How has the Japanese market responded to global OTT-V development?

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View points of this presentation in order to explain players’ behaviors.

1. Market
2. Players
3. History
4. Ecosystem
US comparison
SVOD
AVOD
Market
Market environment in Japan

- No regulation for OTT
- A homogeneous market regarding ethnicity
- The terrestrial TV programs are the most popular content
- Yong generations increasingly prefer net devices
Breakdown of Japan’s video content market in 2016
Total: 6.5186 trillion yen

- Movies: 755.7 billion yen (12%)
- Original Internet Videos: 237.8 billion yen (4%)
- Game software: 1,391.9 billion yen (21%)
- Satellite & cable TV: 909.1 billion yen (14%)
- Terrestrial TV programs: 2,806.5 billion yen (43%)
Transition of video software market scale in Japan

Source: Japan Video Software Association, Digital Entertainment Group Japan, & Institute for the Arts (2018)
Advertising market in Japan (2017)
Total: 6,390.7 billion yen

Promotional Media, 2,088, 33%
Internet, 1,509, 24%
Television, 1,818, 28%
Magazine, 202, 3%
Newspapers, 515, 8%
Radio, 129, 2%
Satellite Media-related, 130, 2%

Source: Made from Figure “Advertising Expenditures” (Dentsu 2018, p27)
Video advertisement market (=AVOD) forecast in Japan (by devices)

Source: Cyber Agent (2017)
Players
Variation of Players

Old players
- TVs,
- Telecos
  mobiles, landline

New players
- IT ventures
  ex. Netflix, Amazon
- Others
  anybody utilizing solution provider and cloud services
Top 10 pay video streaming services (2018, multiple answers)

In SVOD market US/UK giants have been attracting Japanese customer very quickly.

Source: Modified from Figure 3 (Impress 2018)
dTV

• NTT Docomo (the largest mobile company) and Avex (a major music label)’s project
• The biggest service provider of SVOD before 2015
• Effective sales promotion and low cost for mobile subscribers
Paravi (Premium Platform Japan)

- Media platform by six media companies, including two key terrestrial TVs, one national newspaper, one major satellite channel, and two major advertising agencies.
- Started in 2018
- SVOD service
- With some original programs
Top 10 free video streaming services
(2018, multiple answers)

In AVOD market main players are Japanese terrestrial TVs.

Source: Modified from Figure 4 (Impress 2018)
Abema TV

• Joint venture between TV Asahi, one of key station of terrestrial networks and Cyber Agent, IT venture

• Add –supported Internet TV station with original programs for PC and portable devices

• Started in 2016
GYAO

• Add-supported streaming service by Yahoo, Japan and GyaO, a group company of Yahoo, Japan. (Part of promotions of Yahoo, Japan)

• Originally started in 2005 by USEN, a competitive telecom provider

• SVOD service started in 2018
The portal site for add-supported catch-up service by 5 of terrestrial networks, established in 2015

Users can access each network’s service through TVer

This is planned against piracy viewing and to prepare foreign giants market entry to Japan
Players in Japan, compared to the US

- Main players are old players such as TVs and mobile telcos
- IT ventures are limited
- There is no international player from Japan so far
History
TVs had been slow before 2015

- 2005 was the first year as well. Telecos had been controlled the OTT market at the first stage. With the entry of Netflix and Amazon in 2015 broadcasters became suddenly active.

<table>
<thead>
<tr>
<th>Year</th>
<th>Service(s)</th>
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<tbody>
<tr>
<td>2005</td>
<td>GAYO, Fuji TV on demand</td>
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<tr>
<td>2008</td>
<td>NHK on Demand</td>
</tr>
<tr>
<td>2009</td>
<td>dTV</td>
</tr>
<tr>
<td>2011</td>
<td>Hulu</td>
</tr>
<tr>
<td>2015</td>
<td>Netflix, Amazon prime</td>
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<td></td>
<td>Tver</td>
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<tr>
<td>2016</td>
<td>AbemaTV</td>
</tr>
<tr>
<td>2018</td>
<td>Paravi</td>
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</tbody>
</table>
**TVs have been active to compete with ITs in the US**

YouTube Started in 2005. Soon after IT ventures and TVs came into the market and began to compete.

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>YouTube, ABC and CNN put programs on Yahoo!</td>
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<tr>
<td>2007</td>
<td>Netflix started streaming, BBC iPlayer</td>
</tr>
<tr>
<td>2008</td>
<td>Hulu by NBC, FOX, and ABC</td>
</tr>
<tr>
<td>2011</td>
<td>Amazon Prime Video</td>
</tr>
<tr>
<td>2013</td>
<td>Netflix released “House of Cards”</td>
</tr>
<tr>
<td>2014</td>
<td>CBS All Access</td>
</tr>
<tr>
<td>2016</td>
<td>CBS All Access delivered original series</td>
</tr>
<tr>
<td>2020</td>
<td>NBC plans add-supported streaming</td>
</tr>
</tbody>
</table>
Ecosystem
The ecosystem of the Japanese broadcasting industry
The ecosystem of the US broadcasting industry
Very solid ecosystem developed around terrestrial networks

• made market entry difficult without TV or some content companies,

• made terrestrial TVs slow to OTT business

• allowed a mobile operator, and later foreign giants to grow.
Conclusion

• Terrestrial TV is the most popular content in Japan, and key stations control them.

• The TV industry ecosystem has developed around key stations in Japan.

• Hard to enter the major TV market without collaboration with terrestrial TV.
Conclusion

• While terrestrial TVs who want to keep the existing ecosystem are slow in SVOD market
  • Mobile telecom has promoted with their strong marketing power.
  • Foreign giants have taken the SVOD market quickly.

• SVOD has been regarded as substitution of rental videos, but terrestrial TVs have become keener considering the drastic shift of TV viewing expected soon
Mahalo
There is one concern...

• Will the market be taken by a foreign power like the mobile phone market?

• Japanese mobile phone market had been very advanced and competitive. However, foreign smartphones have swept away domestic feature phones very quickly.
Breakdown of Japan’s video content market in 2016
Total: 6.5186 trillion yen
The environment and ecosystem might change soon with drastic shift of viewing habits

• The environment and ecosystem might change soon with drastic shift of viewing habits
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Source: Made from Figure “Advertising Expenditures” (Dentsu 2018, p27)
Video on demand market (=SVOD) forecast in Japan

Source: NRI (2018)