Rakuten Inc. – More than a shirt sponsor!!!

A research on Rakuten Inc. and what it does

**Introduction**

Rakuten Inc. is not a name that is a stranger to us. This company was founded in 1997 and is popular for being the shirt sponsor for the football team – FC Barcelona. Popular all over globe with their ventures with a US based company Viber and the aforementioned sports team, Rakuten Inc. is actually an Ecommerce company in the affiliate marketing paradigm. It has existed for more than two decades and has established itself as the world’s largest internet marketing company. Operating from Japan, Rakuten has managed to amass 107 million active users as of the second quarter of 2019. The most recent figures constitute an increase of about 8.4% compared to second quarters of the previous year.

Rakuten, meaning optimism, started their venture with only six (6) employees and a total of thirteen (13) merchants. Most businesses at the time of their establishment provided value to the store fronts and Rakuten wanted to change the scenario. Empowering merchants in newer ways was the major goal of the company as well as to create an online shopping mall, which was an idea also, being pursued by a major player – IBM. Online malls at the time provided less facilities and freedom to the merchants and cost a lot but Rakuten revolutionized the system and introduced a cheaper virtual front with much more control delegated to the merchants.

By early 2000s, Rakuten had 2,300 stores and 95 million page views per month, making it the most popular website in Japan. In April of 2002, they created a new system for the merchants combining monthly fixed fees with commissions on sales. At the time, they were a B2B Ecommerce, where Rakuten will work with B2C businesses to create ease of access, efficiency and a contrast of quality. To this day, Rakuten follows the same model and has become an incredibly successful in the global market.

This document named “Rakuten Inc. – More than a shirt sponsor!!!” is a case study of Rakuten Inc. as an Ecommerce. This case study defines the business model, financial assessment, organizational behavior and transaction method of the company.

**Rakuten Inc. – Case Analysis**

Rakuten has a vision to empower society through the means of internet. For this specific purpose, Rakuten Inc. started providing internet services that can establish an online supermarket. This case study focuses on the market identification of Rakuten Inc., the addressing of market needs, key issues of running an ecommerce business and the resulting scenarios which are now ensuring the smooth running of the organization.

**Business Model**

The Rakuten Business Model follows a strange but not uncommon technique of chaining B2B and B2C customer base. When a user signs up for an account with Rakuten, Rakuten offers the user with services of more than 200,000 stores all over the world. Now, the user can say that the business is brought to them. They make purchases through the Rakuten portals and also make payments via several payment gateways while also receiving attractive cash back offers from company. This allows the business to be read as a Business-to-Customer scenario where active cash flow is being managed by the customers. Meanwhile in the background, the case is completely different.

The Rakuten model insists on empowering people and business via internet and now the medium has become their online portal itself as the merchants are also doing business with Rakuten at the same time as the customer is. The transition is made smooth by their infrastructure of payments and delivery of products. For example if a user Jack wants to buy a Radio from a store but is also looking to get cheaper deals on the radio. The working flow is simple – Jack logs in to the Rakuten portal which has collection of radios that are collected in a database from stores all over the world. The store, Nepal Electronics is a merchant that provided radios. If Jack likes the prices and offers provided by Nepal Electronics, Rakuten orders the radio from them and delivers it to Jack. In one way, the company is doing what is known as “Affiliate Marketing”. It is an indirect marketing technique that doesn’t clearly promotes the use of Nepal Electronics but does provide its products to a global customer. Nepal Electronic has to pay the price to Rakuten for promoting its products and the customer pays Rakuten with the radio price, out of which Rakuten takes a certain percent commission and provides the MRP to the merchant itself.

The affiliate marketing technique is fully utilized by Rakuten as they follow the practice of generating referrals. While Jack is requesting a radio, he is referred to a certain electronics merchant that can provide him with the product. This is actually also a sort of mercantile model except for the merchants do not own inventory slots but provide customers with products when they come through Rakuten Inc.’s referral model. This has helped more than 200,000 stores to be connected with their customers, thus reducing brand marketing costs and expensive methods of inventory management. Rakuten Inc. as an affiliate marketer has managed to grow its business to one of the most prominent ecommerce business in the world where the real work is the providing a bridging platform to the customers and the merchants.

**Impact Analysis**

Rakuten Inc., founded in 1997 had a goal of establishing an online supermarket for merchants to flaunt their products as well for the users to find the products in the same place. Ever since its establishment, Rakuten Inc. has managed to generate 700 Billion USDs in their revenue and also has amassed a huge 1 billion dollars in cash back offers. This is a new system of ecommerce marketing than a singular store that has a merchant inventory management in built in the website.

Rakuten has globally managed to create a huge industry for affiliate marketing and also allowed individuals to make careers in affiliate marketing. This B2B2C ecommerce business reached the company’s net revenue of over one trillion yen in the fiscal 2018, securing over 17 thousand employees. Even in the global retail ecommerce sales in 2017, they grossed 2.e trillion USD. The ecommerce share of total global retail sales in 2019 reached 14.1%. Rakuten’s global ecommerce market share in 2017 was 1% which is a huge amount global outreach.

**Conclusion**

This case study has helped to understand how a global ecommerce market can operate with a simple execution of B2B and B2C models. Rakuten Inc., is on its way to dominate global ecommerce by 2050 with a do-it-yourself marketing scheme and has provided all the wonderful infrastructure.