

# Payment Practices in the Land of the Samurai, an expert view by Jordan Graison, Limonetik

*Credit or debit bank cards are not the preferred payment method in Japan. Using a card can be a complicated and limiting...*

PARIS, ILE-DE-FRANCE, FRANCE, March 8, 2018 /EINPresswire.com/ -- According to HSBC, hard cash is still the order of the day in the Land of the Rising Sun. While innovative in almost all areas of technology the Japanese have been reluctant to give up the use of liquid currency. Compared to the French who have dematerialised 59% of their purchases, the Japanese are only at 14%\*. Like the Germans, Italians or Austrians, the Japanese consider cash as a source of security and anonymity. Experts at HSBC attribute this to an older population who are slower to adopt new technologies.



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The 2020 Olympic Games in Japan will influence payment practices even more and continue to erode cash economy, already under threat by the growing number of digital players.”

*Jordan Graison*

Credit or debit bank cards are not the preferred [payment method](#) in Japan. Using a card can be a complicated and limiting. The Japanese usually use credit or debit cards mostly in “modern” department stores or at ATMs. It’s actually impossible to use a credit or debit card in a restaurant or neighbourhood shop.

This is not to say that the Japanese aren’t anxious to try out new technologies. Japan has come up with a multitude of creative payment methods. This is the country that brought us Bitcoin, after all. Last September, Japan once again became

the biggest Bitcoin marketplace, with the famous cryptocurrency gaining a market share of 50.75%. The Japanese government has been driving innovation and pushing for the growth of virtual currencies.

### Ranking fourth in worldwide e-commerce

E-commerce in Japan has become all the rage, as it has almost everywhere in the connected world. With 2015 sales at €1.462 billion worldwide, e-commerce in Japan reached €102 billion. As a result, among the main online consumer countries, Japan is just ahead of Germany, occupying fourth place after China, the United States, and the United Kingdom.

Today, the preferred online payment method in Japan is still the credit or debit card; followed by post-purchase payment, then by carrier billing (charging payments to a phone bill). And in final place, the Japanese resort to e-wallets and prepaid cards (e.g., Line Pay, Suica, Nanaco, Edy).

The most popular bank cards are Visa and JCB, but they’re not alone

The bank (debit and/or credit) card is the country’s leading payment method handling 64.8% of all

purchases. All the Japanese carry a “cash card”, which can include a debit function (J-Debit). Credit cards in Japan are not free of charge. Card companies propose complementary services: cash back with partner brands, loyalty programmes, and a credit line (of course). The leader, JCB, boasts more than 82 million card carriers throughout 190 countries and territories. With a dominant market share and an ambitious expansion strategy, this payment service company serves some 25 million merchants. It may come as a surprise that Rakuten, Japan’s leading e-commerce and Internet Company, rated in the top 10 largest companies worldwide, has become a bank and credit card company. The “Rakuten Bank” has added payment cards to its services. Its cards are based in part on its digital currency, the “Rakuten Super Point”. To be sure, the Japanese have become loyal customers. The Rakuten card plays on this fidelity by rewarding its customers with cash back on their purchases. The brand even organises special events. Hence, on Labour Thanksgiving Day, customers get 5 or 6 times as much cash back if they use the Rakuten card to pay for purchases.



The “Konbinis”, proximity payment, and Netbanking make up 37.2% of purchases

Post-purchase proximity payments are highly popular in Japan. Customers make final payments via bank transfer, the post office, by ATM, and through Konbinis after shopping. It is mostly older consumers who use these alternative options to direct payment by card.

What is a Konbini? An abbreviation for the English expression “convenience store”, they are the backbone of proximity commerce in Japan. Almost anything can be done day or night at a Konbini. Customers can purchase normal consumer products, pick up parcels; or buy tickets for public transportation, shows and concerts; or pay bills, etc. Online purchases can be paid in cash. Payment is made using an ID that the customer must present to the Konbini employee or to a payment terminal within six days of a transaction. In 2015, Japan boasted over 55,000 Konbinis. Some better-known convenience stores chains include FamilyMart, Lawson and 7-Eleven.

Konbini aside, the so-called Pay-Easy system allows customers to handle their online purchases through an ATM or by remote banking. The user validates his or her purchases with a “cash card”, and it’s all paid up.

8.4% of Japanese use carrier billing

The Japanese have popularized the practice of handling payments through their phone bills. Twenty years ago Japan invented the I-mode service to compete with the WAP standard for mobile phones, but lost out to smartphone and 3G/4G technology.

Customers simply had to validate their order using their phone number to pay for both their monthly subscription and all purchases made during that billing period.

The mobile wallet – “contactless” and prepaid – the least favourite?

Telecom service providers (lead by NTT DOCOMO) have popularised the smart card using contactless payment. Adopted only recently in Western Europe with the introduction of the first NFC terminals (for instance, in Spain in 2014), contactless payment has been used in Japan for over 20 years. As in the West, small payments can be made through a mobile phone or payment terminal. Nevertheless, not all contactless cards are accepted – not even some well-established brands (witness Visa or Mastercard, who has had to create an application for geolocating sales outlets that are NFC-compatible).

The SUICA (Super Urban Intelligent CArd), mainstay of the prepaid e-wallet, was initially created by Japanese Railways for use as a public transport ticket. Now accepted in all the Konbinis, 30 million SUICA cards are in circulation. Another prepaid card that has had major success in Japan is Nanaco. 7-eleven Konbinis have issued 45 million Nanaco cards, which are accepted in some 215,000 stores. Prepaid payment methods and e-wallets represent 4.2 percent of total payments. This figure is surprising considering that Japan was a precursor when it came to prepaid cards...

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