

Japan Mobile Payments Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The Japanese mobile payments market is estimated to register a CAGR of 24.7% from 2022 to 2027. The market is witnessing an influx of global players, collaborating with and acquiring locally established players. The Japanese economy and the technological advancements in the country are attracting more investors to the growing mobile payments sector.

Key Highlights

The contactless payment trends started with the introduction of Pismo and Suica transport cards. Such smart transit cards dedicated to their respective sectors of the Japanese railways helped popularize contactless payments. The changing times, and evolution of smartphones, gave rise to mobile payments being used for transit and other everyday expenditure. The introduction of more smartphone Apps is shaping the ecosystem.

The introduction of Near Field Communication (NFC) in smartphones helped utilize smartphones and smart cards. The Tap to Pay features offered by smartphones, in coordination with the Apps, allows users to make swift and secure payments on the go. More and more banks are playing a crucial role in facilitating online transactions by collaborating with mobile payments service providers and coordinating the integration of their cards and internet banking options.

The mobile payments service providers are constantly offering discounts and running promotional campaigns, collaborating with their customer brands and other merchants. The deals, cashback, and other benefits attract large masses toward mobile payment platforms. For instance, in May 2022, PayPay Co. Ltd. introduced the "Up to 10% Return with Uber Eats Mini App!" campaign for Uber Eats Japan LLC customers, celebrating their two years of collaboration. The campaign was planned to last from May 20, 2022, to June 12, 2022, with the number of PayPay users in Uber Eats exceeding 2.5 million.

However, data privacy continues to be a major threat to the applications providing payment services on mobile phones. The companies are constantly working to introduce easier and safer ways to authenticate their clients' identities, adding to the safety and reliability of their policies. Some companies look forward to integrating government documents like driving licenses, etc., to

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authenticate users and avoid false, fraudulent accounts. Such measures are strengthening mobile payments. The COVID-19 pandemic has affected the small businesses that did not leverage the benefits of mobile payments and other online modes of payments. With the companies shifting online, mobile payments at even small convenience stores are becoming the new norm in Japan. According to a recent survey by PayPal, around 36% of the small businesses that had adopted online and offline means of continuing their businesses reported "no or positive impact on their business." Hence, mobile payments are supporting not just the online giants like Amazon but the smaller businesses too.

Japan Mobile Payments Market Trends

Internet Penetration in Japan Driving the Market

Japan's developing network and internet infrastructure drive the country's mobile payments scenario. The enhanced cellular and internet connectivity is normalizing mobile payments as a regular mode of payment in the country's local stores and everyday amenities.

Japan was among the first countries to have 5G internet infrastructure in their regions. The government has been active in allocating the bands and required support in the form of funds and management to promote network infrastructure growth. For instance, in October 2021, the Japanese government declared plans to allocate JPY 100 billion to accelerate research and development of advanced technologies, reinforcing economic securities. Japan's new Energy and Industrial Technology Development Organization will be managing the fund and the Japan Science and Technology Agency to encourage growth and research in big data, 5G, and semiconductors.

Several companies plan to expand to Japan, investing in data centers and other network-related infrastructure developments, improving the country's internet connectivity. For instance, in February 2022, GLP Global announced an approximate investment of about USD 12 billion to enter the data center market, targeting to deliver 900 MW of power capacity. The company has already been known for its work in Europe. Such investments contribute to expanding the e-commerce platforms, business operations, and the overall network capabilities of the country.

The increased internet penetration could be achieved through advancements in smartphones and cellular technologies. The introduction of NFC and the affordability of smartphones have played crucial roles in smartphone penetration. According to Japan's Ministry of Internal Affairs and Communications, smartphones observed a 68.5% internet penetration rate in Japan as of September 2021, compared to 48.1% for PCs and 25.1% for tablets. The ease of carrying smartphones with e-wallets and mobile payments apps has contributed considerably to the market's growth.

Integration with E-commerce Dominating the Growth of the Market

Japan is one of the most significant and dominating economies around the world. The country is known for its considerable contributions in trade, technology, and other sectors to the international supply chains. Some sectors contributing significantly to the economy include manufacturing, agriculture, fishing, and tourism. With the shift towards Industry 4.0 trends, the country's e-commerce is gaining pace, with an ever-increasing number of online transactions in Japan.

According to the e-Commerce Market Survey 2020, a survey conducted by the Ministry of Economy, Trade, and Industry (METI) estimates the size of the eCommerce Business-to-Consumer (B2C) market at USD 180 billion in 2020. The survey suggested that the sales of goods grew significantly, with the sales of travel-related services witnessing a dip drastically due to the COVID-19 pandemic. The survey estimated the country's Cross-Border eCommerce from the U.S. at USD 2.8 billion, an increase of 7.7% compared to 2019.

With the emergence of online shopping platforms, small businesses are also switching to online modes of payments and digital

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presence in the e-commerce world. The big and well-established companies also incorporate e-commerce platforms and the traditional form of business. For instance, in April 2022, Westlake Akishima, a Tokyo-based major supplier of specialty stabilizers for the PVC industry, announced a new e-commerce platform, extending the online buying experience to its buyer with security and convenience. Such introductions are shaping the e-commerce and online payment ecosystem, impacting mobile payments in Japan.

The local companies are facilitating foreign investments to expand the e-commerce world, paving the way for mobile payments to become an integral part of the circular economy. For instance, in October 2021, LINE Corporation announced its collaboration with NAVER Corporation, one of the major Korean e-commerce players, to introduce "MySmartStore" jointly. LINE has also announced that they will facilitate the linking of LINE accounts with the stores for exclusive promotions, warranties, and other services. LINE is the parent firm for LINE Pay, another mobile payments company in Japan.

The growth of the mobile payments market and e-commerce in Japan goes hand-in-hand. The rampant increase in the areas covered by the e-commerce platforms and digital stores has and will continue to influence the local markets, encouraging the users to avail of mobile payments.

Japan Mobile Payments Market Competitor Analysis

The Japanese mobile payments market is moderately fragmented, portraying intense competition among the companies offering services. Several communication companies are offering integration with their existing apps to make payments using smartphones. Telecom operators are also looking forward to entering the space with their unique offerings. The ecosystem is seeing new players from global ecosystems expand through Japan.

May 2022 - PayPay Securities Co., Ltd., a smartphone securities company that operates with the mission of "Making asset management more accessible," and PayPay Co., Ltd. have announced that PayPay Money will be used in the "Purchase as Remains," a service that allows transactions of stocks and investment trusts within the "PayPay Securities App." This will allow the customers to make investments in stocks and mutual funds using PayPay Money by linking PayPay balance (PayPay Money) to "Buy as Own."

April 2022 - PayPal partnered with its new merchant, "BULK HOMME," a skincare brand providing products for men. As a result of the collaboration, the clients of Bulk Homme will now be able to make payments through Paypal payments while shopping the products online with their PayPal account. The company also provides exclusive promotions with PayPal, with up to 80% off on its product range.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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