

# Past Results and Prospect of Alternative Dispute Resolution (ADR) in Japan

**For Building a Trustable Internet Consuming Environment**

Sep 27, 2006

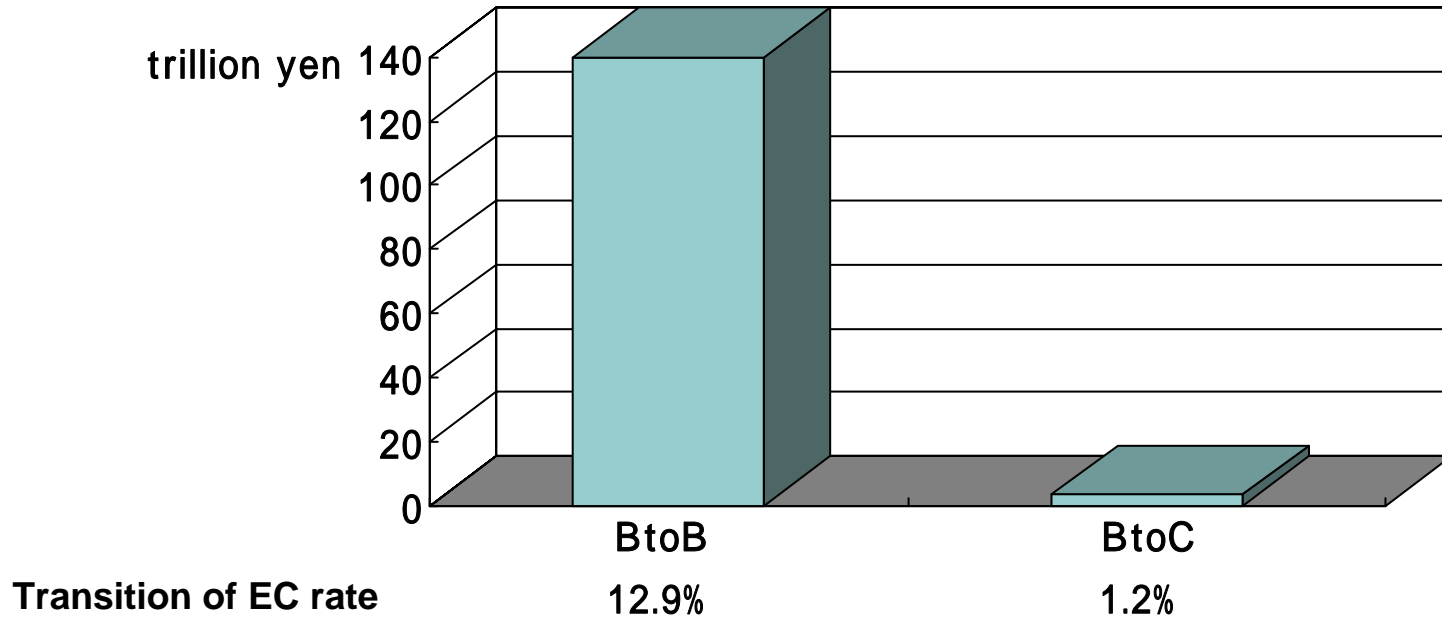
**EC Network, Japan**

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# Market Size of E-Commerce in Japan

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Survey of the Ministry of Economic, Trade and Industry in 2005

# Outline



- 1. Introduction**
- 2. EC Network**
- 3. Results of ECOM/ADR**
- 4. Study cases**
- 5. ODR, Trustmark & Future prospects**



Established on April 13, 2006, Tokyo.

Directors: Toshiko Sawada and Yuri Harada

Non-profit private organization

Mission: Empower small sized EC merchants

Promote “good market practice” =EC Guide

build market confidence

International matters

<http://www.ecnetwork.jp/index.html>

# Services by EC Network

For members

Up-to-date information services

- trouble case study
- related law/regulation
- trouble trend

Consulting services

provides consultation for individual case

ADR services

As 3<sup>rd</sup> party, provide ADR services



For all

Advise for consumers  
Consultation for cross border online shopping trouble  
ATA/GTA collaboration work  
Advice to local Consumer Centers  
General e-Commerce information

# Online Consulting Services

E-Commerce problems with consumers

Members

3 times per year  
For 10,000 Yen  
Per year

Register its problem into Member site (24h available)

Qualified advisers (counselors)



Legal and/or technical point of view by experts



# ADR services

(ADR; Alternative Dispute Resolution)

Hard to solve the trouble by direct negotiation



Complaint from customer toward the member  
member has to agree with commencing ADR

ADR service with no charge

Qualified adviser (counselors) facilitate the solution providing objective view

If requested by both party, qualified adviser (counselor) would propose a solution based on EC guide. EC Network members have to follow this solution in principle.



# What is ECOM/ADR Office?

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## **Pilot Project sponsored by METI**

(Ministry of Economy, Trade and Industry)

- **Period** : Apr. 2003 ~ Mar. 2006
- **Target** : Disputes arising from consumer-related EC including C2C transactions and cross-border transactions
- **Procedure** : Consultation, Mediation, Adjudication (or non-binding arbitration)  
>all by e-mail



# Achievement of ECOM/ADR Office

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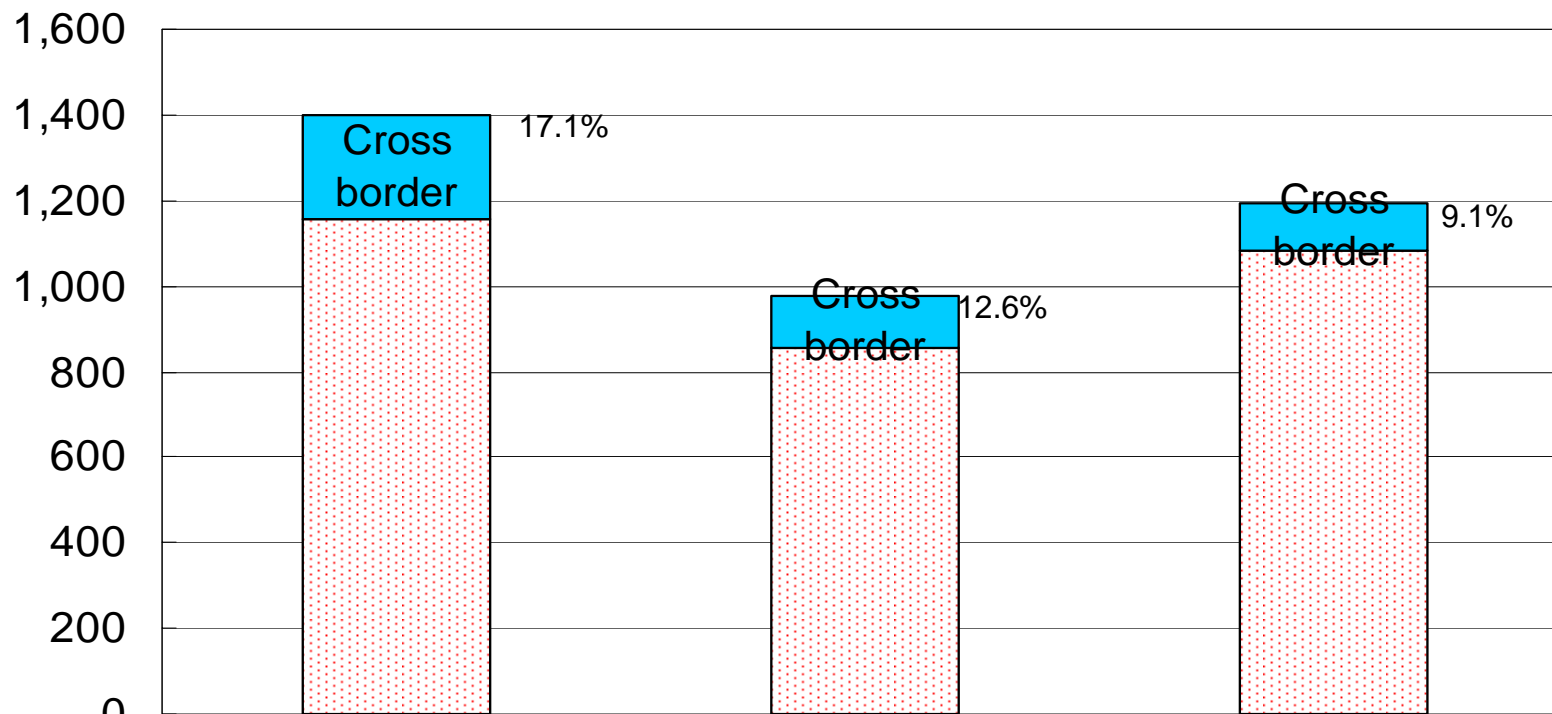
- Accumulated trouble cases arising from both B2C and C2C e-commerce
- Accumulated knowledge and know-how in e-commerce
- Thought about preventive measures against troubles
- Participation of international alliance
- Cooperation on 66 cases with BBB Online (North America)

# Tendency of Troubles Arising from E-Commerce

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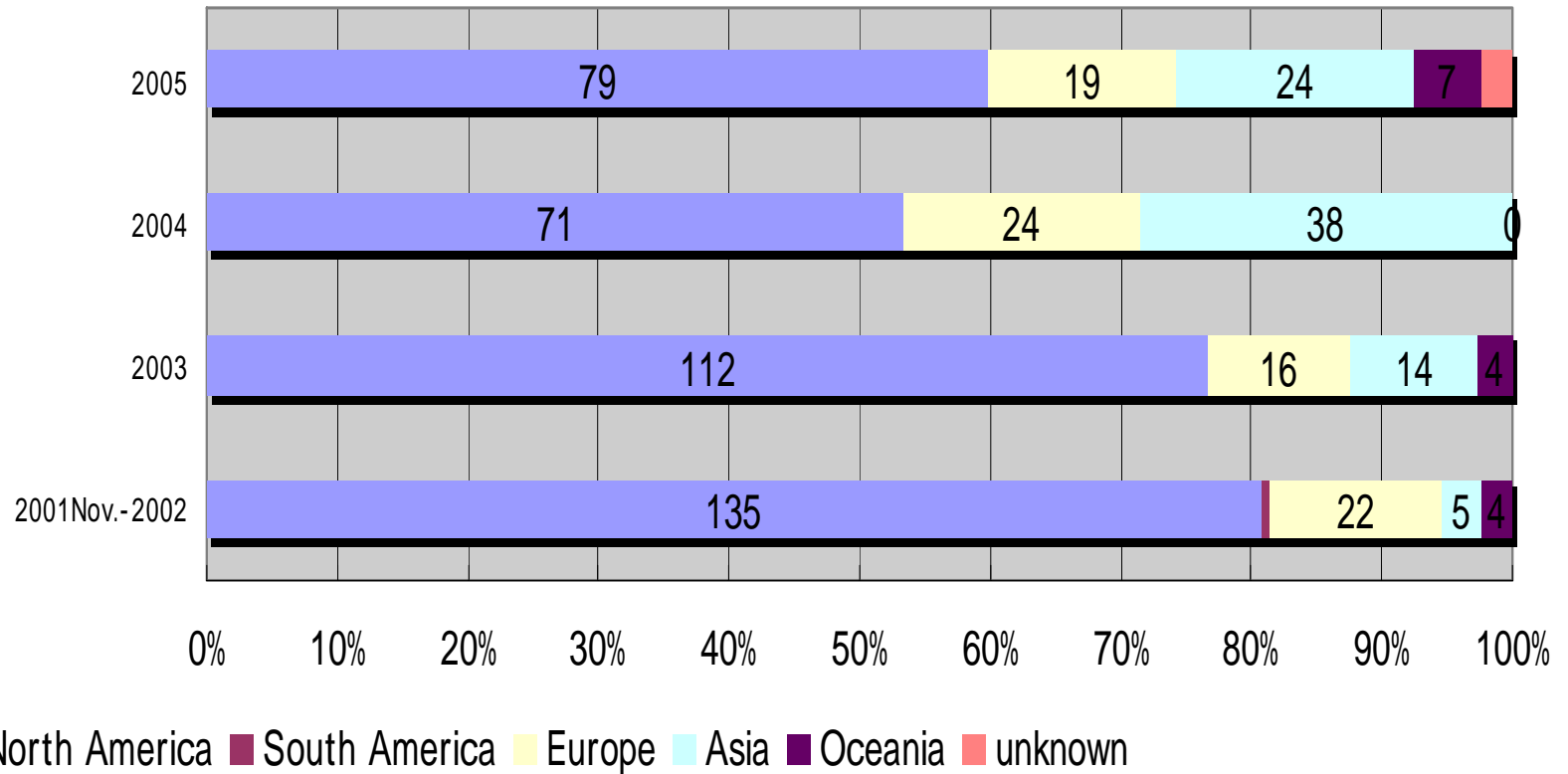
- The majority of complaints is “non-delivery of goods or services” including fraudulent cases.
  - As ADR cannot deal with fraudulent cases, it is necessary to cooperate with law enforcement agencies.
  - But ADR can resolve other types of disputes effectively such as misunderstanding, miscommunication, etc.

# Breakdown by Transaction Type in 2005



	On-Line Shopping	Internet Auction	Others	Total
■ Cross border	240	123	109	472(13%)
■ Domestic	1,158	853	1,085	3,096
Total	1,398(39%)	976(27%)	1,194(34%)	3,568

# Breakdown by Location of the Business



# Complaints in Cross-border Transactions

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- 10 ~ 15% of disputes were cross-border transactions
- BBB and ECOM have jointly handled 66 complaints arisen from transactions between North-America and Japan
- Many Japanese do shopping on the North American sites

# Complaint Cases Jointly Handled Between BBB and ECOM (As of Nov. 2006.3)

<b>ECOM    BBB Cases</b>				
Settled				24
	BBB Member	2		
	Non BBB Member	22		
Unsettled				27
	BBB Member	3		
	Non BBB Member	24		
<b>Total</b>				<b>51</b>
<b>BBB    ECOM Cases</b>				
Advice/Not Handled				7
Settled				2
Unsettled				6
<b>Total</b>				<b>15</b>

# Results of International ADR Co-operation

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- Learned foreign business practices and the ways to handle complaints over overseas organizations.
- collected frequent information on troubles
- contributed to build consumer confidence.

# Settled Case 1

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- ECOM BBB
- Miscommunication in ordering soap molds
  - A Japanese consumer ordered soap molds from a U.S. website. Although she specified delivery by sea mail, the goods were shipped by air, which cost much more.
  - The company finally refunded \$15, the difference between air mail and sea mail.



# Settled Case 2-1

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- A Japanese consumer successfully bid for a glove at the US auction site.
- The seller was a sports goods store.
- The consumer received the damaged glove
- The Japanese consumer insisted that the seller should replace the glove.
- However, the seller insisted that the Japanese consumer should send the glove first, and pay for shipment.

# Settled Case 2-2

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- ECOM contacted to the seller.
- The seller did not agree easily.
- The dispute caused by insufficient communication.
- The Japanese consumer conceded, sent the glove first and paid for shipment.
- The seller issued a refund.

# Fraudulent Case 1

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- A consumer living in Bahrain ordered 3 trucks made in Japan and paid \$30,000 through a bank transfer. But he never received them and lost contact with the seller.
- Upon ECOM's investigation, the seller's address and telephone number turned out to be a dummy.

# Fraudulent Case 2

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- After losing the bid on a US online auction, a Japanese consumer was offered a direct trade from an American individual who pretended to be a seller.
- The consumer sent a payment by money order.
- But the Japanese consumer never received them and lost contact with him.

# Online Dispute Resolution

## **Merits**

1. No constraint on time and distance

The greatest merit for cross-border transactions.

2. Both parties can keep calm and be logic.

3. Keep the records

## **Demerits**

1. Less immediacy

2. A little hard to convey a complaint through writing

# Trustmark Program in Japan

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- Started in 2000 by METI's initiative
- Current number of accredited sites: 640
  - Japan Chamber of Commerce and Industry: 380
  - Japan Direct Marketing Association : 260
    - Certification cost is very high
- Similar functions
  - Virtual shopping mall (ex. Rakuten)

# Conclusion



- **Combined with Trustmark & effective ADR(ODR) could be a solution.**
- **Cooperation with both domestic and international law enforcement entities**
- **Cooperation with international ADR org. is more effective**

# Thank you!

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Please send any Comments or Questions to  
below:



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