

May 28, 2018  
 For Further Information  
 CBRE  
 Marketing & Communications  
 03-5288-9283

CBRE surveys retailers in Japan on the impact of e-commerce

## Despite 90% of Surveyed Retailers Utilizing EC Channels, EC Seen to Have Minimal Impact on Brick and Mortar Strategy

CBRE today released "Brick & Mortar Retail in the Digital Age," a special report that looks at how the growth of e-commerce (EC) is impacting the Japanese retail market. The report includes results from the "CBRE Retailer Intentions Survey 2018" and incorporates both the views of the CBRE Retail and CBRE Research teams.

### HIGHLIGHTS

◆ According to a survey published by the Ministry of Economy, Trade and Industry (METI), in 2017, the domestic consumer e-commerce market expanded by 9.1% y-o-y to JPY 16,505.4 billion. The "EC ratio", which indicates the extent of penetration of e-commerce<sup>\*1</sup>, also rose by 0.36 pts to 5.79%. Despite this growth, brick and mortar retail sales remained much stronger – it was approximately 7.6 times the size of the e-commerce market.

◆ It has been suggested that the increase in consumers making purchases via e-commerce has led to products not selling in brick and mortar shops, and has therefore transformed stores – a traditionally sales transaction-based location - into "showrooms". This however does not seem to be a great concern for Japanese retailers. In CBRE's survey, only around 20% of retailers answered that they were concerned about consumers treating their stores like "showrooms" and therefore the prospect of lower sales. With EC sales only being a fraction of brick and mortar sales, this is most likely the reason behind their confident stance.

◆ Results from the survey also showed that the expansion of e-commerce is not having a significant effect on the floor area, location, and format of new stores. Only a limited number of retailers said that they would reduce the number of existing stores and new store openings. However, some of the answers suggest that a significant change in the format of brick and mortar shops may be on the horizon.

\*1 EC sales as a percentage of total retail sales, published by METI

### The Current State of E-Commerce & Retailers

Around 90% of retailers who responded to our survey said that they have an EC sales channel. The fashion sector had a particularly high ratio of retailers with both in-house and third-party<sup>\*2</sup> EC channels. On the other hand, in the luxury goods sector, many respondents said that they only had an in-house EC sales channel. Luxury brands are very conscious of their brand identity and maintaining brand consistency, and tend to shy away from third-party EC sales channels. The luxury goods sector also had a high proportion of retailers who answered that their EC sales ratio was "less than 5%."

Over 80% of retailers said that their brick and mortar shops have not experienced the showroom phenomenon<sup>\*3</sup>. At present, the brick and mortar store market is around 7.6 times bigger than the e-commerce market, and therefore few retailers appear to be concerned about consumers treating their stores like showrooms. In fact, some retailers who are integrating omni-channel<sup>\*4</sup> strategies have intentionally converted some brick and mortar shops into showrooms, in the hopes of it leading to further EC sales.

### **The Future of E-Commerce & Real Stores**

Only around 20% of retailers said that the expansion of e-commerce will impact the floor area of their new brick & mortar shops - around 10% answered that their floor area will become larger, and around 10% said that it will become smaller. Those who answered 'larger floor area' primarily plans to allocate the additional space for events and promotions. On the other hand, those who answered that their floor space will become smaller said that it was to minimize the cost of opening a new store in a better location.

Around 15% of retailers said that the expansion of e-commerce would affect the location and format of their new brick & mortar shops. Among those retailers who said that there would be an impact from e-commerce, several were looking to open their own exclusive store in key shopping areas.

Only a limited number of retailers said that they would cut back on existing stores and new store openings due to the growth of e-commerce, with around 80% saying they would "not reduce either." When asked about the number of brick and mortar shops they expected to have in 2030 for their respective brands, the proportion of those answering "more than now" was 60.2%, about 37 points higher than those answering "less than now" (23.3%). However, the answers in this survey constitute the outlook of retailers under current circumstances, where the diffusion of e-commerce remains low. Therefore, we will need to closely monitor the future development of the e-commerce market, including its accelerated expansion and the arrival of new, innovative technologies.

\*2: EC sites such as ZOZO TOWN, Amazon.com, &mall

\*3: Consumers visiting brick and mortar shops only to view products, and make the purchase afterwards online, potentially harming sales for brick and mortar shops.

\*4: The integration of all kinds of sales and distribution channels, including brick and mortar stores and e-commerce, to achieve an environment in which products can be purchased with equal ease from any sales channel.

### About CBRE

CBRE Group, Inc. (NYSE:CBRE), a Fortune 500 and S&P 500 company headquartered in Los Angeles, is the world's largest commercial real estate services and investment firm (based on 2017 revenue). The company has more than 80,000 employees (excluding affiliates), and serves real estate investors and occupiers through approximately 450 offices (excluding affiliates) worldwide. CBRE offers execution for property sales and leasing; property, facilities and project management; mortgage banking; appraisal and valuation; development services; investment management; and strategic consulting. Please visit our website at [www.cbre.co.jp](http://www.cbre.co.jp).

Official Twitter account for Japan: [@cbrejapan](https://twitter.com/cbrejapan)

**Disclaimer** This press release is to be used at the reader's discretion, and CBRE will not be liable for any legal framework or grounds for claims arising from deliberations, judgements or decisions made on the basis of this press release by the reader or any third party or the outcomes thereof.

© 2018 CBRE, Inc.