

## Ruten KK

**Under the wing of PChome Group, Taiwan's largest e-commerce operator, Ruten KK established its second Japanese base, following its Tokyo headquarters, in Osaka in November 2017. At the end of May 2018, through PChome's cross-border EC system, the company started delivering high-quality Japanese products to Taiwanese consumers.**

PChome Group, Taiwan's largest Electronic Commerce (EC) operator, established Ruten KK (Ruten Japan) in Shibuya, Tokyo in August 2015, and a branch office in Osaka City, Osaka Prefecture, in November 2017. PChome Online Inc. (PChome), the company at the core of the PChome Group, is an EC operator listed on the Taiwan Stock Exchange. It owns and manages the Taiwan's largest online shopping mall.



### **Demand for Japanese products in Taiwan, and exporting products of Japanese enterprises**

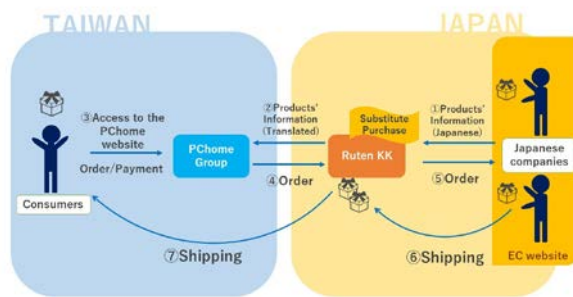
PChome Group has three different business models. In addition to direct sales via Taiwan's largest B-to-C sites, "PChome24h Shopping" and "PChome Global", it supports small and medium-sized enterprises (SMEs) with stores on its mall-style B-to-B-to-C "PChome Store" site, and acts as an intermediary between individuals on C-to-C "Ruten Auction". In Taiwan, the company boasts the largest market share for all three models, with more than 10 million users in total. Taiwanese consumers likely to use PChome sites when purchasing products online. The leader of Taiwan's EC market for more than 18 years, the company noticed a great interest in and need for Japanese products among Taiwanese customers. There is no risk for Ruten of keeping products in stock.

"In Taiwan, Japanese products are very popular because of their high quality," notes Wei Cheng Ching, COO of Ruten Japan. "Japanese companies commit to research and development and produce many excellent products, imitations of which are often made by non-Japanese companies. Taiwanese consumers want to buy those high-quality genuine Japanese products." He continues, "However, consumers in Taiwan usually face difficulties in purchasing such products due to language problems, a lack of payment tools and high shipping cost. Many of them have no choice but to search for items at department stores, which are limited in variety and expensive. We would like to solve such challenges." Mr. Wei described how the company decided to setting up a base in Japan.

PChome joined a Japan External Trade Organization (JETRO) event in the process of exploring how it could deliver Japanese products to consumers in Taiwan. That event became a key factor in determining the business strategy of its Japanese subsidiary. Mr. Wei said, "We talked to many Japanese SMEs at the JETRO event and realized their aspirations for business development overseas. We also knew there were many companies who couldn't go abroad because of difficulties with communication and after-sales service, as well as trade barriers in payment systems and customs." After the event, PChome decided to offer a service to connect Taiwanese consumers looking to buy Japanese products and Japanese companies seeking to expand business overseas.

### Adoption of a “substitute purchase” service system

After studying how cross-border EC sites could be used to meet the needs of both Taiwanese consumers and Japanese companies, Ruten Japan came across at the idea of a “substitute purchase” service.



Conceptual diagram of “substitute purchase”

Under this system, Ruten Japan purchases products from Japanese companies and delivers them to customers in Taiwan. The consumers can view the Japanese companies' websites via PChome's own site, using its Chinese-Japanese translation system. Payment is made to PChome, making it easier to place orders without complicated procedures regarding overseas transactions. The whole process takes just a few days from order to delivery.

At the other end, all Japanese companies have to do is share their webpages with product information in Japanese with Ruten Japan. Once a Taiwanese consumer places an order, Ruten Japan contacts the company. The transaction is completed in the same way as an ordinary domestic order: the Japanese company ships the ordered items to a Ruten warehouse in Japan and is paid by Ruten Japan. There is no risk associated with overseas shipment and payment, which is a major concern for Japanese companies. The products are then collectively packed and delivered to Taiwan, contributing to reduced transportation costs.

All the work related to translation and

payment is performed by a system developed by PChome Group, providing a one-stop service that solves three problems at once — language, distribution and payment, the so-called “cross-border EC barriers.” This service started at the end of May 2018.

### Going overseas with Japanese companies

“So that Taiwanese consumers can select from a wide range of Japanese products via PChome, Ruten Japan first partners with major Japanese EC players,” Mr. Wei explained. “As many as 10 million items can be posted as they are from these companies' sites on PChome. For that purpose, we first established a base in Shibuya, Tokyo, home to a concentration of EC companies in Japan.” Asked why a branch office was established in Osaka, Mr. Wei said, “It has to do with our future business plans. Eventually we want PChome to directly handle products from Japanese artisans, such as those of SMEs or those involved in traditional craftwork. Many of the most promising SMEs and artisans are in Osaka.” While several contracts have already been signed, the company plans to bolster activities at both bases and increase the range of products. With six Taiwanese employees now working in Japan, the company intends to actively push localization by increasing its Japanese staff, and establishing a presence as a Japanese subsidiary.

Regarding the company's vision for its future, Mr. Wei said, “We want to become a partner with Japanese companies, not just an agent.” By analyzing various data of consumers purchasing products through Ruten Japan and providing that as feedback to Japanese companies, Ruten Japan enables these companies to implement test marketing and collect local market information at a low cost and without establishing a physical presence overseas. “We want to develop products with Japanese partners and support their overseas

business.” Following the distribution of Japanese products in the Taiwanese market, similar plans will be considered for the US and Thailand, where the company also has business bases.

## Importance of communication

Although Ruten Japan has a corporate culture of solving problems in-house, it has met with some difficulties when dealing with Japanese companies, who often take conservative stances with regard to cross-border EC. “We persistently conduct negotiations. We have managed to enter into contracts after numerous face-to-face conversations in addition to e-mail communication.”

Mr. Wei, the COO, often takes it upon himself to visit prospective businesses to speak with them personally.



Wei Cheng Ching, Ruten KK COO

## JETRO's support

JETRO has provided the company with consultation on labor matters as well as opportunities to join business-matching events. Mr. Wei said, “We have received considerable business information and resources from JETRO. It is a great partner for foreign companies who want to enter the Japanese market.”

(Interviewed May 2018)

## Company history

1998	Establishment of PChome Online Inc. in Taiwan
2000	Start of B-to-C general online mall PChome Online Shopping
2007	Start of the world's first 24-hour online shopping/delivery service and establishment the company's own distribution center
2010	Start of PChome Global services
2015	Establishment of Japanese subsidiary Ruten KK in Tokyo
2017	Establishment of Ruten KK branch office in Osaka

## Ruten KK

Foundation:	2015
Business overview:	Provides internet services through e-commerce and portal site operation
Parent company:	Ruten Global, PChome Online Inc.
Address:	(Head office) Room 701, Cross Office Shibuya, 1-12-2 Shibuya, Shibuya-ku, Tokyo, 150-0002 (Branch office) 8 <sup>th</sup> Fl. Osaka Kokusai Building, 2-3-13 Azuchi-cho, Chuo-ku, Osaka-shi, Osaka, 541-0052
URL:	www.ruten.co.jp

## Support from JETRO

- Consultation on labor matters (insurance, pension)
- Introduction of real estate agencies specialized in office properties and other service providers
- Introduction of recruiting agencies.
- Organization of business matching events