

Cartes in Asia. Jap'Presse. Article 1, Mobile FeliCa Introduction

Mobile FeliCa, 5 years of mobile contactless business in Japan

FeliCa Contactless smart chip technology, developed by Sony, was launched in July 2004 by NTT DoCoMo on mobile telephones in Japan, under the name Mobile FeliCa. In 2010, the European equivalent of this technology, christened NFC (Near Field Communication), should finally have its first commercial launches. With the aim of allowing worldwide operators and service providers to benefit from 5 years of experience with contactless mobile services in Japan, Jap'Presse / InnovAsia Research, an agency specialized in industry monitoring and studies on NTIC in Asia-Pacific, has published this report.

Quick spread of Mobile FeliCa and its uses in Japan

The services developed on Mobile FeliCa were greatly inspired by those which had already existed on FeliCa plastic cards notably Suica by JR East and Edy by BitWallet. NTT DoCoMo then devised services such as a transit pass, an electronic wallet, or even loyalty programmes on the mobile, which relied on contactless infrastructures and uses that already existed.

The commercial name of this service in Japan, "Osaiifu Keitai", has become a standard on the Japanese market, and is used in every communication campaign conducted by the mobile operators NTT DoCoMo, KDDI and Softbank Mobile. Today almost all mobiles launched on the Japanese market are equipped with a contactless smart chip and many players provide a large range of services.

Total of Mobile FeliCa Handset in circulation in Japan (Oct.09)	60 million
Of which are i-mode FeliCa by NTT DoCoMo (May 09)	35 million
EZ FeliCa by KDDI (Nov 07)	10 million
S !FeliCa by Softbank Mobile (Feb 09)	10 million

These figures do not correspond to the exact number of users, for they are only the exact number of handsets equipped with a FeliCa smart chip. The data in terms of usage varies according to the service providers, because each Mobile FeliCa service requires a subscription.

A vast range of contactless services on the mobile

Since the beginnings of Mobile FeliCa in 2004, a great number of contactless mobile services have appeared on the Japanese market. These have mainly concerned 4 domains – contactless mobile payment, transit passes, contactless marketing applications, and other services that we can qualify as "various" (access, security, etc) -, but some services overlap several domains. For example, ANA plane tickets on Mobile FeliCa are coupled with its Mileage plan, and these Miles can be exchanged for Edy money (the most used electronic wallet service in Japan).

The most remarkable service using Mobile FeliCa is McDonald's "Kazasu Coupon" (kazasu = go over), launched in May 2008. For this restaurant chain, the introduction of "Tokusuru Appli" (tokusuru = advantageous) is the extension of its loyalty programme. This service consists of distributing mobile discount coupons, but with the assistance of the contactless

smart chip, in order to speed up the flux at the counter. The Kazasu Coupon reader has also become a reader for the contactless modes of payment; iD, Edy, and Waon. This service has been very successful since its launch. At the end of August 2009, 4.5 million mobile users had already subscribed to this loyalty programme, to the point that this service was no longer available in 22 out of 47 departments.

The rapid spread of Mobile FeliCa in Japan is hard to understand if we do not take into account the prior existence of plastic FeliCa cards. Practically all Mobile FeliCa services providers issue a plastic FeliCa card, and Mobile FeliCa is an option for them. However, NTT DoCoMo strongly pushed for the installation of FeliCa readers in retail stores, by investing 10 billion yens (73 million euros) during the launch of Mobile FeliCa, in order to subsidize the purchase of readers by partner retailers. This strategy allowed the fast diffusion of the use of Mobile FeliCa.

Over the last five years, the existence of many service platforms for Mobile FeliCa services has created competition for FeliCa readers, which has led to some confusion for retailers, which then required several readers. This problem is in the process of being resolved, notably by some agreements signed between the main service platform providers, especially in terms of payment. These agreements foresee the development of the distribution of shared FeliCa readers. Some have already been put into use.

- Mode of Payment (prepaid electronic money)
- Mode of Payment (post-paid credit cards)
- Transportation
- Marketing and Loyalty Programme
- Security

The reasons for its success

On average, about a third of those with a Mobile FeliCa handset in Japan use it regularly, according to different studies. The uses vary depending on the population group, but two areas are noteworthy: firstly, the satisfaction rate of Mobile FeliCa users is very high, insuring a progressive spread, and secondly, payment using a contactless mobile has generated a higher than average basket purchase in stores than with traditional modes of payment. This advantage for businesses, in addition to a faster time at the checkout thanks to contactless payment, has motivated retailers to adopt this new mode of payment, despite the fairly high commissions often charged by the issuers of these payment platforms.

Japanese tradition dictates that a loyal customer should benefit from a return on the part of the retailer, and this arrangement packs Japanese wallets with loyalty cards: on average 12 cards per consumer on the archipelago. One of the first ideas for i-mode FeliCa by NTT DoCoMo was to unify all of these loyalty cards on the mobile. What's more, the dominant position of retailers in Japan after a few agreements, has allowed for the installation of Mobile FeliCa readers in thousands of points of sales. For example, one of the main chains of Convini, Seven-Eleven, equipped all its stores (11,847 points of sale) with nanaco readers, in the span of 5 months.

Other than for payment, retailers quickly realized the potential of Mobile FeliCa regarding marketing: promotional information and coupons are sent to mobiles at the time of payment, interactive signs in stores, the compilation of information on consumer behaviour, etc. Many initiatives have been undertaken in this direction, like the creation of a joint venture between NTT DoCoMo and McDonald's Japan, in order to develop Mobile FeliCa services in the latter's restaurants.

The high presence of chain retailers in Japan, the strong traditional use of loyalty cards by the same companies, the inter-company collaboration (greater than in Europe), have also largely contributed to the development of Mobile FeliCa.

Towards a 3rd phase in the history of mobility?

In July 2004, during the launch of its contactless mobile service, the operator NTT DoCoMo heralded the beginning of a third phase in the history of mobility, which would have led to periods where operator revenue growth would first come from voice than from the data transfer. However, the InnovAsia's report indicated that the operator did not really succeed in generating high revenue from payment and contactless services, despite a certain level of public support.

The Japanese experience is nonetheless very instructive for future players on the mobile contactless market – in terms of uses, the variety of current services, devised business models -, under the condition that the context and motivation of the players are understood. The authors of this report are convinced that the experience of Mobile FeliCa in Japan can fuel useful reflection on contactless mobile services adapted to the needs and habits of Europeans and the NFC value chain, the method and pace of the spread of such technology in society.

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InnovAsia Research is a consulting company specialized in IT Business and Innovation in Asia, with offices in Europe and Asia.

InnovAsia Research published a report called "Mobile FeliCa, 5 years of mobile contactless business in Japan : transport, payment, loyalty", which is a state of the art of Mobile FeliCa business and uses in Japan.

For further details about the report "Mobile FeliCa in Japan": contact@jap-presse.com

Executive Summary & Order form for the Report : <http://www.jap-presse.com/attachment/180479/>