

Analysis of the challenges faced by rakuten company

[Business](#), [Company](#)



Rakuten operates in several different businesses around the world and is, therefore, exposed to several business risks and faces challenges from different areas. These are all related to their business environment, and its general business expansion and development at home and abroad.

As the company is mainly operating in the internet sector, they are heavily dependent on industry development. External factors, such as regulatory systems that limit the internet use, the growing awareness of information security issues, especially in relation to personal information and the economic trends of the internet services market are their main concerns. The internet itself also constitutes a big challenge for Rakuten as competition begins to mount. Customers possess strong bargaining power due to low switching costs among online retailers and marketplaces. As a result, Rakuten may be forced to step into fierce competition on prices and services if competitors with revolutionary services and powerful system-development capabilities emerge

The internet is built on technology that brings constant changes to new products and services. To cope with rapid changes, Rakuten needs to respond swiftly to avoid offering obsolete products and services.

Due to Rakuten's active expansion, it is likely going to face issues related to its business development. Changing names of acquired ventures to Rakuten and integrating old memberships may lead to a loss of loyalty among members of the original company and may ultimately cause a decrease in memberships.

Rakuten e-commerce platforms do not own any inventory so its relationship with their merchants will be critical to its success especially in new markets. This dependence on independent retailers which open virtual shops and own their own inventory may not a sustainable business model in the future. To maximise profits Rakuten should at least control some of the shops and own some of the stock. Rakuten faces logistic problems, especially when servicing remote areas. Logistics is key to making its value chain efficient and reliable.

Slow international growth which has led to the closure of some of its e-commerce platforms in international markets in 2016 is one of the other problems Rakuten's faces. It had to shut down retailing websites in the UK, Spain, Austria, Singapore, Indonesia and Malaysia. This is largely due to heavy losses and very slow growth amid competition. Recently Rakuten has had trouble making many of its other acquisitions profitable, particularly Kobo, which it bought for \$315 million in 2011, but remains unprofitable.

Existing competitors both traditional retailers and other e-commerce players globally are a major challenge for Rakuten's long-term growth and survival. Traditional retailers around the world are building cohesive and successful online platforms leading to an influx of platforms like those within Rakuten's ecosystem.

Fake reviews are still problematic, particularly amongst its international affiliates. The core of the Rakuten's shopping experience has been the reviews. Getting honest feedback from customers has ensured that you can

always find a great product. Now, sellers often pay for reviews or give away thousands of products in exchange for “ honest reviews” hence tons of products have thousands of five-star reviews, diminishing the importance of the system prompting consumers to lose trust for the marketplace.

Purely e-commerce players will soon face tremendous challenges as e-commerce itself is rapidly becoming a traditional business. Rakuten’s core businesses face the same fate that traditional retailers faced if it does not constantly upgrade and follow the industry’s trends.

Postal addresses are not standardized in many countries where Rakuten operates making its operations more difficult especially with regards to logistics needs. Last mile issues add to e-commerce logistics problems for Rakuten in several countries including Japan.

Recommendations

Rakuten should establish more partnerships with offline business to further increase growth. By creating an omnichannel presence this guarantees growth and increases in profits. Build digital wallet that serves as a key platform for its affiliates hence making business easier. Digital wallets that serve as payment platforms for a wide range of services and that can also work offline is crucial for Rakuten’s business success globally. Such services would make transacting easier and more convenient. Smart Pay which is Rakuten’s payment platform can be further developed to encompass and become the number most preferred payment solution its services within the ecosystem hence establishing a strong position in this field.

While creating other payment platforms is crucial Rakuten should segment its markets and implement varying strategies depending on what fits best for that market thus localization. For example, it should focus on credit card business which is growing in Japan and other parts of Europe where its financial services have been very successful thus in credit card related services it should continue striving to achieve further growth of shopping transaction value by strengthening marketing initiatives aimed at expansion of market share and promotion of group synergy.

Rakuten can use its positive image to offer E-commerce cryptocurrency which can be widely accepted by users since it is a trusted brand. This would improve its financial services and further develop and shape the future of the global financial system. Furthermore, it would be a borderless currency which can be used to purchase anything from the website thereby empowering the members to shop with relative ease.

Within its ecosystem Rakuten can introduce various initiatives, including cultivating a loyal customer base, conducting sales activities to win new users as well as initiatives targeting greater customer satisfaction, strengthening services for smart devices and opening up its ecosystem

Rakuten Mobile, which provides a telecommunication services provider and Viber, which provides messaging and VoIP services, can further their full-scale aggressive sales activities to increase their customer base. Most importantly The Rakuten Group should seek to create new markets using technologies such as big data and AI. Currently, it uses AI in some of its

services like delivery drones and on platforms like Viber's Public Accounts, PriceMinister and Rakuma but it can further embed this revolutionary technology across all its products range through augmented reality, Virtual reality and Video analytics.

Security and privacy concerns ought to be fixed or addressed especially on Viber with an end to end encryption thereby meeting the industry's standard. This also extends across Rakuten's ecosystem which should protect member's data and use it responsibly.

To solve its last mile logistic issues Rakuten should adopt and improve some of its new technologies and apply them on a large scale to take advantage of their benefits. These include the use of drones or unmanned vehicles which are very efficient but costly. In its expansion bid, Rakuten should expand to other untapped markets such as Africa where competitors are few and it is likely to dominate.