ✓ **“Have experience in instructions/demands”** from manufacturers, etc. for the sales price or the advertising/display of sales prices when conducting online sales.: **24%**

\*In cases where retailers are handling home appliances, etc., sports goods, etc., or conducting sales at online shopping malls, the percentage of answers stating “Have experience in instructions/demands” tended to be high.



## II Survey results (3. Manufacturer)

### Overview of manufacturers who answered

(II-3(1) (p.44), (2)(p.45))

- ✓ **Small and medium-sized enterprises among respondents (with capital of 300 million yen or less): 61%**
- ✓ **Main product field where respondents conducts sales ( Top 5 fields )**
  - (1) Food and beverages (including alcohol), (2) Clothing, shoes, fashion goods, (3) Furniture, interior, everyday goods,
  - (4) Cosmetic, medicine, health food, (5) Home appliances, AV equipments, computer/peripheral devices (up to three answers possible)
- ✓ **Sales channels**
  - Conducting direct sales to consumers: 58%
- ✓ **Sales forms**

Among manufacturers conducting direct sales to consumers;

  - Conducting sales at own website: 70%
  - Conducting sales at online shopping malls: 49% (Multiple answers possible)

### Advantages/disadvantages of online sales

(II-3(2)-ii(iii) (p.48))

- ✓ **Advantages (main answers)**
  - Expansion of trade areas/purchaser base
  - Became easier to grasp consumer needs
- ✓ **Disadvantages (main answers)**
  - Costs for delivery of products and for communication with customers is a burden
  - Costs for creating/operation of online retail website and for use for online shopping malls is a burden

### Selective distribution

#### Situation of adopting selective distribution

(II-3(3)-i(ii)a (p.53))

- ✓ **“Adopted” : 14%**

| Details of answer     | Number of answers (cases) | Percentage |
|-----------------------|---------------------------|------------|
| Adopted               | 51                        | 14%        |
| Not adopted           | 305                       | 86%        |
| Number of respondents | 356                       | 100%       |

#### Reason for adopting selective distribution

(II-3(3)-i(ii)b (p.54))

- ✓ **“To maintain the quality of a product” : 64%**
- ✓ **“To secure appropriate use” : 14%**

| Details of answer           | Number of answers (cases) | Percentage |
|-----------------------------|---------------------------|------------|
| Maintain quality of product | 32                        | 64%        |
| Secure appropriate use      | 17                        | 34%        |
| Other                       | 16                        | 32%        |
| Number of respondents       | 50                        |            |

(Multiple answers possible)

## II Survey results (3. Manufacturer)

### Restriction on online sales

(II-3(3)-i (p.56))

- ✓ **Presence of restrictions on online sales**
  - “Sometimes restricted”: 11%
    - \* In cases where a manufacturer is manufacturing home appliances, etc., cosmetics, etc., sports goods, etc., toys, etc., the percentage of answers stating “Sometimes restricted” tended to be high.
- ✓ **Details of restrictions on online sales**
  - Specifying the design of online sales sites: 29%
  - Prohibition of online sales entirely: 13%
  - Prohibition of sales at online shopping malls: 5%

### [Details of restrictions regarding online sales]

| Details of answer  | Number of answers (cases) | Percentage |
|--|---------------------------|------------|
| Specifying the design of online sales sites (appearance of website, product photographs, product descriptions, etc.)   | 11                        | 29%        |
| Prohibiting sales in cases where an online order came from a customer outside the area allotted to each distributor after limiting the sales area to certain range | 7                         | 18%        |
| Entirely prohibiting online sales  | 5                         | 13%        |
| Limiting the range of distributors who can conduct resales to only those who meet certain conditions regarding online sales  | 4                         | 11%        |
| Prohibiting sales at online shopping malls (sales at own website is not prohibited).   | 2                         | 5%         |
| Prohibiting online sales to distributors that do not have a brick and mortar store   | 2                         | 5%         |

(Multiple answers possible) (Top 5 items answered with high percentage)

### Requests, etc. from distributors

(II-3(3)-iii (p.59))

- ✓ **Presence/trends of requests**
  - Sometimes received requests: 27%
  - Increasing in past five years: 46%
    - \* In cases where manufacturer is manufacturing home appliances, etc., cosmetics, etc., sports goods, etc., the percentage of answers stating “Sometimes received requests, etc.” tended to be high.
- ✓ **Details of requests, etc.**
  - “Sales prices of other retailers”: 48%
  - “Handling of products handled by other distributors”: 43%

### [Details of main requests/opinions from distributors]

| Details of answer   | Number of answers (cases) | Percentage |
|---|---------------------------|------------|
| Received requests/opinions on the sales price of other retailers                                    | 46                        | 48%        |
| Received requests to let the distributor handles the products which handled by other distributors   | 41                        | 43%        |
| Received requests/opinions on sales prices when the manufacturer itself conducted online sales      | 29                        | 30%        |
| Received requests to provide all the products which a manufacturer sells on online to a distributor | 13                        | 14%        |
| Received requests to limit distributors who handle products   | 9                         | 6%         |

(Multiple answers possible) (Top 5 items answered with high percentage)

## II Survey results (3. Manufacturer)

### Grasping the retail price of own products

(II-3(4)-ii (p.63))

- ✓ Grasping on the retail price of own products: 65%
- ✓ Differences in the ease of grasping sales prices of online sales and brick and mortar sales
  - “No difference in ease to grasp”: 34%
  - “Online sales prices are easier to grasp”: 37%

### Grasping the retail price of competitive products

(II-3(4)-iii (p.64))

- ✓ Grasping on the retail price of competitive products: 63%
- ✓ Differences in the ease of grasping sales prices of online sales and brick and mortar sales
  - “Online sales prices are easier to grasp”: 41%
  - “Brick and mortar sales prices are easier to grasp”: 33%

### Instructions/demands regarding sales prices or advertisements/displays of sales prices

(II-3(4)-iv (p.66))

- ✓ **Presence of instructions/demands**
  - Conducted guidance/requests: 14%
- ✓ **Types of instructions/demands**

Gave instructions/demands with regards to sales pricing in order to avoid spoiling the brand image: 62%

  - Gave instructions/demands to not sell at or below a certain sales price: 40%

[Types of instructions/demands regarding sales prices or advertisements/displays for sales prices]

| Details of answer  | Number of answers (cases) | Percentage |
|--|---------------------------|------------|
| Giving instructions/demands a sales price that does not spoil brand image  | 33                        | 62%        |
| Giving instructions/demands not to sell at or below a certain sales price  | 21                        | 40%        |
| Giving instructions/demands to sell at a price in accordance with the standard retail price (suggested retail price) | 15                        | 28%        |
| Giving instructions/demands on advertisements/displays of sales prices   | 15                        | 28%        |
| Number of respondents  | 53                        |            |

(Multiple answers possible)

## II Survey results (4. Transactions at online shopping malls)

### Overview of respondents

- ✓ Respondents are stores conducting sales at online shopping malls (retailers and manufacturers)
- ✓ No difference was observed in answer tendencies between retailers and manufacturers

\* So only the results of retailer's answer are described below

### Selection of online shopping malls

#### Online shopping malls where stores are opened (II-4(2)-i (p.72))

- ✓ **Tendency to concentrate to top online shopping malls**  
Percentages of the top 3 online shopping malls are significantly high

|      | Online shopping mall name | Number of answers (cases) | Percentage |
|------|---------------------------|---------------------------|------------|
| 1st  | A                         | 274                       | 71%        |
| 2nd  | B                         | 245                       | 64%        |
| 3rd  | C                         | 207                       | 55%        |
| 4th  | D                         | 36                        | 9%         |
| 5th  | E                         | 27                        | 7%         |
| 5th  | F                         | 27                        | 7%         |
| 7th  | G                         | 26                        | 7%         |
| 8th  | H                         | 19                        | 5%         |
| 9th  | I                         | 15                        | 4%         |
| 10th | J                         | 14                        | 4%         |

(Answers of up to 10 websites possible)

#### Reasons for selecting the online shopping mall (II-4(2)-ii(i) (p.75))

- ✓ **“Large Number of users (consumers)” : 77%**  
→ **Two-sided Indirect network effect is working**

| Reasons for selection   | Number of answers (cases) | Percentage |
|---|---------------------------|------------|
| Large Number of users (consumers)                             | 758                       | 77%        |
| Low cost usage fees   | 255                       | 26%        |
| Good sales support system                                     | 253                       | 26%        |
| Procedure to open a store is simple and easy                  | 165                       | 17%        |
| Highly flexibility in sales methods and design of sales pages | 133                       | 14%        |

(Multiple answers possible) (Top 5 items answered with high percentage)

#### Possibility to change online shopping mall (II-4(2)-ii(ii) (p.76))

When dissatisfied with the online shopping mall where have opened a store;

- ✓ **Can stop sales on the mall easily: 32%**
- ✓ **Cannot stop sales on the mall easily: 68%**

\* In cases where the retailer is conducting online sales only at an online shopping mall, the percentage of answers stating “Stopping sales is impossible (extremely difficult)” tended to be high.

## II Survey results (4. Transactions at online shopping malls)

### Acts by online shopping mall operators

|   |   |   |
|---|---|---|
| <p><b>Screening for opening stores/posting</b><br/>(II-4(2)-iv (p.81))</p> <p>Disclosure of screening criteria;</p> <ul style="list-style-type: none"> <li>✓ <b>“Screening was conducted but the results were not disclosed”</b>: 40%</li> <li>✓ <b>“Screening was not conducted”</b>: 15%</li> </ul>   | <p><b>Equality of sales price/product lineup</b><br/>(II-4(2)-vii (p.85))</p> <ul style="list-style-type: none"> <li>✓ <b>MFN clause regarding sales price</b> <ul style="list-style-type: none"> <li>• Equality, etc. for the own website or other online shopping malls is required: 8%</li> </ul> </li> <li>✓ <b>MFN clause regarding product lineup</b> <ul style="list-style-type: none"> <li>• Equality, etc. for the own website or other online shopping malls is required: 8%</li> </ul> </li> </ul> |   |
| <p><b>Terms of use of customer information</b><br/>(II-4(2)-viii (p.87))</p> <p>Customer information obtained regarding sales at online shopping malls;</p> <ul style="list-style-type: none"> <li>✓ <b>Can be used only in the range necessary for shipping products, etc.:</b> 46%</li> <li>✓ <b>Can be used in sales promotion activities at the online shopping mall, etc., in addition to the ranges necessary for shipping products:</b> 46%</li> </ul> <p>After leaving the online shopping mall;</p> <ul style="list-style-type: none"> <li>✓ <b>There is an arrangement stating that data can never be used:</b> 62%</li> <li>✓ <b>There is an arrangement stating that data can be used:</b> 8%</li> <li>✓ <b>There is no arrangement:</b> 30%</li> </ul> | <p><b>Restrictions on opening stores at other online shopping malls</b><br/>(II-4(2)-vi (p.85))</p> <ul style="list-style-type: none"> <li>✓ Opening stores at other online shopping malls,<br/><b>“Sometimes restricted”</b>: 2 %</li> </ul>   | <p><b>Contract clauses</b><br/>(II-4(2)-iii (p.78))</p> <p>With regard to trade terms with online shopping mall operators regarding opening a store, decide/change the contents of a contract by individual negotiation;</p> <ul style="list-style-type: none"> <li>✓ <b>Possible:</b> 39%</li> <li>✓ <b>Not possible:</b> 61%</li> </ul> <p>* In cases where an enterprise is with a small amount of capital or is conducting online sales only at an online shopping mall, the percentage of answers stating “Not possible” tended to be high.</p> <p><b>Usage fee/payment methods</b><br/>(II-4(2)-v (p.82))</p> <ul style="list-style-type: none"> <li>✓ <b>Usage fee, etc.</b> <ul style="list-style-type: none"> <li>• “Dissatisfied”: 38%</li> <li>• “Satisfied”: 62%</li> </ul> </li> <li>✓ <b>Payment method</b> <ul style="list-style-type: none"> <li>• “Dissatisfied”: 15%</li> <li>• “Satisfied”: 85%</li> </ul> </li> </ul> |

## Action of consumers

### Online shopping mall suppliers

(II-5(1)-i (p.91))

- ✓ **Tendency to concentrate to top online shopping malls**

|     | Online shopping mall name | Number of answers (cases) | Percentage |
|-----|---------------------------|---------------------------|------------|
| 1st | A                         | 1,721                     | 86%        |
| 2nd | B                         | 1,695                     | 85%        |
| 3rd | C                         | 1,225                     | 61%        |
| 4th | D                         | 356                       | 18%        |
| 5th | E                         | 316                       | 16%        |

(Multiple answers possible) (Top 5 items answered with high percentage)

### Reasons for selecting the online shopping mall

(II-5(1)-ii (p.91))

- ✓ **“Number of handled products is large”: 57%**
- **Indirect network effect is working to some extent**

| Reasons for selecting                          | Number of answers (cases) | Percentage |
|--|---------------------------|------------|
| Low price                                      | 1,333                     | 67%        |
| Good product lineup                            | 1,134                     | 57%        |
| Good member services (points, discounts, etc.) | 698                       | 35%        |
| Payment method is easy to use                  | 509                       | 25%        |
| Large number of stores                         | 403                       | 20%        |
| Extensive shipment service                     | 397                       | 20%        |
| Quality of products is well handled            | 349                       | 17%        |
| Sales pages are easy to look at                | 321                       | 16%        |

(Answers of up to 3 websites possible)

## Substitutability of suppliers

(II-5(3) (p.97))

If the price of all the products sold at an online shopping mall increases by 5 to 10%, consumers using the online shopping mall will;

- ✓ **Continue to make purchases at the online shopping mall: 58%**
- ✓ **Reduce amount of purchases at the online shopping mall and increase amount of purchases at brick and mortar stores: 21%**

If based only on these results, it can be said that a certain level of substitutability for consumers is observed between online shopping malls and brick and mortar stores.

### Showrooming

(II-5(4)-i (p.99))

Have experience of showrooming:

- ✓ **Yes: 47% No: 54%**

### Webrooming

(II-5(4)-ii (p.102))

Have experiences of webrooming:

- ✓ **Yes: 38% No: 62%**

## Issues/problems and improvements regarding B2C e-commerce

- ✓ **Deteriorating distribution conditions: 81%** (II-6 (p.106))
- ✓ **Free opinion**
  - Increasing logistics costs is a vital issue especially for small and medium sized enterprises (manufacturer)
  - In the case of e-commerce, customers tend to return or replace products or make complaints easily because they can purchase items with one click (retailer)

| Issue/problem  | Number of answers (cases) | Percentage |
|--|---------------------------|------------|
| Deteriorating distribution conditions (shortage of workers, rise in freight costs) | 616                       | 81%        |
| Leakage of personal information  | 387                       | 51%        |
| Diversification/advancement of payment method                                      | 269                       | 36%        |
| Increase of false websites   | 235                       | 31%        |
| Monopolization of online shopping malls  | 228                       | 30%        |

(Multiple answers possible) (Top 5 items answered with high percentage) 13



Characteristics of the B2C e-commerce market

Impact on competition caused by the expansion of e-commerce

(III-1(1) (p.108))

- Expansion of the use of e-commerce
- Expansion of business areas of enterprises
- Strong competition in prices/product lineup



《Pro-competitive effects》

- ✓ E-commerce has the effect of promoting competition leading to great benefits for both enterprises and consumers

- There are a number of retailers who have been restricted by the manufacturer from conducting online sales
- Tendency for the manufacturer to issue instructions or demands to the retailer if the retailer is conducting online sales



《Anti-competitive effects》

- ✓ Concern that since it is easier to gauge the state of transactions of the online sales conducted by other enterprises, (1) it will be easier for manufacturers to exert control over the retail prices, and (2) this will also promote concerted action relating to prices

- Limited use of the automatic pricing tools, etc.
- One of the reasons given for using the automatic pricing tool in the answers of the retailers was "to offer competitive prices"



- ✓ In terms of the impact of using automatic pricing tools, etc. on competition, at present, it seems that it is acting in the direction of ramping up price competition
- ✓ Possibility of adverse effects on competition in the future such as the promotion of concerted practices due to the expansion of use of such tools, and therefore, the JFTC will continue to pay close attention to the actual situation of use

■ From the perspective of promoting fair and free competition, the JFTC will clarify its position on acts that are problematic under the Antimonopoly Act (described later), seek to prevent acts of violation in advance, and strive to gather information on the state of transactions

■ Deal strictly with acts that violate the Antimonopoly Act



### Characteristics of the B2C e-commerce market

#### The Position of online shopping malls operators in the market (III-1(2) (p.109))

- Stores and consumers tend to be concentrated at the top 3 online shopping malls  
⇒ Two-way indirect network effect
- Sales at online shopping malls are particularly important for small and medium-sized businesses

- ✓ Online shopping mall operators, where stores and consumers are concentrated, occupy a dominant position in the area of online shopping mall operations, and sometimes have a superior bargaining position against the other transacting party  
⇒ **Possibility of a problem under the Antimonopoly Act if competitors are excluded or a store's trade terms are unilaterally changed**
- ✓ Unless fair trade terms are guaranteed, the business opportunities of enterprises, which are highly dependent on online shopping malls for their sales, will be unfairly restricted, and this, in turn, may eventually lead to impeding fair competition in the entire B2C e-commerce market in Japan

- *The JFTC will work on ensuring transparency in the trade terms from the perspective of maintaining fair competition, and clarify its position concerning problematic acts under the Antimonopoly Act (described later), and strive to gather information on the state of transactions at online shopping malls (described later)*
- *Deal strictly with acts of violation of the Antimonopoly Act*

#### Substitution of online sales and sales at brick and mortar stores (III-1(3) (p.111))

- Not much difference in product lineup, price setting, etc. between online sales and brick and mortar store sales
- Difference in observation about customer bases
- The reference point for competitors/price uses the same sales style, and the sales strategy differs for each sales style

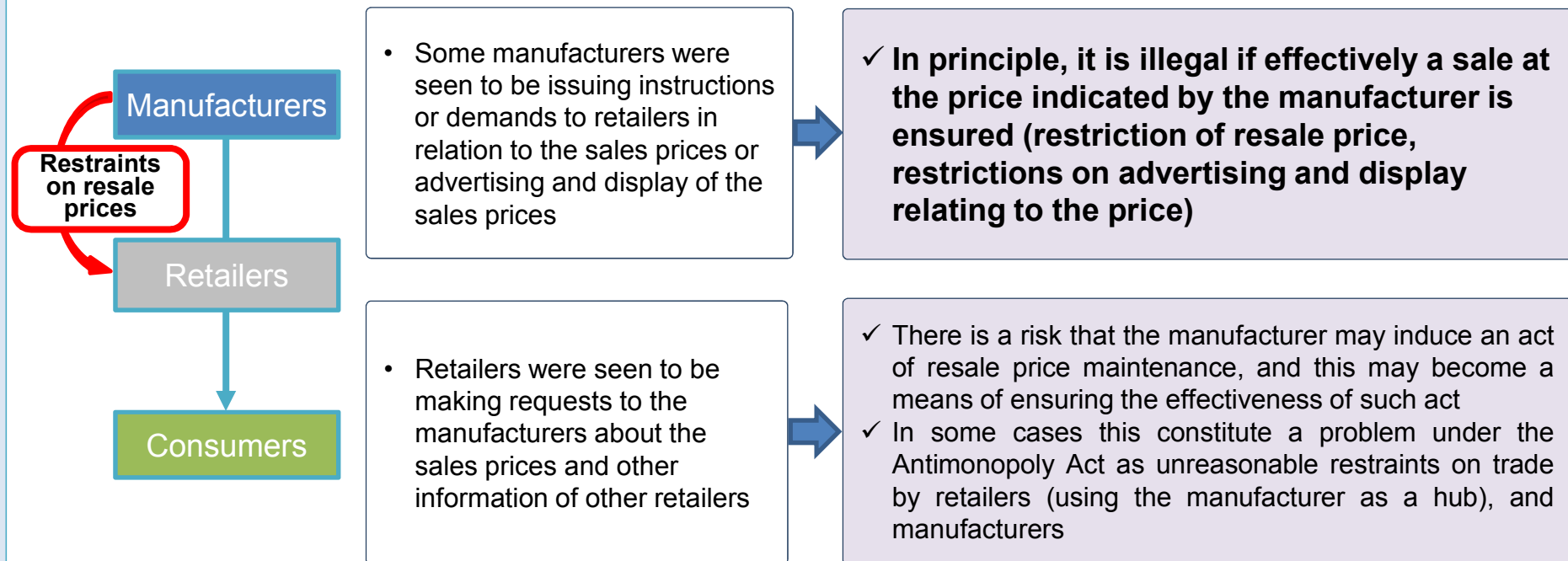
- ✓ Difficult to definitively evaluate to what extent online sales and brick and mortar store sales share the same market
- ✓ In applying the Antimonopoly Act, it is necessary to judge on a case-by-case basis

- *Internet technology is progressing day by day and since the market situation is likely to change with the passing of time, if the need arises to specifically examine the degree of substitution in applying the Antimonopoly Act, an examination needs to be conducted on a case-by-case basis.*

Acts that present a problem, between manufacturers and retailers

Resale price maintenance practices, etc. (III-2(1) (p.112))

- ✓ Online sales make it easier for manufacturers to gauge the retail prices and other information, and make it easier to ensure the effect of resale price maintenance practices
- ✓ It also becomes easier for retailers to mutually monitor their sales prices and other information amongst themselves, and it becomes easier to carry out concerted action relating to the prices



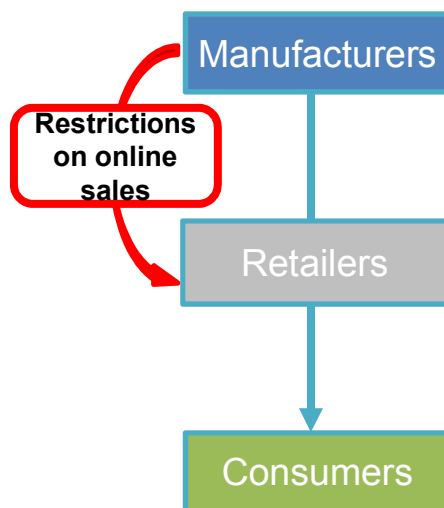
- The JFTC will pay close attention to the progress and spread of technology that facilitates price monitoring, and strive to gather information on the state of transactions between manufacturers and retailers from the viewpoint of whether manufacturers are conducting acts of resale price maintenance, etc.
- Deal strictly with acts that violate the Antimonopoly Act

## Acts of restricting online sales

(III-2(2) (p.113))

- ✓ Online sales are an important sales tools for enterprises
- ✓ Online sales restrictions:
  - Greatly limits sales opportunities for retailers and may pose a major disadvantage for consumers
  - As the degree of restriction increases, the anti-competitive effect also increases
- ✓ Complete prohibition of selling online and prohibition of sales at online shopping malls:
  - There are cases where online sales are conducted as a result of adopting selective distribution and cases where online sales are conducted without depending on selective distribution
  - In either case, these prohibitions have the nature of limiting the actual distributors who handle the goods, and therefore, the adverse effect on competition is thought to be greater than when the retailers' sales methods are simply being restricted
- ✓ On the other hand, it may be plausibly rational reasons for manufacturers to impose restrictions on the online sales of retailers such as when face-to-face confirmation or adjustment is absolutely necessary

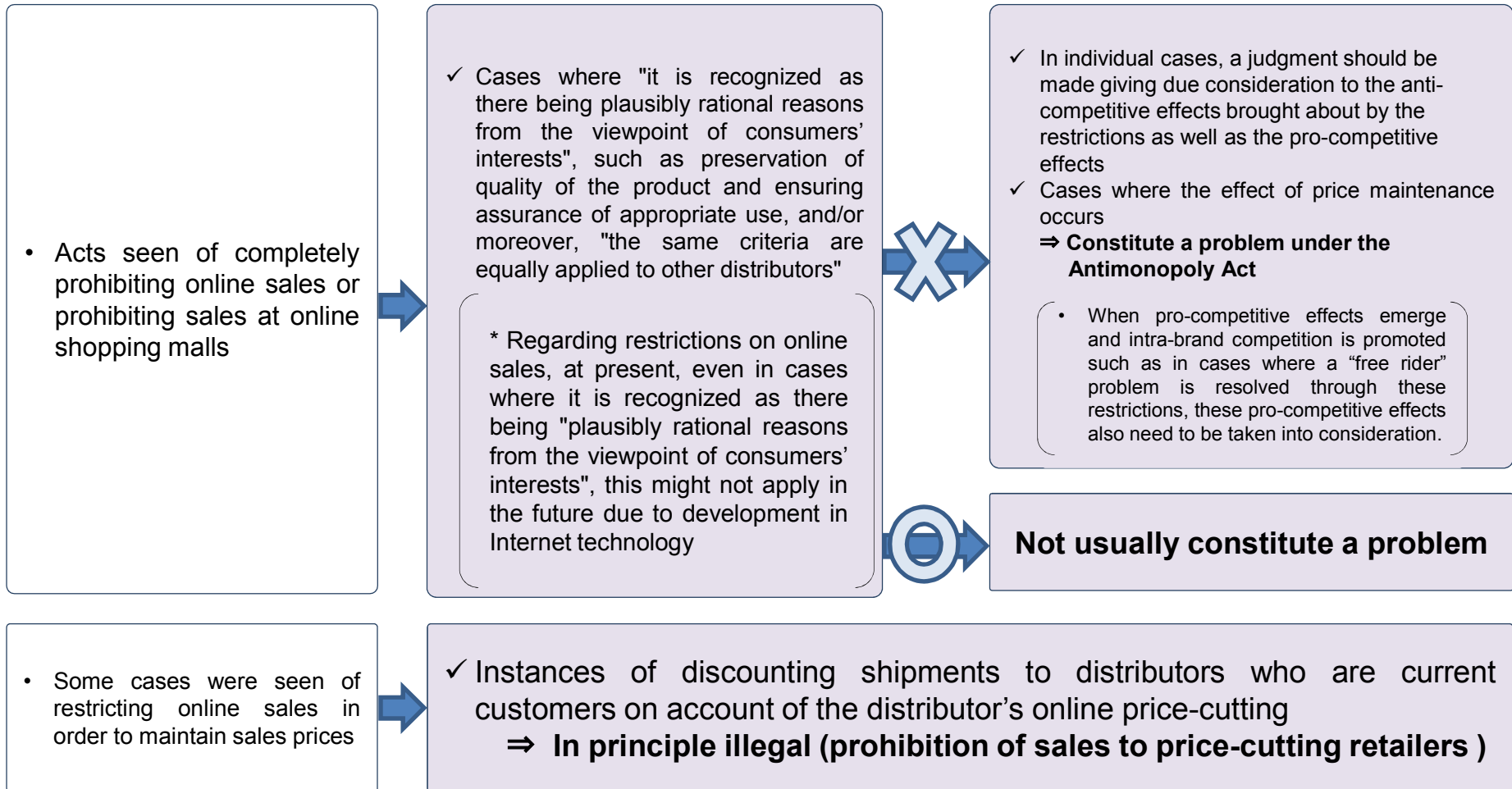
### ① Specification of the design of online sales sites



- There have been acts of specifying the design of the retailer's online sales sites by manufacturers in order to maintain the brand image of the products.

- ✓ Cases where “plausibly rational reasons for proper sale of goods” are accepted, and moreover, “the same conditions is imposed on other retailers”
  - ⇒ Do not constitute a problem under the Antimonopoly Act
- ✓ The act by manufacturer of specifying the design for a retailer’s online sales site within the scope of the objective of maintaining the brand image is generally considered to be with “plausibly rational reasons for the proper sale of goods”

② Complete prohibition of selling online and prohibition of sales at online shopping malls



- While bearing in mind that the criteria, such as whether plausibly rational reasons exist in relation to restricting online sales, will change with the development of Internet technology, the JFTC will strive to gather information on the state of transactions between manufacturers and retailers such as whether the retailers' online sales are being restricted by the manufacturer
- Deal strictly with acts that violate the Antimonopoly Act

## Problematic acts by online shopping mall operators

### Online shopping mall usage fees and payment methods (III-3(1) (p.117))

✓ Online shopping malls are an important sales tool especially for small and medium-sized retailers, and they also play a significant role in ramping up competition

- There were a number of stores that were dissatisfied with unilateral increases in the online shopping mall usage fees, and the fact that only specific payment methods could be used
- There was an online shopping mall operator that stated, "There are cases where specific payment methods will be specified from the viewpoint of greater convenience for the consumers etc."

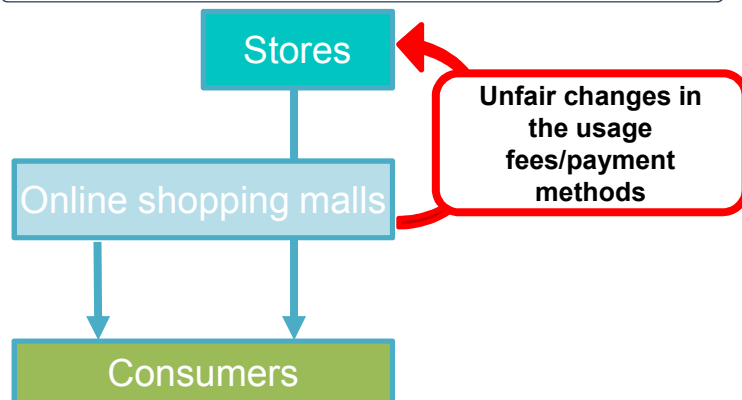


✓ If the usage fees are unilaterally raised or payment methods restricted, the business opportunities of retailers, which are highly dependent on online shopping malls, will be unfairly restricted, and this could eventually lead to impeding fair competition in the entire B2C e-commerce market

⇒**Should continue working on greater transparency in the trade terms with retailers from the viewpoint of ensuring a fair competition**

✓ Cases where an online shopping mall operator in a superior position was seen, in light of normal business practices, to unfairly change the usage fees or payment methods putting the store at a disadvantage

⇒**Risk of there being a problem under the Antimonopoly Act (abuse of a superior position etc.)**



- *The JFTC will strive to gather information on the state of transactions between online shopping mall operators and enterprises so that online shopping mall operators do not unfairly change the usage fees or payment methods of online shopping malls*
- *Deal strictly with acts that violate the Antimonopoly Act*

Screening for the opening of stores or display of products at the online shopping mall (III-3(2) (p.118))

- ✓ Online shopping malls are an important sales tool particularly for small and medium-sized retailers
- ✓ Online shopping malls also play a significant role in ramping up competition in the B2C e-commerce market

- Some stores stated, "The screening criteria were not disclosed at the time of the screening of the opening a store at the online shopping mall."
- Some online shopping malls stated that they may refuse to open a store if the merchant has caused problems in the past such as committing a fraudulent act



- ✓ Cases where there are reasonable justification from the viewpoint of consumer interests to prevent measures being taken by unscrupulous stores
- ✓ If the store is refused permission to open a store or display goods or is forced to leave the online shopping mall due to ambiguous reasons, stores, which are highly dependent on online shopping malls, will have their business opportunities unfairly restricted and this may eventually lead to fair competition in the entire B2C e-commerce market being impeded  
⇒ **Should continue working on transparency of trade terms from the viewpoint of ensuring fair competition**

- ✓ ① Cases where an online shopping mall operator refuses to allow a merchant to open a store or display products or forces the store to leave the online shopping mall as a means of ensuring the effective of an illegal act under the Antimonopoly Act
- ✓ ② Cases where an online shopping mall operator which is an influential enterprise in the retail market refuses to allow a store to open or display goods or forces the store to leave the online shopping mall as a means of achieving an unfair purpose under the Antimonopoly Act such as eliminating competitors in the retail market  
⇒ **Risk of a problem under the Antimonopoly Act (primary refusals to deal by a single enterprise,etc.)**



- *The JFTC will strive to gather information on the state of transactions between online shopping mall operators and stores so that online shopping mall operators do not unjustly refuse to allow the opening of a store or the display of products at an online shopping mall or force a store to unfairly leave the online shopping mall*
- *Deal strictly with acts that violate the Antimonopoly Act*



**Restrictions on opening stores at other online shopping malls** (III-3(3) (p.119))

- ✓ Online shopping malls play a significant role in ramping up competition in the B2C e-commerce market
- ✓ It is important for strong competition to take place between online shopping malls in order for them to play a significant role in ramping up competition

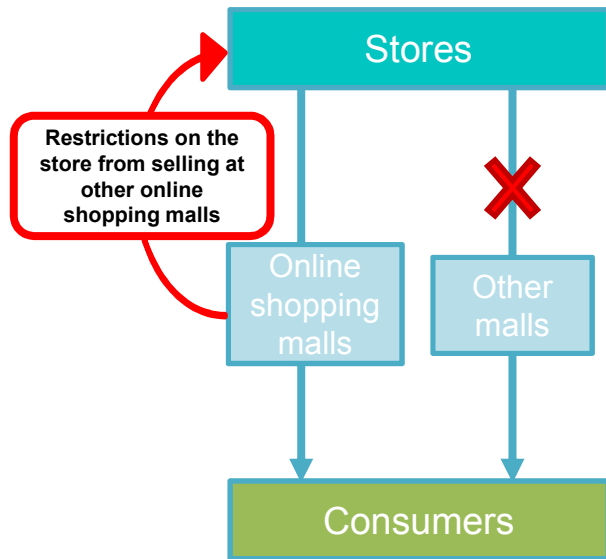
- Not confirmed whether restrictions were imposed on selling at other online shopping malls



- ✓ Two-sided indirect network effect arises in online shopping malls
- ✓ In order for online shopping malls to function as an effective competitive unit, it is necessary for them to secure a certain constant number of stores and consumers
- ✓ If an online shopping mall operator which has an influential position restricts stores from opening stores at other online shopping malls and thereby prevents other online shopping malls from acquiring a sufficient number of stores, the possibility that such acts will render new entry into the market difficult, and also make it more difficult for small and medium-size online shopping mall operators to continue operating when compared to other markets where an indirect network effect does not arise

**⇒Restrictions on opening stores at other online shopping malls will impede competition among the online shopping malls and eventually fair competition in the entire B2C e-commerce market**

- ✓ If such acts are conducted by influential enterprises in the market, there is the possibility of impeding the business activities of existing competitors or of raising entry barriers to the market, and if a market foreclosure effect occurs, problems under the Antimonopoly Act (refusal to deal in concert with competitors) may arise



- The JFTC will strive to gather information on the state of transactions between online shopping mall operators and stores from the viewpoint of determining whether online shopping mall operators are restricting merchants from opening a store at other online shopping malls, and if they are imposing such restrictions, what kind of impact this is having on the market
- Deal strictly with acts that violate the Antimonopoly Act



**MFN clauses**

(III-3(4) (p.120))

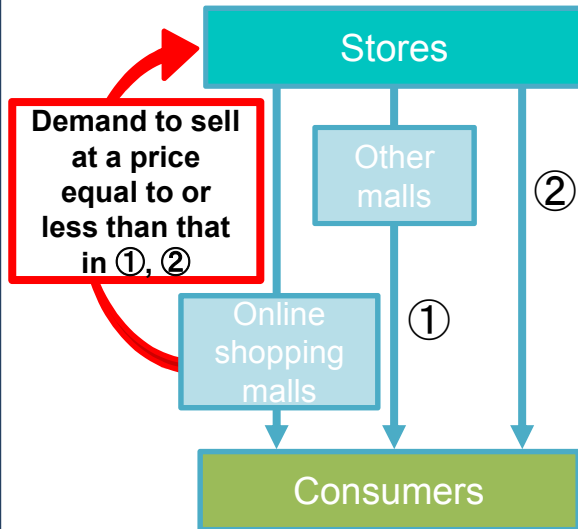
- ✓ Online shopping malls play a significant role in ramping up competition in the B2C e-commerce market
- ✓ It is important for strong competition not only among stores but also among online shopping malls in order that online shopping malls play a significant role in ramping up competition

- Not confirmed that online shopping malls demand stores to sell at or below the price on its own site or at another online shopping mall, or to sell an equal or greater product lineup



- ✓ Cases where in the contract between the online shopping mall operator and the store there was an equivalent price clause or an equivalent product lineup clause (so-called MFN clauses), for example:
  - It becomes impossible for stores to cut prices etc. at specific online shopping malls, which means there will be reduced incentive to cut prices etc.
  - Even if another online shopping mall operator were to request price cuts or expanded product lineups at their online shopping mall, since prices would have to be cut etc. at the same time at the online shopping mall which established a MFN clause, the incentive to make such requests will reduce.
- ⇒ **Competition is impeded among stores and online shopping malls, which may eventually hinder fair competition in the entire B2C e-commerce market**

- ✓ In cases where an influential enterprise engages in such conduct, there is the risk of reduced competition in prices and product lineup among online shopping malls and stores, and of impeding the willingness of other online shopping mall operators to adopt innovative selling methods, and of hindering the motivation of new businesses to enter the market
  - ⇒ **Problems arising under the Antimonopoly Act (trading with restrictive conditions, etc.)**
- ✓ When multiple online shopping mall operators establish MFN clauses, the probability of such problems under the Antimonopoly Act occurring are likely to increase compared to cases where such clauses are not established



- The JFTC will strive to gather information on the state of transactions between online shopping mall operators and stores from the viewpoint of determining whether online shopping mall operators have been establishing MFN clauses and, if they are what kind of impact this is having on the market
- Deal strictly with acts that violate the Antimonopoly Act

**Restrictions on use of customer information at online shopping malls**

(III-3(5) (p.121))

✓ In order for the B2C e-commerce market to provide greater convenience for the consumers, enterprises that engage in e-commerce related business activities should use the customer information appropriately, and achieve more efficient product development, sales methods and marketing.

- Some stores stated that “customer information cannot be used except in the shipping of goods” and “customer information cannot be used after the store has left the online shopping mall”
- Some online shopping mall operators stated that they “collect customer information in accordance with standard contracts, etc., provide information to the stores only to the extent necessary, and prohibit use outside the authorized purpose of use”



- ✓ Does not immediately constitute a problem under the Antimonopoly Act, and there are cases where there are reasonable justification from the viewpoint of preventing a “free rider” problem and the protection of personal information
- ✓ In order to ensure predictability so that the store does not suffer an unexpected disadvantage such as the online shopping mall unilaterally changing the available customer information and its conditions of use:
  - ⇒ **Should continue working on transparency in the trade terms from the viewpoint of ensuring fair competition**
- ✓ Cases where an online shopping mall operator that is itself operating a retail business uses the customer information obtained through sales conducted by one of the stores operating on its online shopping mall in order to gain an advantage in carrying out its own retail business on the online shopping mall, but does not allow the store to similarly use the customer information, thus unfairly interfering with the retail business of the store
  - ⇒ **Risk of a problem under the Antimonopoly Act (obstruction of the trade of competitors, etc.)**

- *The JFTC will strive to gather information on the state of transactions between online shopping mall operators and stores as well as the state of use of customer information by the online shopping mall operators from the viewpoint of whether online shopping mall operators are imposing unfair conditions on the use of customer information against stores*
- *Deal strictly with acts that violate the Antimonopoly Act*

**Others**

(III-4 (p.123))

- Some enterprises have pointed out the deteriorating distribution conditions as a problem of e-commerce

- ✓ For example, there is the possibility that acts that fall under the abuse of a superior position or violations of the Subcontract Act are causing the deterioration in the distribution conditions
- ✓ Those who engage a business related to e-commerce are expected to comply with a wide range of laws including the Antimonopoly Act



- ◆ Due to developments in digital technology, there is the possibility that future developments in digital technology will create new Antimonopoly Act issues and concerns in terms of competition policies
- ◆ E-commerce is thought to generally have the effect of promoting competition, bringing great benefits for both consumers and enterprises, but if acts that restrict competition are carried out, this will impede the development of the B2C e-commerce market
- ◆ If acts by online shopping mall operators which hamper fair and free competition are carried out, this could lead to impeding fair competition in the entire B2C e-commerce market
- ◆ The Japan Fair Trade Commission will strive to gather information on the trends in B2C e-commerce business, especially acts conducted by online shopping mall operators, and deal strictly with acts that violate the Antimonopoly Act