

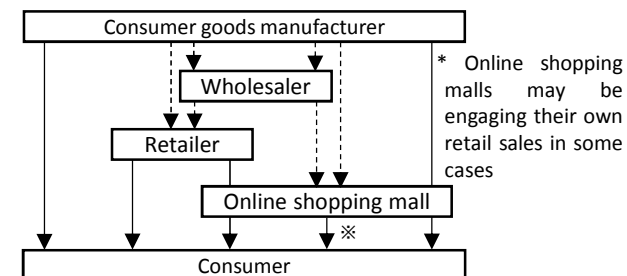
# Survey Report Regarding Transactions in B2C E-Commerce

## Survey method / Subject of the survey

- Questionnaire for enterprises (retailers, manufacturers) 【Jan – Feb 2018】
- Interview survey  
(Retailers, manufacturers, online shopping mall operators, etc.) 【as needed】
- Questionnaire for consumers 【Sept 2018】

Survey on "transactions related to products purchased by consumers from businesses via the Internet"

《Distribution image》  
 ———▶ : Online retail transactions  
 - - - - -▶ : Other transactions



## Survey results

### Impact on competition caused by the expansion of e-commerce

- ✓ The Market scale expanded by 73.5% in 5 years (9.513 trillion yen → 16.5054 trillion yen)
- ✓ "Benefits acquired through from online sales": 94% of retailers
  - Expansion mainly in business area, customer bases
- ✓ "Competition intensified due to online sales": 77% of retailers
  - Strong competition in prices, product lineup
- ✓ "After commencing online sales, increase in instructions received from manufacturers, etc. on sales prices etc.": 40% of retailers received instructions, etc.
- ✓ Online sales are an important sales tools for enterprises

### Acts between manufacturers and retailers

- ✓ "Received instructed on prices, etc.": 24% of retailers
- ✓ "Online sales etc. are restricted": 29% of retailers

### Position of online shopping malls in the market

- ✓ Concentration of stores and consumers in top 3 online shopping malls
  - Approximately 50% to 70% of retailers have opened a store on 3 major online shopping malls, about 60 to 90% of consumers use them
 ⇒ Two-sided indirect network effect
- ✓ Cannot easily stop selling on online shopping malls: 68% of retailers
- ✓ Online shopping mall sales are particularly important for small and medium-size retailers

### Acts by online shopping mall operators

- ✓ Changes in usage fees, payment methods, store opening screening criteria, terms of use of customer information  
⇒ Complaints from stores
- ✓ MFN clauses, restrictions on opening stores at other online shopping malls  
⇒ not confirmed

## Evaluation

### 《Pro-competitive effect》

- ✓ E-commerce has a pro-competitive effect with great benefits for both businesses and consumers

### 《Anti-competitive effect》

- ✓ Concerns that (1) manufacturers are more likely to control retail prices, (2) concerted action on prices may be promoted
- ✓ **Restrictions on online sales may greatly limit opportunities for retailers' sales and may pose major disadvantages to consumers**

- ✓ Clarify the position on acts between manufacturers and retailers (⇒ next page)  
 ▶ Strive to gather information, deal strictly with violations of the Antimonopoly Act

- ✓ Online shopping malls with a large concentration of stores and consumers can easily gain a market advantage
- ✓ Concerns that acts such as unilateral changes in trade terms by online shopping mall operators may lead to a situation where enterprises with large amounts of sales or which are highly dependent on online shopping malls may be forced to accept unfavorable conditions, or their business opportunities will be unfairly restricted

- ✓ Clarify the position on acts of online shopping mall operators (⇒ next page)

- ▶ Transparency in trade terms needed from the viewpoint of securing fair competition  
 ▶ Strive to gather information, deal strictly with violations of the Antimonopoly Act

## Position in terms of the Antimonopoly Act and competition policies

### 《Acts between manufacturers and retailers》

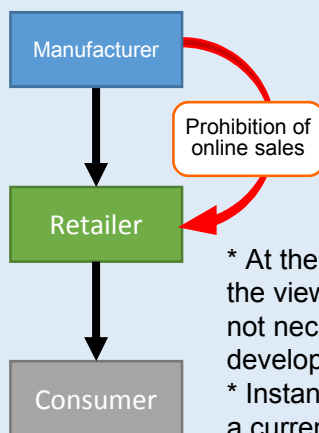
#### Resale price maintenance practices

- ✓ If the effect of this practice is ensured, in principle, illegal
- \* There is the risk that if a retailer makes a request to the manufacturer relating to the sales prices, etc. of other retailers, this may (1) induce the manufacturer to engage in acts of resale price maintenance, and (2) result in unreasonable restrictions on trade being imposed by retailers (using the manufacturer as a hub) and manufacturers

#### Restrictions on online sales

- ✓ Position in terms of the Antimonopoly Act

“Plausibly rational reasons from the view point grounds from the perspective of consumers’ interests such as preservation of quality of the product and/or assurance of appropriate use”  
“The criteria equally applied to other distributors”



Met → **Generally not problematic**  
Not met → **Case-by-case judgments which consider both anti-competitive effects but also pro-competitive effects**

- \* At the current time, even if “plausibly rational reasons from the viewpoint of consumer interests” is recognized, this will not necessarily be the case in the future when further developments will have been made in Internet technology
- \* Instances of discounting shipments to a distributors who is a current customer on account of the distributor’s online price-cutting  
⇒ **In principle illegal (prohibition of sales to price-cutting retailers)**

### 《Acts by online shopping mall operators》

#### Changes in usage fees, payment methods, store opening screening criteria, terms of use of customer information

- ✓ From the viewpoint of ensuring fair competition, online shopping mall operators should continue to make the trade terms transparent so that stores do not suffer unforeseen unfair disadvantages
- \* Awareness of the fact that the following cases may constitute a problem under the Antimonopoly Act
  - Cases when an online shopping mall operator in a superior bargaining position unfairly changes the usage fees or payment methods
  - Cases where an online shopping mall operator which operates in retail business itself refuse to allow merchants to open stores on the online shopping mall in order to achieve such purposes as excluding competitors from the retail market
  - Cases where an online shopping mall operator which operates in retail business itself unfairly uses customer information acquired through sales by stores on the online shopping mall to gain an advantage in its own retail business

#### MFN clauses (demand sales, etc. at or below the price at another site)

- ✓ If there is a risk of reducing competition about price and product lineup between online shopping malls or between stores, or impeding the motivation of other online shopping malls to innovate and raising barriers to entry into the market of other enterprises, there will be issues of Antimonopoly Act
- \* The probability of there being a problem under the Antimonopoly Act are likely to increase, when conducted by multiple business operators

### Future responses of the Japan Fair Trade Commission

- ◆ E-commerce brings great benefits for both enterprises and consumers, and the Japan Fair Trade Commission expects that competition will be promoted in the market without the abovementioned acts that constitute a problem under the Antimonopoly Act being conducted in the Japanese B2C e-commerce market
- ◆ On the other hand, recognition that since specific online shopping malls are more likely to gain a superior position in the market owing to the existence of an indirect network effect, etc. , if the online shopping mall operators impede fair and free competition, this act could lead to hamper fair competition in the entire B2C e-commerce market
- ◆ For this reason, the Fair Trade Commission will strive to gather information on trends in B2C e-commerce business, especially acts of online shopping mall operators, and deal strictly with violations of the Antimonopoly Act