

# A NEW WAY TO PROVIDE FOREIGN EXCHANGE SERVICE THE POSSIBILITY OF CREATING A “CASHMALLOW” IN JAPAN

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STRATEGY IN PRACTICE

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## Summary

Japan is still very much a cash-based society, and people here value safety and stability more than any others. Not only incoming foreigners but also locals' behavior has been influenced by the habit while choosing the way of changing money before going overseas. Therefore, the convenience of foreign exchange has always been an issue.

Japanese financial system has been steadily liberalized at a gradual pace since the late 1970s, then Japan entered the “era of financial liberalization” in the 1980s. According to the Ministry of Finance, you would not need a permission from government while starting a foreign exchange business after 1980. And would only need to report to Bank of Japan in the situation of generating revenue over 1 million yen each month. Under the background, except queuing up in front of bank's world currency shop, hotels, ATMs, ticket brokers, non-bank foreign exchange brokers, mailing service, etc. which provide similar service but with more competitive exchange rate, service fee and convenience gradually rise in the market.

A South-Korean startup, Cashmallow, which is founded in 2016, offers a new service type of foreign currency exchange. Though the company is still in the phase of growth, their business model and

Japanese's acceptance for buying currency in a new way are worth further research. First of all, current foreign currency exchange methods in Japan will be investigated, specifically the exchange rate, service fee and how the service works. Secondly, an in-depth analysis of the use of Cashmallow will be conducted, and the advantages and disadvantages of the service will be proved. Thirdly, Technology Acceptance Model(TAM), with two primary factors influencing an individual's intention to use new technology, perceived ease of use and perceived usefulness, will be applied to explain the research results. Furthermore, issue of credibility in technology acceptance and the coming cashless trend in Japan are studied. Lastly, to gain a further understanding of new financial service market and the latest trend in Japan, we will interview professionals in the industry. And qualitative research on 2 selected interviewees about their experience in introducing new financial service to Japanese and their opinions about the new currency exchange method will be conducted. Qualitative research provides deeper insights into the service and uncovers trends in thought and opinions. These will help to develop a better service and figure out the core concerns for the new changes. The main aim of the paper is to provide new findings and identify possible directions for Cashmallow before entering Japanese market.

<Inside Cover>

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# **CHAPTER 1. INTRODUCTION**

## **Section 1. BACKGROUND INFORMATION**

After amendment of Foreign Exchange and Foreign Trade Act in 1998(Heisei 10), Japanese government announced that anyone can start a foreign exchange business and do not need the approval from Ministry of Finance anymore (Ministry of Finance, JAPAN 1980). As the economic structure and people's life style are changing, an overseas business trip or vacation is becoming normal. According to Japan National Tourism Organization(JNTO), over 18 millions of Japanese traveled overseas in 2018. It is approximately 15% of Japan population, and the number is still growing every year. In all, the increase in overseas travelers would drive demand for the foreign exchange, and the financial liberalization after 1980s has brought new opportunities to merchants. In addition to bank, people have more options like exchange corners, discount ticket shops, automatic change machines, or foreign exchange delivery services when they consider to exchange currency.

Foreign exchange market in Japan is turning active, and there are more and more different methods for converting money these days. QR codes and APP are widely applied on smartphones nowadays, a nationwide debit card management group in Japan has just announced that it will launch this autumn a new smartphone-based payment service that will be available through more than 1,000 financial institutions eventually (JIJI Press America, Ltd. 2019). This is what market provided to meet people's needs of living efficiently, and partly explained the sudden rise of Cashmallow, the South Korean currency exchange start-up.

## **Section 2. MOTIVATION FOR RESEARCH**

Japan is one of the most advanced and modern countries in the world in so many things, but as for the use of electronic payments, it is still far behind other developed countries. Cash in Japan is widely used and it is practically impossible to live without it (YouinJapan.net 2019). Being stimulated by the inconvenience of making time to visit bank or post office during weekdays and the relatively high exchange fees, research related to how do Japanese exchange currency and what is

the latest trends in the industry has been conducted.

It is widely accepted that there are different levels of service: poor, acceptable, normal, good, great and excellent service. When customers evaluate a service they will compare their perception of the actual delivered service to what they think it should be. This process is often done at a subconscious level. The key issue here is that quality is what the customer perceives it to be, and that service organizations inherently must understand the needs, expectations and basic psychology of their customers (Ankerstjerne 2014). In the case of currency exchange service, location, opening hours, ease of use, competitive exchange rate, low handling charge, and reliability are considered to be the criteria to consumers.

Professionals believe that with the rapid growth of outbound tourists and people's dependency on smartphone, new financial service like third party payment, is at its growth stage in the product life cycle. And an article about the examination of how the stage of product life cycle in which a brand enters affects its sales reveals that advantages associated with entering during the growth stage. In each the product life cycle growth-stage entrants reach their asymptotic sales level faster than pioneers or mature-stage entrants, are not hurt by competitor diffusion, and enjoy a higher response to perceived product quality than pioneers and mature-stage entrants (Venkatesh Shankar 1999). Therefore, this paper explores the viability of introducing Cashmallow, a new currency exchange service, to the market, hoping to create a new purchasing experience for consumers. Founded since 2016, Cashmallow has been a new star among booming start-ups, not only won the Block Demo Day held by Ulsan creative economic innovation center and Runway to Rise Seoul, but also selected by several entrepreneurial institutions for support.

### Section 3. THE RESEARCH QUESTION

In this paper, we analyze the possibility of creating a "Cashmallow" in Japan. Through literature review and interview with professionals, we will identify the difficulties a company might face while importing new financial service to Japan and the latest trends in the industry.

## CHAPTER 2. LITERATURE REVIEW

### Section 1. OVERVIEW OF THE JAPANESE CURRENCY EXCHANGE INDUSTRY

#### 2.1.1. Trends in Visitor Arrivals to Japan and Japanese Overseas Travelers

In 1995, Japan had a modest 3.3 million inbound tourists, according to the United Nations World Tourism Organization (UNWTO), ranked behind of Bulgaria, Ukraine and Belgium. Following was a steady growth for a decade. The country took a hit after the Fukushima nuclear disaster in March 2011, and in 2012, visits dropped. Since 2013, however, the annual arrivals have soared by more than 20 million, making Japan - by some distance - the decade's fastest growing major destination (Oliver 2018). According to Japan National Tourism Organization(JNTO), 31.1 million overseas tourists visited Japan in 2018, a rise of 262% since 2010. It suddenly ranks the 12th most visited country in the world.

If we want to estimate the market size of currency exchange in Japan, not only should we notice the amount of visitor arrivals, but also Japanese overseas travelers. According to JNTO, 18 millions of Japanese were travelling abroad in 2018 which is still gradually increasing as seen in Figure 1. That is to say, there are 50.1 millions of travelers having the foreign exchange needs, a 98.6% growth since 2010.

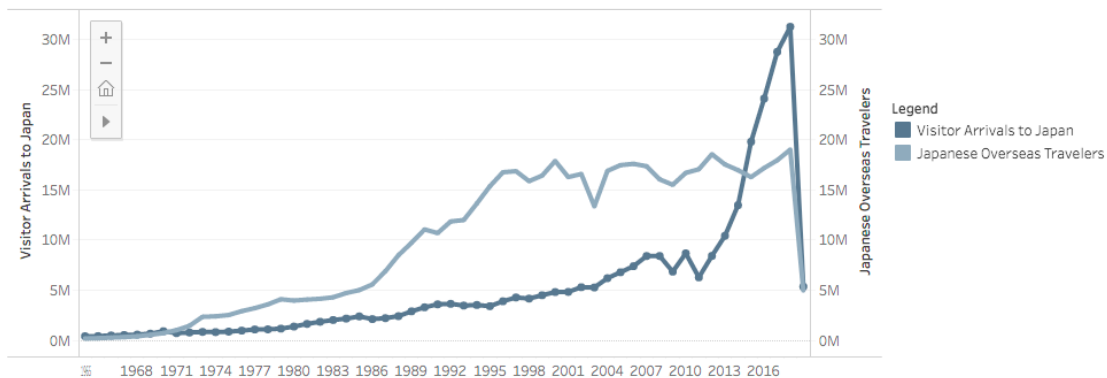


Figure 1. Trends in Visitor Arrivals to Japan and Japanese Overseas Travelers by Year

### 2.1.2. Currency exchange competitive landscape in Japan

The currency exchange landscape in Japan is relatively simple, with one large player and a few other niche players.

Depending on where you are traveling from or traveling to, it might be beneficial to exchange money before arriving. For instance, you will get a better exchange rate for yen in Southeast Asian countries than in Japan. But if you are traveling from the United States, definitely wait to exchange your money. You will get a much better rate in Japan for your dollars than in the US (Shawn 2016).

- Banks

Major banks including Mitsubishi UFJ, Mizuho Bank, Sumitomo Mitsui Banking Corporation(SMBC), and Japan Post Bank are still the main players in the market. Their branches generally have convenient locations, often near train stations. Furthermore, before the amendment of Foreign Exchange and Foreign Trade Act in 1998, banks are the only institution allowed to provide currency exchange service. Therefore, a huge amount of Japanese still think banks are the most trustworthy financial institution to handle their money even they always have to be aware of the opening hour which is on weekdays only and mostly close at 3 p.m. However, Japanese banks are increasingly raising fees on transactions such as transfers and currency exchange due to a plunge in revenues caused by ultralow interest rates and other factors (Mainichi Japan 2018).

- Airport

The airport currency exchange counter is considered having the best location as people can find it in all international terminals. However, travelers need to notice that limited competition results in poor exchange rates. Foreign currency conversion rates fluctuate with changes in the financial market and each currency exchange company is free to set its own rates and the frequency at which these rates are updated. However, some might point out that banks' airport branch is providing the same rates as at the banks. In that case, the unnecessary fees & charges would be an



expense that travelers want to avoid. As all merchants operating in the airport, airport currency exchange counters incur higher operating expenses and in many cases have facility fees imposed on them by airport authorities. These higher operating costs are then passed along to travelers in the form of higher fees and prices for currencies bought or sold from travelers (Interchange Currency Exchange 2015). Though airport exchange counter is seemingly the most straight forward means to travelers, a closer look will intimate that it is literally expensive.

- Licensed money changers

In urban area, travelers have more choices of licensed money changers including exchange corners, discount ticket shops, automatic change machines, foreign exchange delivery services, ATMs and hotels.

Exchange corners usually reputed by the competitive rates and discounts they offer, and some with zero commission policy or delivery services, making them one of the cheapest choice in Japan. However, the one providing the best deal is typically small and with a hidden location. When travelers do not have enough time to check in advance, an international brand like Travelex would be an alternative. Travelex has over 1,000 stores and 1,000 ATMs in 26 countries at key airport, seaport, rail, tourist locations. Travelex services customers 40 million times a year with cash and pre-paid cards and we process over 5,000 currency transactions every hour (Travelex 1976).

Discount ticket shops also known as Kinken shops(金券ショップ) are ways Japanese buy and sell discounted tickets. Daikokuya(大黒屋, Figure 2), Access Ticket, and Kounan Ticket are the three main players, and some of them provide the currency exchange service at a competitive rate. Although consumers need to notice that the exchange rates vary among branches.



Figure 2. Image of Daikokuya

Automatic foreign currency exchange machines usually have a limitation of up to 100,000 yen per transaction, and the service fee would vary by currencies and the rate of exchange. Some hotels choose to provide the currency exchange service by machines due to its relatively low operating costs. By a News Reporter-Staff News Editor at Investment Weekly News - ActPro Co., Ltd installed approximately 400 units of Smart Exchange automated currency exchange machine(Figure 3) which can exchange 12 foreign currencies in Japan, in just 2.5 years The service is available at shopping malls, shrines, temples, airport terminals, train stations and several sightseeing spots thus owning No. 1 world market share. (Investment Weekly News 2019).



Figure 3. Image of Smart Exchange automated currency exchange machine

Withdraw cash from the nationwide network of over 25,000 ATMs(Figure 4) located mainly in the Seven Eleven convenience stores which available 24/7 might be equally simple as having the exchange in airport. Although tourists should be aware of that some cards with the marks below may not be accepted.

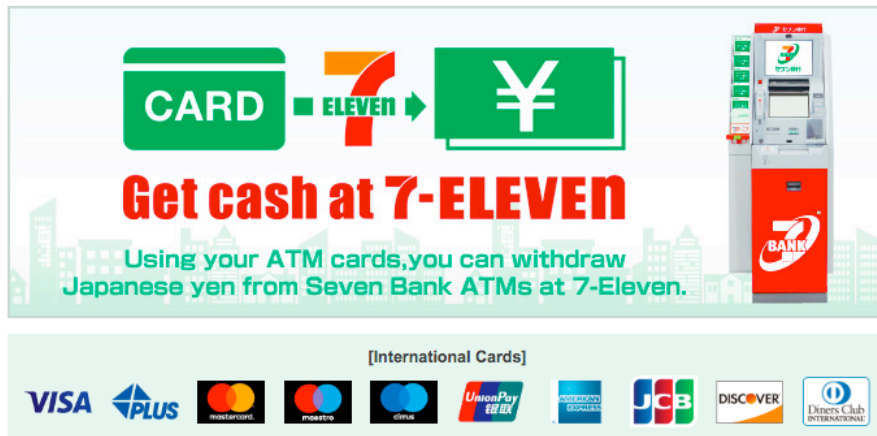


Figure 4. Image of 7 Bank ATM and international cards accepted

Traveler checks(T/C) is not widely used nowadays for several reasons. The shortfall is the trouble of having to obtain them in your home country before you travel and then having to locate a place to change them in Japan. Whether you are getting more value for your money depends on your home currency and if your bank charges fees to issue the checks. Note that T/Cs are accepted in very limited currencies in Japan. International airports and leading banks are generally where you can change your T/C for yen (Japan Guide 2018).

Table 1 summarizes the comparison between most of the current currency exchange methods in Japan, and pros and cons of each are identified. To sum up, though banks seems not to be the best in each category, due to the credibility issue and consumer purchasing habits, they are still the biggest player in the field.

Table 1. Comparison of methods for currency exchange in Japan

Financial institution		Location	Exchange rate	Handling fees	Ease of use	Others
<b>Banks</b>	N/A	△	△	×	△	Considered the safest
<b>Airport</b>	N/A	◎	△	×	◎	Unnecessary charges to cover high rent
<b>Licensed money changers</b>	Exchange corners	○	◎	○	○	
	Discount ticket shops	△	◎	○	△	Limited kinds/amount of currency
	Automatic change machines	○	△	△	○	
	Foreign exchange delivery services	○	◎	△	△	Need to make order in advance, shipping fee
	ATMs	◎	△	△	◎	Limited cards accepted
	Hotels	◎	△	△	◎	
<b>Traveler checks</b>	N/A	△	△	×	×	Need to obtain in your home country and exchange in Japan again

## Section 2. OVERVIEW OF CASHMALLOW

### 2.2.1. Introduction

Cashmallow registered as a foreign exchange business in South Korea in February, 2016. Taiwan subsidiary was established in July, 2017, and started providing service in Hong Kong in July 2018. They are planning for expansion to Japan, Vietnam, Philippines, Singapore, and Australia(Figure 5).

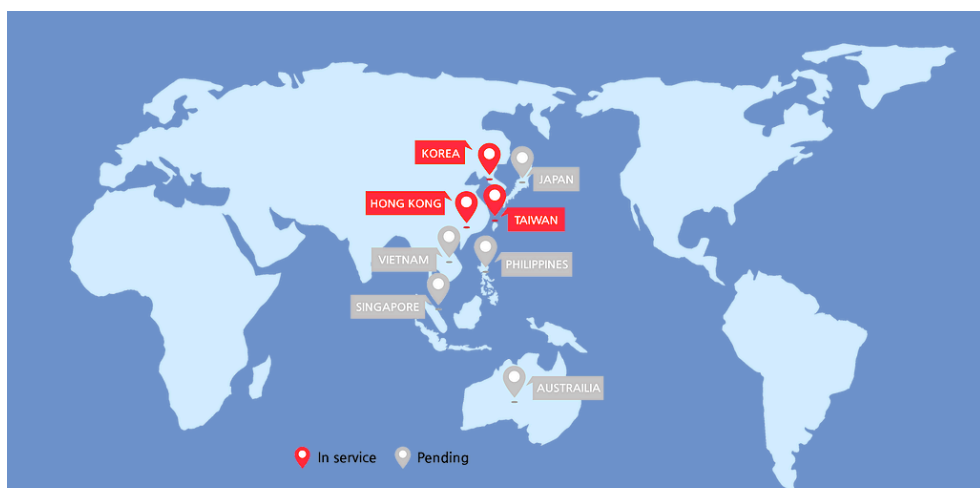


Figure 5. Cashmallow Worldwide Office Locations

Being awarded by 'First Penguin Award' by Credit Guarantee Fund in 2017, winner of Runway to RISE SEOUL and Mael Fintech Award in 2018, also being selected as a member of Woori Bank Fintech Lab and supporting project/company by several institutions, Cashmallow finds success on their early stage steps.

Cashmallow proposes a new way for currency exchange, which is considered more user-friendly, simpler, and cheaper(Figure 6).

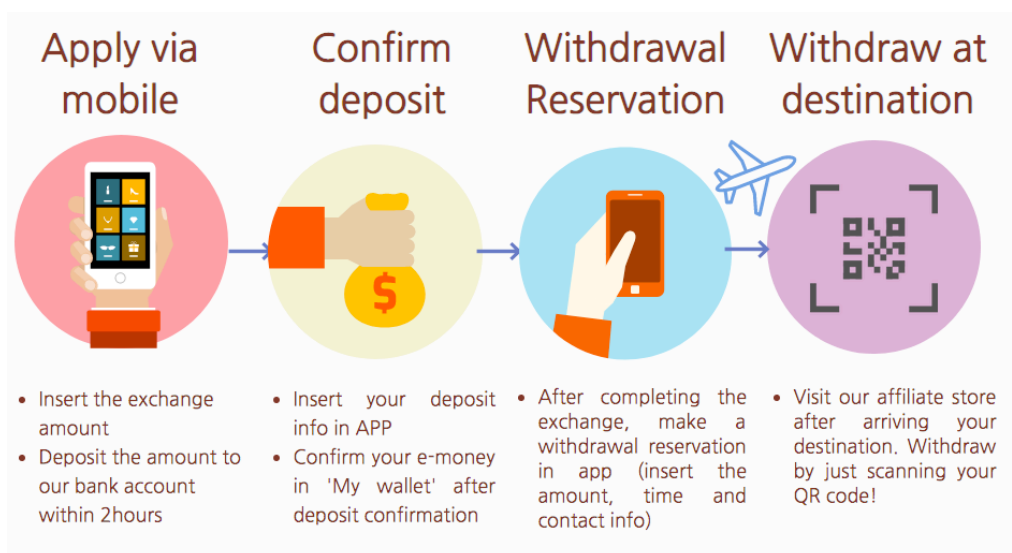


Figure 6. Exchange Procedure of Cashmallow

Firstly, users need to download the Cashmallow APP from Google Play or Apple APP Store then apply for an account through smartphone. After that, users will be able to check the exchange rate and compare the rate Cashmallow provided with other major banks. Secondly, when users decide to

exchange, they will need to deposit the amount to Cashmallow’s bank account within 2 hours. After the confirmation, users’ money will be transited to “My wallet” and shown as e-money on the screen. Thirdly, users will be able to make a reservation on where to withdraw the money. Lastly, users can get their foreign currency easily by QR code scanning at the affiliate store which mostly located in airport, tourists attractions or hotels.

For the customer support, Cashmallow’s customer service center operates 7 days a week from 9:00am to 8:00pm on Line, Kakaotalk, Whatsapp, Facebook, or email to deliver proper solutions for prompt and timely requests.

### 2.2.2. Business model

In the most basic sense, a business model describes how an enterprise proposes to make money. A useful starting point for understanding different possibilities for business models is the list of existing models (Table 2) assembled by Mark W. Johnson in his book on business model innovation, *Seizing the White Space* (Harvard Business School 2018).

Table 2. Business Model Analogies

<b>Analogy</b>	<b>How it works</b>	<b>Example</b>
Affinity club	Pay royalties to some large organization for the right to sell your product exclusively to its customers.	MBNA
Brokerage	Bring together buyers and sellers, charging a fee per transaction to one or another party.	Century21 Orbitz
Bundling	Package related goods and services together.	Fast-food value meals iPod and iTunes
Cell phone	Charge different rates for discrete levels of a service.	Sprint Better Place
Crowdsourcing	Get a large group of people to contribute content for free in exchange for access to other people’s content.	Wikipedia Youtube
Disintermediation	Sell direct, sidestepping traditional intermediaries.	Dell WebMD
Fractionalization	Sell partial use of something.	NetJets Time-shares
Freemium	Offer basic services for free, and charge for premium service.	LinkedIn
Leasing	Rent, rather than sell, high-margin, high-priced	Cars

	products.	MachineryLink
Low-touch	Lower prices by decreasing service.	Walmart IKEA
Negative operating cycle	Lower price by receiving payment before delivering the offering.	Amazon
Pay as you go	Charge for actual, metered usage.	Electric companies
Razor/blades	Offer the high-margin companion product(razor)below cost to increase volume sales of low-margin item(blades).	Printers and ink
Reverse razor/blades	Offer the low-margin item below cost to encourage sales of the high-margin companion product.	Kindle iPod/iTunes
Reverse auction	Set a ceiling price, and have participants bid as the price drops.	Elance.com
Product to service	Rather than sell a product, see the service the product performs.	Zipcar
Standardization	Standardize a previously personalized service to lower costs.	MinuteClinic
Subscription	Charge a subscription fee for a service.	Netflix
User communities	Grant members access to a network, charging both membership fees and advertising.	Angie's List

Source: Adapted from Mark w. Johnson, Seizing the White Space: Business Model Innovation for Growth and Renewal(Boston: Harvard Business Review Press, 2010)

Cashmallow' s revenue mainly comes from handling charge and the exchange rate differences. Different from other banks or exchange corners charging 2% -19% of the exchange fee according to the currency's liquidity, Cashmallow asks for 1% of the exchange amount per transaction. Looking into the list of existing models in Table 1, Cashmallow seems closer to the analogy of Brokerage. They bring together buyers and sellers, charging a fee per transaction to consumers. However, they are the seller themselves at the same time.

To conduct a comprehensive analysis of Cashmallow, we should not only focus on the revenue sources. Business model is defined as business decisions and trade-offs that fall into four groups by two Harvard Business School professors, Richard Hamermesh and Paul Marshall which

will apply to describe how they operate the business.

A. Revenue sources: Sales, handling charge, exchange rate differences, and so forth.

B. Cost drivers: Labor, advertisement, and rent for the shops.

C. Investment size: Every business needs a measurable level of investment to get off the ground. Comparing to banks and other exchange corners, Cashmallow relies more on APP for operation and SMS for customer service, which drastically reduced the labor cost. Furthermore, instead of renting shops by themselves, they collaborate with hostels or hotels to save up and reach more consumers as well. Hence, the investment size is relatively small.

D. Critical success factors: The ability to provide lower administrative charge and better exchange rate. And, success in saving people's time from queuing in the bank during working hour on weekdays. Furthermore, simplify the process of currency exchange to few clicks on the smartphone screen.

### 2.2.3. Market Evaluation for Cashmallow

Table 3. Market Evaluation for Cashmallow

<b>Aspect of Market</b>	<b>Evaluation</b>	<b>Confidence and unknown</b>
<b>Problem you are trying to solve</b>	- Provide a more convenient and cheaper currency exchange service.	- Consumers' acceptance of new technology combining financial service need to be further researched.
<b>Customer benefit from your solution</b>	- Save time for consumers(need not to visit bank or a specific spot, consumers will be able to exchange currency through mobile any time anywhere). - Save money for consumers(better rate, 1% handling fee per transaction). - Customers will be able to compare the exchange rate with other financial institutions via Cashmallow APP.	- The service Cashmallow provided is brand new for Japanese market. - The service is considered easy to use, and save money/time for consumers.



<b>Market size</b>	- According to JNTO 50.1 millions of travelers are having the foreign exchange needs(including inbound/outbound tourists).	- According to the estimation of Boston Consulting Group, the future of Japan's tourism will be a path for sustainable growth towards 2020.
<b>Market growth rate</b>	- A 98.6% inbound-outbound tourists growth since 2010.	- For the upcoming 2020 Tokyo Olympic, Prime Minister Shinzo Abe vows further efforts to reach 40 million tourism goal.
<b>Market Share</b>	- In South-Korea, Taiwan, and HongKong, the market share is gradually growing especially among youth(age of 20-30).	- More surveys and experiments should be done before entering Japanese market.
<b>Competitors</b>	-banks, post office -licensed money changers(exchange corners, discount ticket shops, automatic change machines, foreign exchange delivery services, and hotels) -credit card companies(ATMs)	- Cashmallow provides a new concept for currency exchange industry which is considered a high potential. - As the market getting more competitive, rivals' next step need to be carefully observed.
<b>Customer Awareness of needs</b>	- When buying currency before going on a trip overseas, consumers will realize how much time and money does the service cost.	- Since Cashmallow is new to most of Japanese consumers, how to build successful PR strategy would be a main concern for them.
<b>Customers</b>	- Japanese or foreigners with foreign currency exchange needs.	- Japanese's acceptance of new technology would be a key issue for gaining market share.
<b>Reaching Consumers</b>	- Social Media: invite famous youtubers or bloggers to experience the service. - Partner with hostels or hotels to get the word out also make the service more reliable. - Partner with companies to comfort employees' overseas business trips. - Partner with travel agencies.	- Since current consumers of Cashmallow are mainly at their 20-30, the way to reach them will need be changed accordingly.

### Section 3. THEORETICAL FRAMEWORK- TECHNOLOGY ACCEPTANCE MODEL (TAM)

Providing customer service via the internet is a growing phenomenon in banking and financial services industry (Eriksson, Kerem and Nilsson 2005). With the ever-increasing development of technology and its integration into users' private and professional life, a decision regarding its acceptance or rejection still remains an open question (Marangunić and Granić 2015). Technology Acceptance Model (TAM) is often used to explain adoption of the technology among customers.

This model was developed by Fred D. Davis in 1989, based on which the use of information technology by the intention of using a particular system is determined while the intention of using information technology is in turn determined by ease of use of the system and its usefulness (Husseini, Ahmadinejad and Gharsizadeh 2013). Figure 7 below shows the original model of technology acceptance. In the process of accepting information technologies, these two hypotheses play a crucial role, which can be influenced by external variables including perceived usefulness and perceived ease of use. That is to say, attitudes towards using an information system such as Cashmallow is affected by these two assumptions, and eventually determines the actual level.

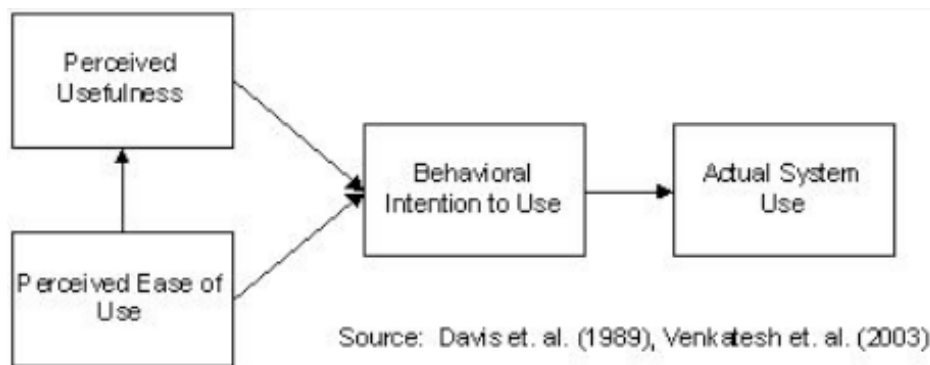


Figure 7. Technology Acceptance Model (Davis 1989)

#### Section 4. ISSUE OF CREDIBILITY IN TECHNOLOGY ACCEPTANCE

Apart from the perceived usefulness and perceived ease of use, credibility is considered another significant point to look into while mentioning adoption of new technology. A research conducted by Mauricio S. Featherman, Anthony D. Miyazaki and David E. Sprott would be a helpful point of departure for understanding the impact of credibility. The paper aims to examine ways to reduce privacy risk and its effects so that adoption of e-services can be enhanced, and the research is broken down to two studies.

Study 1 was conducted as an online task consisting of a pre-purchase evaluation of a little known financial bill payment e-service. A relatively unknown provider was chosen so that initial assessments of e-service reliability and security, privacy risk, and other factors were based to a large

extent on respondents' evaluations of the web site content rather than prior knowledge or experience. Study 2 further tests the viability of the technology acceptance model for studying privacy risk, and also examines another privacy risk reducing factor.

Both Studies 1 and 2 found that security and reliability concerns influenced privacy risk, which in turn, influenced the perceived usefulness of the e-service and the intentions to use it. Additionally, Study 1 found e-service ease-of-use to serve as a risk reduction factor and Study 2 found corporate credibility to reduce both perceived privacy risk and its effects on usage intentions. Jointly, the two studies also show that framing privacy concern as a risk assessment is useful in examining how privacy risk influences e-service evaluation and usage decisions. The results provide evidence for the hypothesized negative effects of assessed privacy risk on consumers' e-service usefulness evaluations and usage intentions (Featherman, David and Anthony 2008). Overall, the ease of use of a e-service, and the credibility and capability to reduce privacy risk of a e-service provider will directly influence the likelihood of adoption.

## Section 5. CASHLESS TRENDS IN JAPAN

Cash-heavy Japan aims to double digital payments to 40% in the next decade by helping metropolitan-area businesses afford cashless services to better attract foreign visitors and open their wallets. The goal, set by the Financial Services Agency and the industry ministry, will be part of a plan to promote fin-tech, the intersection of finance and information technology, in a growth strategy to be compiled in June. The move is also a step toward better accommodating foreign tourists, with an eye toward the 2020 Tokyo Olympics (Nikkei 2017). According to the report "Cashless Vision," compiled by a panel of experts under the Ministry of Economy, Trade and Industry, cashless systems at retail stores will save manpower at a time when Japan desperately needs to improve productivity amid a labor shortage and declining population. Also, shifting from cash to digital money will improve the transparency of money flows that will enable the government to collect taxes more accurately and efficiently (Kazuaki 2018).

However, Japanese consumers heavily favor cash, with only about one-fifth of all payments made

using cashless methods compared with around 90% in South Korea and roughly 50% for both the U.S. and China (Nikkei 2018). Dig deeper into why Japan is sluggish in adopting cashless, trust in cash, the sense of safety in carrying it, fewer stores that accept credit cards and e-money are factors pointed out in the Cashless Vision report. The report, released in April, noted cash has been reliable in Japan, where counterfeit bills are rare. The crime rate is low, so people feel safe carrying cash, and ATMs are readily available. Also, although many convenience stores and large retailers allow various payment tools, many small enterprises only accept cash (Kazuaki 2018). Another reason for why Japan is a cash country is that banks in Japan heavily rely on their income through the use of ATM machines, which are located in an abundance of convenient spots around Japan. As many people are still willing to pay the commission fee to withdraw cash, companies can still benefit from and also rely on the revenue. It's become increasingly difficult to turn a profit as a bank due to monetary easing and the negative interest rate policy — both factors introduced as part of Abenomics — and promoting avenues that would hugely reduce the use of ATM machines is too much of a risk for the major banking companies (Brown 2019). In all, even moving toward a cashless society seem to be a global trend and will directly reduce the need for currency exchange shops, Japan is still very much a cash-based society. It is barely impossible to abandon cash for both who live in Japan and Japanese who travel overseas at this stage. In other words, Cashmallow still have room to grow in currency exchange market in Japan.

## **CHAPTER 3. RESEARCH METHODOLOGIES**

As mentioned in the previous chapter, the purpose of this paper is to analyze the possibility of building a new currency exchange service as Cashmallow in Japan, and how does the process of technology acceptance look like in Japanese society. The research focuses on clarifying the characteristics, rules and customer needs of the Japanese market. Therefore, this study shows the results of interviewing selected senior executive in companies which is providing new financial services (third party payments, etc.) in Japan to obtain information for the further market research. This section will explain the research design, study subjects, interview process, and interview outline.

### **Section 1. RESEARCH DESIGN**

Japan still remains a paper-money based society, people are accustomed to trade with cash. At present, third party payment such as Line Pay, Pay Pay and some other new types of financial services have emerged in Japan. They are attracting attention from the public, and are considered to have the potential to gradually develop into a lifestyle from the niche.

The international currency exchange startup, Cashmallow, is mainly based in South Korea, Taiwan, and Hong Kong. And they plan to expand to Japan and Southeast Asian countries such as Singapore, Philippine, and Vietnam in the near future. Since the business has not started in Japan yet, most of the Japanese potential consumers are still unfamiliar with such services. This study will identify the challenges facing by companies who are currently promoting new financial services in Japan, also their opinions on financial market and strategies for future. Aiming to provide insights into the new financial service market from Cashmallow's perspective.

One of the reasons why the consumer survey of Cashmallow is not included in the research is that the new currency exchange service has not yet familiar among Japanese customers. At this stage, knowing more about the difficulties when first enter Japanese market through interviews with professionals is considered more useful. Sometimes the trend is driven by merchants, they introduce

brand new products or service to the public and further influence consumer behaviors.

For the better understanding of the Japanese financial market, interviews with professionals will be conducted, and the results will be analyzed with secondary qualitative study. We focus more on the social facts than the numbers themselves. The collected data is mainly soft and following by thick description in order to make sure ourselves focus on clarifying our messages during data collecting, rather than setting a hypothesis and waiting for researchers to answer those questions. The main reason why we choose to do a qualitative research is that on this issue, we believe the internal view will help to identify the potential problems of introducing new financial services to Japan comparing to the externally visible factors. Also, it will help us to further understand how to improve the business model to truly meet the needs of the Japanese market.

Individual face-to-face in-depth interview seeks to foster learning about individual experiences and perspectives on a given set of issues (DiCicco-Bloom and Crabtree 2006). Therefore, to explore the new financial services market in Japan, interviews with industry insiders are conducted. Aim to understand the situation and opinions of major players, merchants and consumers. We do not gain control of the situation during interview. Our goal is to lead professionals talk from their experience and make sure interviewees fully express themselves, in order to understand the trends towards new financial services. Questions that are not effective at eliciting the necessary information can be dropped and new ones added. Furthermore, the interviewer should be prepared to depart from the planned itinerary during the interview because digressions can be very productive as they follow the interviewee's interest and knowledge (DiCicco-Bloom and Crabtree 2006). Qualitative research interviews (QRIs) involve gathering information and facts (Targum 2011), eliciting stories (Birch and Miller 2010), and learning about meanings, emotions, experiences, and relationships (Weiss 1994) that cannot easily be observed (Baxter and Babbie 2003).

In-depth interviews vary from informal conversations to more formal interviews, which may be unstructured, semi-structured or structured(see Table 3).

Table 4. Types of in-depth interview

	<b>Individual</b>	<b>Group</b>
<b>Structured</b>	Set of broad questions asked more or less in order but flexible to adjust to respondent's answers. Primarily a one-way data collection technique	Focus group (structured discussion)
<b>Semi-structured</b>	Broad topics for discussion respondent allowed to develop ideas and interviewer uses prompt to probe and keep the conversation covering the broad areas. Interviewer may contribute but mainly one-way information flow.	Questions posed and any group member can answer. Respondents may elaborate based on responses of other group members. Eg., football terrace
<b>Unstructured</b>	More of a conversation with little evident direction to the interview just the broad topic area. These are referred to as 'open ended'. In some cases the conversation, which is often one-sided, develops into a dialogue where the interviewer contributes as much as the respondent.	A guided conversation with the group leading the situation and the interviewer in a position of almost overhearing the exchanges, prompting further discussion amongst the group.

Source: Quality Research International

Semi-structured interview is used in the research. It allows interviewer to contribute but mainly one-way information flow from interviewees. Researchers must adhere to the principle of openness and flexibility, so that interviewees can fully express their views and feelings towards the research topic, letting the results emerge gradually through the process of Q&A. Even being given the same questions, interviewees respond differently based on their personal experiences and thoughts. That may be the reason why researchers sometimes gain unexpected results. In all, to conduct a semi-structured interview, the interviewer needs to develop and use an interview guide, which is a list of questions and topics that need to be covered during the conversation. And it is widely used when researcher is aiming to gain an in-depth understanding on the subject.

Semi-structured in-depth interview are conducted to collect data and information in this study. Another major reason is that there is no such new financial service for comparison in the Japanese market, and there is no relevant reference. Therefore, we believe that the practical experience in financial services practicing would be a proper way to begin. learn that the industry is introducing new financial services. Qualitative research allows us to be able to gain insight into the latest developments in the industry and consumer responses. Also because Cashmallow has not yet been introduced to Japan, consumers have no other similar services to make comparison with. In other

words, customers do not know much about how the service work and what is the risk hence the service would not be valued fairly. Therefore, professionals are included in the research at this stage. Before the visit, the outline of the interview will be drawn up, and the inquiry will be flexibly adjusted due to the situation. And the background of the interviewee and the service provided by the company will be researched in advance. During the interview, status of interviewee will be grasped to make sure if there is any message that is not completely conveyed. Lastly, the collected data will be organized, sorted and analyzed to find out the respondents' thoughts and expectations on new financial services, also their opinions on introducing Cashmallow to Japanese market.

## Section 2. SAMPLE AND UNIT OF ANALYSIS

The interviewees are chosen by purposive sampling which is described as a random selection of sampling units within the segment of the population with the most information on the characteristic of interest (Jacqueline and Erniel 2007). The logic and effectiveness of the purposive sampling is to choose information-rich cases for in-depth research. Information-rich cases refer to the respondents who can provide researchers with an abundance of information for the research. The interviewees selected are professionals in financial services industry. The interviewees must meet the following criteria:

- A. Professionals in the financial services industry.
- B. The company has entered the Japanese market for more than 3 years.
- C. The company's new financial services are related to currency exchange service or APP financial service.

## Section 3. METHOD OF DATA COLLECTION

This article consists of developing research topics and interview questions based on the result of literature review, deciding interviewees, collecting data, and explaining key findings in interviews and studies. The interviewees are professionals in the financial services industry. When selecting the qualified respondents, we target the company with certain achievement. The content is anonymous



and is not open to the public and there is no standard answer to the questions but need to be answered basing on the practical experience. The research included total of 2 interviewees, and we first made an invitation by e-mail. After the consent is obtained, a one-hour length interview will be scheduled at the time and place of interviewees' convenience.

#### Section 4. INTERVIEW QUESTIONS

The interview consists of 12 questions and divided into 3 parts, service the company provided, the uniqueness of new financial service market in Japan and Japanese consumers, and the innovation of currency exchange service.

##### A. About the main services they provided to customers

- a. What kind of financial service does your company provide?
- b. When did your company start providing this kind of service in Japan?
- c. Which group of your customers grows the fastest?
- d. Does company have any plan for expanding customer base?

##### B. About the uniqueness of new financial service market in Japan and Japanese consumers

- a. How's the growth of third party payment service market in Japan comparing to other countries?
- b. Do you think the financial environment in Japan is more conservative than others?
- c. Why did the company target Japan back then?
- d. How did the company step in the market of Japan?
- e. Have the company been through any M&A, if yes, are there any differences before and after that?

##### C. About the innovation of currency exchange service

- a. Do you think there's a possibility of applying your service(like QR code technology,...) to currency exchange service?
- b. What do you think of Cashmallow?
- c. Can you give some advice to Cashmallow if they want to bring the service to Japan?

## CHAPTER 4. RESULTS ANALYSIS

Interview results are outlined in this chapter, and are explained in the following three categories.

A. About the main service they provided to customers

B. About the uniqueness of new financial service market in Japan and Japanese consumers

C. About the innovation of currency exchange service

### Section 1. BACKGROUND OF SAMPLE AND UNIT

The research included professionals in new financial service industry with considerable experience. A total of 2 interview, 60 minutes each, was conducted between May 22<sup>nd</sup>, 2019 and June 30<sup>th</sup>, 2019.

	<b>Sample 1</b>	<b>Sample 2</b>
<b>Name</b>	Mr. Yang Hai Shan	Mr. Stanley Wong
<b>Company name</b>	UnionPay Group, Merchant Support	Sumitomo Mitsui Banking Corporation
<b>Position</b>	Director of new business department	Manager of foreign exchange & treasury department

### Section 2. DATA ANALYSIS

A. About the main services they provided to customers

a. What kind of financial service does your company provide?

Sample 1:

We mainly provided three kinds of services(Figure 8),

(1)The fastest credit cards payment service which is usually within 3 business days(Figure 9)

(2)Third party payment system set up and support including Wechat Pay and Ali Pay

(3)Credit card machine set up and support

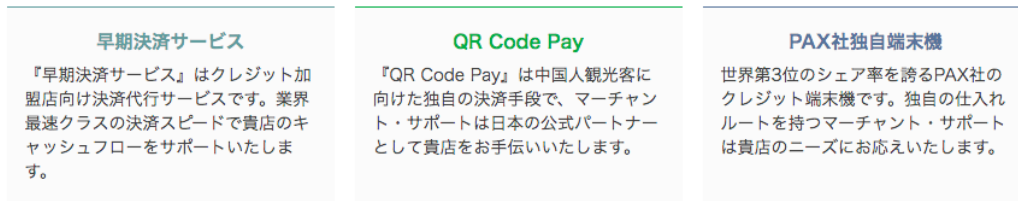


Figure 8. The main services provided by Merchant Support

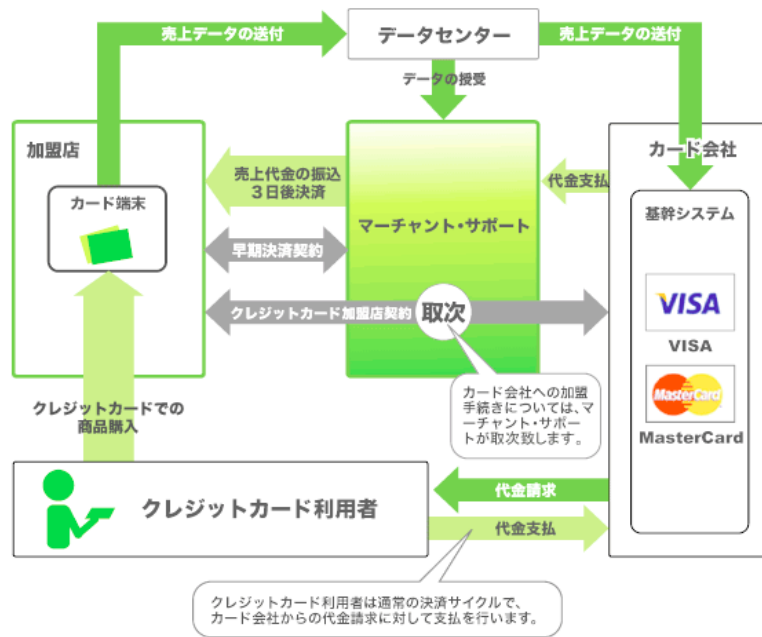


Figure 9. The fastest credit cards payment service provided by Merchant Support

The business model behind our first service is that, after third party payment system being equipped, merchants' customers will be available to quickly purchase a product by scanning QR code. Afterwards, merchants will be informed and paid back by companies as Merchant Support after rate exchanging and processing fees deduction within three business day. One of the reasons why our service is popular among the industry is that, usually it will take a month or longer for credit card company to pay back merchants. At this stage, we are pay more attention on our second service which is helping merchants with third party payment system set up and providing support service at this stage, partly because we have been acquired by Union Pay in 2017, and gained lots of third party payment know-how. We are aiming to provide more new services and unique concepts which are still rare in Japan but already well developed in China. However, it is practically hard to do at once.

Our plan is to build up a solid foundation such as customer needs, merchants base, and payment systems by middle of 2019 and import more services to Japan in the end of the year. When looking into the revenue of Union Pay Business in China, less than half is from merchants' processing fees. That is to say, we are in fact earning money from others ways such as staffless/cashless supermarkets and hotels, which would possibly be the next new trends in third party payment industry in Japan too.

Sample 2:

Sumitomo Mitsui Banking Corporation (SMBC; 株式会社三井住友銀行 Kabushikigaisha mitsui sumitomo ginkō) is a Japanese multinational banking and financial services company which is the second largest bank in Japan by assets. The headquarter located in Yurakucho, Chiyoda-ku, Tokyo, Japan. It is a wholly owned subsidiary of Sumitomo Mitsui Financial Group.

Foreign exchange department mainly in charge of providing consumers with Foreign Exchange (FX) transactions, complying with applicable domestic and overseas laws and regulations, market standards to be complied with, and proper market practices.

b. When did your company start providing these kinds of services in Japan?

Sample 1: Our company was founded in 2005 in Japan.

Sample 2: Since the bank was founded. SMBC was actually assembled by the merger of The Sumitomo Bank and Sakura Bank in April 2001. Sakura Bank was a descendant of Mitsui Bank and Sumitomo Bank was a major Japanese bank founded in 1895; another major Japanese bank founded in 1876, but with operations dating back to 1683, when the Tokugawa Shogunate granted Mitsui Takatoshi permission to act as a money changer.

c. Which group of your customers grows the fastest?

Sample 1:

Over 60% of our customers(merchants) are retail stores such as drug stores and electrical appliance

shops, but third party payment is widely used in food and beverage industry too.

Sample 2:

The main functions of foreign exchange department can be briefly divided into five, financing exports, financing imports, providing remittance facilities, providing foreign exchange, and furnishing credit information. Each function would have their own customers. Most of consumers using remittance facilities are companies or individuals doing import/export business. And we also buy and sell foreign exchange from and to the public, which customers would mainly be inbound/outbound travelers. In all, the amount of total foreign exchange has been gradually growing every year but the background of customers are not allowed to display to the public.

d. Does company have any plan for expanding customer base?

Sample 1:

We are aiming to reach more merchants so the consumers will gradually get used to the third party payment and help to expand the whole market. We are happy to see Japanese local brands like Rakuten pay and Pay pay growing though it means we will face more challenges in the industry. We strongly believe that consumers do gain more convenient purchasing experience through our service.

Sample 2 :

For now, our team focus more on innovation and how to upgrade our service based on deep knowledge and experience in various financial markets, including foreign exchange, money market, fixed income, and derivatives. Global financial markets move faster than ever, and our clients require a tested partner who can help them navigate the many risks and opportunities that can arise.

B. About the uniqueness of new financial service market in Japan and Japanese consumers

a. How's the growth of third party payment service market in Japan comparing to other countries?

Sample 1:

It's getting more and more competitive, and most of companies invest huge amount of money on holding campaigns to attract users. One of the big players Pay pay is owned by yahoo while Alipay usually collaborate with Softbank. Another player Line pay often connect to Wechat pay since they are both developed from SMS.

Sample 2 :

Sumitomo Mitsui Financial Group, Inc.(SMBC Group) and GMO Payment Gateway, Inc. (GMO-PG) publicized a new collaboration on creating of the "next generation payment platform" targeting operates that support cashless payments, seeking to provide high value-added services in the payment market in 2018. We have been working together for a while, including partnership in e-commerce payment processing business on the back of the rapid development of online shopping. Third party payment service is still a small portion of all payments made when compared to countries like China, South Korea, and the United States, where cashless payments are more majority. However, realizing the needs to connect to a single payment platform which provide a number of payment methods that respond to various demands at low cost inspired our team to start this project. The main idea is to emerge QR code payments and "Ginko Pay", an immediate direct-debiting service through APP that connects to consumer's bank accounts using the platform system provided by GMO-PG which consumers would not be bothered by making a choice from e-money, credit card, debit card and other traditional payment methods.

b. Do you think the financial environment in Japan is more conservative than others?

Sample 1:

Yes, I think the financial environment in Japan is more conservative than others regarding to the culture and acceptance to new technology. Three and half years ago, our company starts to promote third party payment by QR code scanning. We have been meeting at least hundreds of merchants and everyone was meticulous. They were curious about the new technology but concerned about safety at the same time. Therefore, everyone was waiting for leading companies' reactions. However, there

were no many executives willing to take the risk. It took about two years to convince part of merchants to grab new business opportunity and that is the reason why we start seeing cash refund campaign battles among those leading companies.

As mentioned in chapter 2, cashless is a new trend in Japan and 2018 was defined as “Cashless Gen Nen”(The first year of cashless era) . At first, people did not realize the value of QR code scanning third party payment system, and it was recognized as a kind of point system in Japan. Until now, paying by QR code scanning is considered as a trend in Japanese society, gradually influencing consumers’ payment habits.

It was saying that few of leading companies were planning to launch a local QR code-scanned third party payment APP in March, 2018. But considering about bank cash savings might be transferred to these companies, government stopped the whole plan.

However, concerning foreign third party payment system will become the biggest player in Japanese market, some actions have been taken. Over 10 payment systems are now competing in the field, including local brands such as Pay pay, Merugari pay, Rakuten pay, and Line pay. All brands started to promote themselves to the market in 2018. Apart from holding campaigns, companies also focus on upgrading the content to attract more users and bring benefit to merchants at the same time. Everyone has to keep investing in the beginning to keep the users since it is found that consumers tend to stop using the service while there is no campaign. That is to say, the consumption habit is not yet built.

Sample 2:

Earning the highest trust of our customers always comes first when considering business development for the bank, especially in Japan. It might be considered conservative but credibility is valued more in Japanese society and there is nothing wrong being more careful while dealing with money.

c. Why did the company target Japan back then?

Sample 1:

In 2018, near 30% of Japan's inbound tourists are from China. To serve our citizens better, targeting Japanese market was considered as what we must do. Furthermore, Japanese consumers are still not familiar with new financial services such as paying by QR code scanning, which means it is still a blue ocean. Therefore, from business perspective, the company decided to mainly focus on introducing the payment system to Japan since we own the know-how from China experience.

Sample 2: N/A

d. How did the company step in the market of Japan?

Sample 1:

At the beginning, QR code scanning third party payment system was undervalued, and it was considered as another way to collect points in Japan. Afterwards, people gradually realize that third party payment and cashless society is a new trend worldwide. One thing interesting about Japanese culture is that it always cost much time for them to accept new technology but once some companies willing to take the risk and lead the trend, people follow. That might describe how consumers' payment habits are changing today.

Sample 2: N/A

e. Have the company been through any M&A, if yes, are there any differences before and after that?

Sample 1:

Merchant Supports was acquired by Union Pay in 2017, with the high reputation among Chinese tourists and Japanese merchants, the promotion of third party payment has been progressing auspiciously. Also, Union Pay has been investing in third party payment system developing in China for over eight years hence Merchant Supports has a strong technical support from parent company. The acquisition somehow means we are already one of public enterprises therefore smooth our



business operation.

Sample 2: N/A

C. About the innovation of currency exchange service

a. Do you think there's a possibility of applying your service such as QR code technology to currency exchange service?

Sample 1:

Currency exchange industry in China is considered different from any other country since operating by merchants is forbidden according to the law. And citizens are only allowed to exchange the amount of 50thousands US dollars each transaction from the bank. Therefore, currency exchange service would not be an option for now. However, in other Asian countries, it seems like a great business opportunity. Applying new technology such as QR code scanning to the current currency exchange service would definitely increase the ease of use and consumers do not need to carry a huge amount of cash queuing in bank during peak hour anymore.

Sample 2:

Yes, I personally believe it is possible to ease currency exchange by applying QR code technology. As mentioned earlier, in order to react to the current trends, SMBC Group embarked on discussions with GMO Payment Gateway, Inc., in May 2018 to develop a next-generation payment platform with the aim of providing business operators with the infrastructure needed to accommodate cashless payments. The online payment strengths of GMO Payment Gateway with the credit card service strengths and competitiveness in regard to payments at stores and other physical venues of SMBC Group will be merged. We thereby plan to develop a comprehensive, next-generation payment platform capable of seamlessly accommodating payments through various payment methods via both physical and online venues. Our goal is to create infrastructure that enables business operators to respond to the diverse range of payment methods necessary to cater to users' various needs with a

single, low-cost payment platform (SMBC Group 2018). As you can see, many efforts are being put into combining the traditional bank services and new technologies nowadays.

b. What do you think of Cashmallow?

Sample 1:

Cashmallow is basically providing what banks are providing, but save time and few handing fees for consumers. It is a progress for improving currency exchange service but there is still a room to grow. In the case of China, nowadays people are used to cashless payment system. Therefore, when they travel abroad, they would tend to purchase by Wechat Pay or Ali Pay which RMB are automatically exchanged to foreign currency with little processing fees. If cash is needed, then ATM which have been widely set in convenience stores in major cities would their ideal choice.

Japan's government claimed that they hope to increase the cashless payment to 40% by 2027 hence we strongly believe that this will be new trend for most of the developed countries in Asia.

Sample 2:

Although Cashmallow seems new to the currency exchange market, but the technologies of APP and QR code scanning are familiar to most of the smartphone users already. Therefore, I personally believe it won't be hard to promote the service in Japan. The more important thing is how to keep the advantages and improve the service according to clients' needs.

c. Can you give some advice to Cashmallow if they want to bring the service to Japan?

Sample 1:

For now, we believe there is no one providing currency exchange service by using APP and QR code scanning technology in Japan. The major players in the industry are still banks due to the credibility issue. However, by observing the consumer needs and continuously improving the service, there is still a chance for Cashmallow to open up the market. An issue which Cashmallow might need to pay more attention on is the amount of tourists will change according to the peak seasons in different

regions hence the cash flow should be carefully managed.

Sample 2:

There are three directions for Cashmallow to consider more before entering Japanese market. First of all, the credibility factor which playing the main role in the financial world. A question Cashmallow would like to think about is that what should we do to earn trust from Japanese consumers as a South-Korean startup, with little experience in the field comparing to other rivals. Secondly, ensuring a steady cash flow. Cash is considered the lifeblood of a business. Making sure the company is available to serve clients properly, and able to pay the bills, staff wages, suppliers would be important for a startup. A lack of capital could be a reason for companies falling in the early stage. Lastly, technology is moving so fast today, how can Cashmallow keep up with the change and remain competitive in the market. It is not easy for an organization to establish a unique service/products to provide to the right consumers, in order to keep it up, improving customer experience, offering lower price, or entering at early timing might be some clews for Cashmallow.

## CHAPTER 5. CONCLUSION AND ADVICE

This chapter summarizes the results and recommendations in accordance with the collected data in Chapter 4. By reviewing the trend of Japan's new financial services market, we will give advice on how to improve the service of Cashmallow to better suit the uniqueness of Japanese society, and when might be the best timing for Cashmallow to enter the market.

In entirety, the financial services industry in Japan and Cashmallow have been analyzed, and it is strongly believed that the reasons for the success for Cashmallow in South Korea, Hong Kong, and Taiwan can be duplicated in Japan.

31.1 million overseas tourists visited Japan and 18 millions of Japanese were travelling abroad in 2018 meaning that there are 50.1 millions of travelers having the foreign exchange needs, a 98.6% growth since 2010. And according to the Japan Times, Prime Minister Shinzo Abe claimed the government will boost efforts to achieve its target of 40 million visitors to Japan by 2020 as it seeks economic growth through tourism meaning that the market and needs of currency exchange are large and will continue growing in the future years.

Apart from market size, we believe that Cashmallow deliver a new currency purchase experience through application of new technology which makes themselves stand out from other competitors. First of all, Cashmallow saves money for consumers. Users will be able to compare exchange rates offering by most of the major financial institutions on Cashmallow APP and make the order anytime anywhere through their mobile. And only 1% of the exchange amount handling charge will be requested for each transaction while others usually charge 2-19% according to the currency liquidity or high operating cost. Secondly, Cashmallow saves time for consumers. Users will simply be asked to make the order on their smartphone, confirm their deposit had been transferred to e-money, then withdraw local currency by QR code scanning from the airport booth or partner hotels after touch down.

Nevertheless, we found two points that might hesitate consumers to purchase through Cashmallow during the research preparation. To begin with, users will need to deposit the amount to

Cashmallow’s bank account within 2 hours after the order before they depart. Therefore, the psychological barrier mainly caused by whether to trust Cashmallow as a financial institution or not would possibly influence the result of decision making. The core problem here is Japanese consumers lack awareness about the service hence 3 possible ways to reach consumers who are mainly young adults aged 20 to 40 are proposed (Table 5). According to the comparison, business alliance with trustworthy companies such as banks or credit card companies seems solid and profitable. Nonetheless, concerning the cost in time and money, and the current investment ability of Cashmallow, it would not be a proper option. In order to overcome the credibility issue in Japanese market, Cashmallow might want to start with advertising through SNS, Youtube or Instagram by inviting internet celebrities to experience and share about the service. If Cashmallow wants to further expand the market, collaborate with companies that have overseas business trips demands would be a safe and efficient way as the case of internet first introduced to Japan. While employees gradually getting used to the service, they will possibly use the service in private or recommend to families or friends.

Table 5. Comparison of methods for reaching Cashmallow’s target consumers

	Cost	Impact on sales	Estimated benefits	Credibility level among aged 20-40	Others
<b>Advertisement (SNS, Youtube, Instagram...)</b>	◎	△	△	○	
<b>Business collaboration</b>	△	△	○	○	
<b>Business alliance (Banks, Credit card companies...)</b>	×	◎	◎	◎	Building partnership with Japanese companies is likely to take longer time. But once the relationship is built, it will last long and stable.

Secondly, limited kinds of currency are provided on Cashmallow. To expand the customer base, adding Japanese yen, RMB, or US dollar to the current service might be the options Cashmallow would like to consider about. Pros and cons of each are analyzed in the table below (Table 6). Cashmallow is aiming to grow their business at this stage, and sticking with the

current service would stop them from reaching more consumers. Therefore, other three options deserve more attention. Comparing to US dollar, adding Japanese yen into current service would cost less and easier to organize according to Cashmallow's company size and investment capacity. Adding RMB into Japanese market is practically possible but Chinese tourists are used to withdraw cash from ATMs and third party payment which includes the auto currency exchange service. Oppositely, cash is barely accepted in main cities in China such as Beijing or Shanghai. Furthermore, operating currency exchange business is prohibited in China. Thus, adding Japanese yen to the service would not only meet Cashmallow's expectation of growing their business and serve more consumers but also within their risk tolerance. In all, based on the literature review, interviews and analysis, it is strongly believed that Cashmallow will be able to gain a high market share and thus succeed.

Table 6. Comparison of currencies for expanding Cashmallow in Japan

	<b>Fit with customer needs</b>	<b>Easy to implement</b>	<b>Cost</b>	<b>Estimated benefits</b>	<b>Others</b>
<b>Stick with the current service</b>	✗	◎	◎	✗	
<b>Add Japanese yen</b>	◎	○	○	○	
<b>Add RMB</b>	○	N/A	N/A	N/A	1. Operating currency exchange business is prohibited in China. 2. Chinese tourists are used to third party payment and ATMs. 3. On the other hand, cash is barely accepted in major cities in China.
<b>Add US dollar</b>	◎	△	△	◎	

To sum up, Cashmallow is highly recommended to enter Japanese market in the short-term because of the market attractiveness, Cashmallow's unique advantages, and the ability to overcome those barriers. Furthermore, the demand for cash would not disappear for a reasonable length of time. And comparing to other countries, a huge amount of shops, restaurants, and individuals still stick to

cash in Japan which will influence their purchase behavior when it comes to currency exchange. However, the trend of cashless and development of third party payments which would possibly decrease the demand for cash while traveling overseas should be aware. Accordingly, Cashmallow is suggested to pay more attention on those new concepts such as staff-less stores and hotels evolving from cashless trend in the long run.

## **CHAPTER 6. DISCUSSION**

### **Section 1. LIMITATIONS OF THE STUDY**

The results of this study have to be seen in light of some limitations. First of all, lack of previous research studies on the topic since the service is still new to the market, and Cashmallow has merely been founded for three years. Instead of developing an entirely new research typology, studying on related subjects such as growth of inbound and outbound tourists, current currency exchange methods, and cashless trend in Japan are considered more helpful to the research. Secondly, issues with sample and selection. This research did not include enough professional samples, and we have limited ability to gain access to the appropriate type of interviewees.

### **Section 2. OBSERVATIONS**

After interview with professionals from the new financial service, I started thinking of where do these third party payment companies invest their money? And what is their plan for further promoting their service? One of the answers would be the new staff-less and cashless stores or even hotels.

Moby Mart(Figure 10) is one vision of the future that has had its first test-run on the streets of Shanghai. Taking developments in self-driving vehicles, mobile payments, data analysis and wireless tagging of stock - all established technologies - there's a huge potential to overhaul the shopping experience (BBC 2018).





Figure 10. Image of Moby Mart

On the other hand, an automated Kiosk on a platform at Akabane Station in Kita Ward, Tokyo in 2018. The Kiosk, fully automated with no human workers, contains nearly 120 cameras that read what products a customer has picked up and follows them to the cash register. The customer then confirms the items on a screen and pays with prepaid IC cards which is considered a big step in cashless era. The kiosk is on the platform for lines 5 and 6. It sells a variety of 140 products including drinks, bread items and snacks. It will be open from 10 a.m. to 8 p.m. during Monday to Friday for two months (Japan Today 2018).



Figure 11. Image of automated Kiosk

### Section 3. DIRECTION FOR FUTURE STUDIES

Many issues have been touched in this research. But for the main research question, the possibility of creating a “Cashmallow” in Japan, the answer is positive at this stage. Consumers surveys can be conducted to further understand Japanese consumers’ opinions and concerns. The growing numbers of inbound and outbound tourists, the unique and time/money saving service Cashmallow provided, and professional perspectives all pointed out the value of opening up a new currency exchange business in Japan where Cashmallow will be capable of grabbing a significant market share and thus succeed.

The cashless trend and development would be another interesting subject worth the effort. For now, cashless payment systems companies are struggling to expand in Japan. However, as they are investing a huge amount of cash to attract consumers, with those generous campaigns and upcoming consumption tax hike will be powerful incentives.

The concept of unstaffed shops would also be a topic worth to be considered. The first unmanned shop in Japan has been opened in Tokyo JR East Akabane station in 2018, they charge consumers by stored value cards issue by railway companies for transit such as Suica or Pasma card. Except the reasons of long hours, low pay and a shortage of young people, the trend of cashless payment is another stimulus for creating those new concept stores.

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