

Electronic money making headway in Japan

October 10 2005

For Tamayo Mikitani, making sure her Suica card is in her bag has become second nature, just like she wouldn't dream of leaving home without her cell phone or her makeup bag.

"First of all, I need it to get around ... and I need it to pay for things," she said.

While credit-card use is all too common in the United States, with consumers readily paying for everyday goods including groceries with plastic and retailers not batting an eyelid for payments as small as five dollars, Japanese consumers by and large continue to use their cards for big-ticket items. For smaller purchases, cash is still the preferred means of transaction. Indeed, many retailers state clearly that they will refuse to accept a credit card for purchases below \$30.

At the same time, younger consumers in particular have been attracted to going about their daily lives without carrying wads of cash, for both safety and convenience. Hence the increasing attraction of prepaid cards that allow users to charge up their integrated circuit-fitted cards in advance and then buy goods and services cash-free.

Launched four years ago, the Suica electronic money card is issued by East Japan Railway, and initially focused on allowing commuters to charge up their cards so that they could ride trains without buying fare tickets each time they boarded. Since then, Suica's use has been expanded so that cardholders can use them to buy goods at convenience stores and other retailers that are directly operated by the railway group.

Still, Suica is far from the only electronic money card currently available in Japan.

While a Suica card may be a must-have item for Tokyo commuters with about 10 million users, Edy actually leads the electronic money market in terms of the amount of transactions made, in part because it can be used in a far greater number of retailers.

It is not uncommon, for instance, for some of Tokyo's hippest retailers and nondescript supermarkets alike to have a small box next to the cash register. An Edy user can place his card onto the box, and have the specific amount of money debited from his prepaid card, with no signature or personal identification required.

Edy too was launched in November 2001, the same time that Suica started up its service. But while Suica has the backing of Japan's biggest railway group, Edy has electronics group Sony and national phone giant NTT as well as airline group All Nippon Airways among its biggest shareholders.

The result is that the Edy card can be bought and charged up in a number of supermarkets and other retailers, unlike the Suica, which is purchased at train stations. In addition, Edy can be charged up online or even via a mobile phone that uses an NTT network. Furthermore, this summer the company reached an agreement with the Japanese postal system whereby postal savings holders can have their electronic money cards charged up on a monthly basis directly with a minimum charge-up of about \$50.

Meanwhile, other cards include ICOCA and PiTaPa as well as WebMoney, with ICOCA now being used interchangeably with the Suica card. All cards offer similar services by allowing users to charge up their cards that are fitted with an integrated circuit chip.

According to a survey on electronic money conducted this August by Yubitoma Research, a private group that specializes in polling consumers, about 41 percent of Internet-savvy Japanese have used some form of electronic money card until now. Those who are already users stated that they feel more secure about using electronic money cards than they do credit cards, given that there is less risk of having the data abused. Many also pointed out that they had more control over their spending patterns, given that the cards had to be loaded with cash in advance, according to the Yubitoma poll.

For the number of companies in the business, therefore, the race is on to increase their shareholding of the market and expand the number of people who use their cards.

One of the biggest problems, however, is the fact that while the number of stores and businesses that accept electronic money cards continues to increase steadily, there are still more places where they cannot be used compared to credit cards or cash.

Edy too readily acknowledges that while the number of retailers that accept its card is high in Tokyo and other urban areas, and stores understand the need to accept electronic cards, it has found it more difficult to penetrate into central Japan and other areas where cash still remains more popular than credit cards or any other form of plastic money.

The day when there is only need for "one (electronic money) card and one cell phone is almost there," stated the Tokyo-based Financial Planning Research Institute in a recent paper on electronic money. But it nonetheless cautioned that there was greater need to keep control of cards and make sure personal information is not abused.

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