

Are Japanese Cutting the Cord?

Evidence from a National Survey

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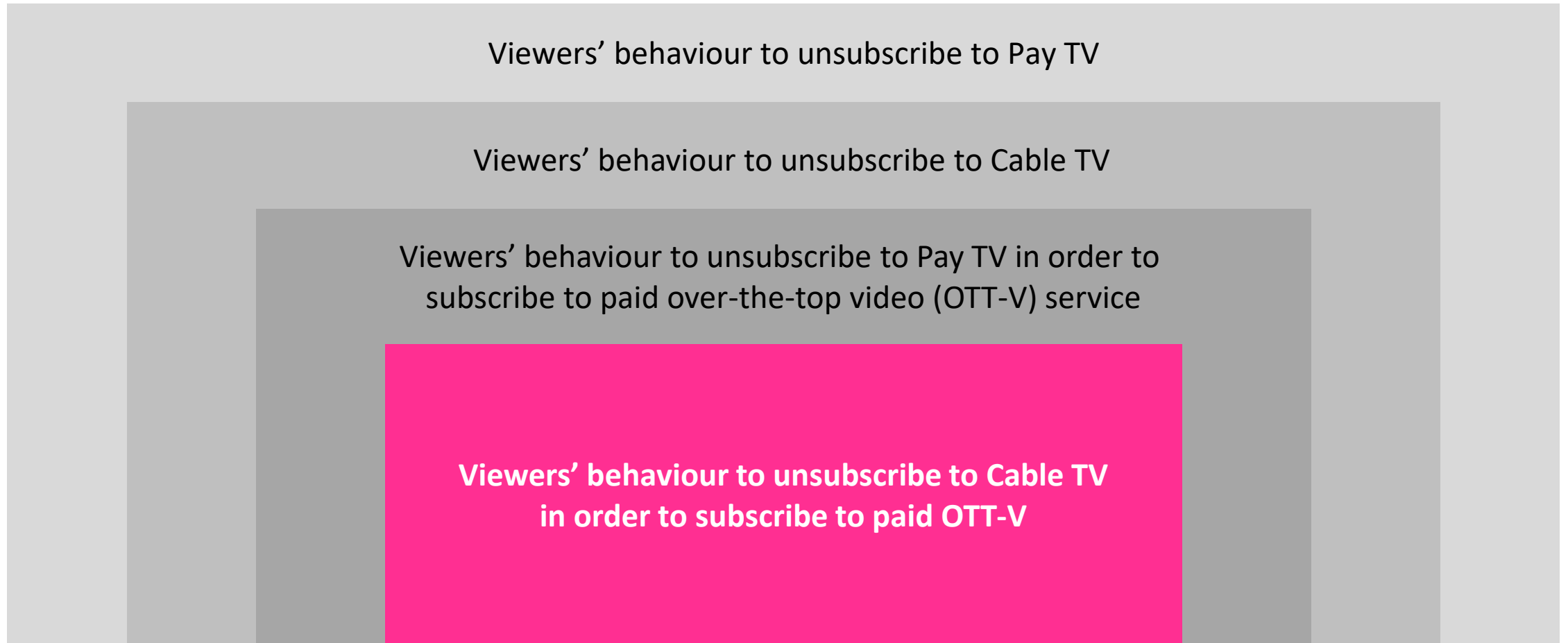
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Background

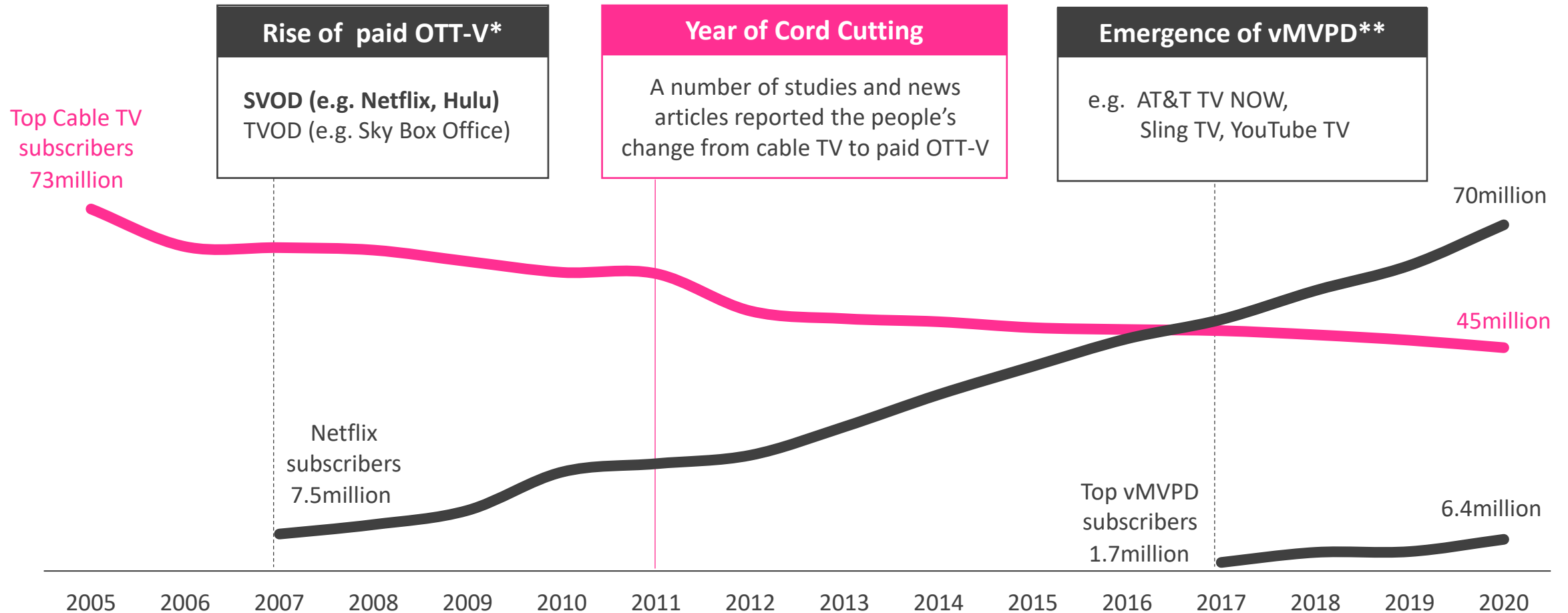
What is Cord-Cutting?



Definition in
broad sense → narrow sense

Background

Discovery of Cord-Cutting in the U.S.



*SVOD: Subscription Video on Demand, TVOD: transactional video on demand

**vMVPD: virtual Multichannel Video Programming Distributor

Source: Leichtman Research Group, Netflix

Background

Reasons Why Americans Cut the Cord

- ✓ While number of channels consumers watch remains consistently around 20, average cost of Cable TV per month is continuing to rise. SVOD and vMVPD is considered as a more price-friendly alternative to Cable TV.
- ✓ Original content and exclusive content on SVOD/vMVPD has attracted a huge following of fans.

	Average Cost	Service		ABC	CBS
Cable TV	\$100/month	Broadcasts around 200 linear channels which are mainly purchased from OTA networks, cable networks and so forth.	8pm	Dancing with the Stars	Big Brothers
SVOD	\$9/month	Streams programs and movies on demand. Content are mainly purchased from OTA networks, cable networks, film productions, or originally made by SVOD operators.	9pm		One Day at a Time
vMVPD	\$50/month	Streams around 50 linear channels , and programs and movies on demand.	10pm	Emergency Call	Manhunt: Deadly Games

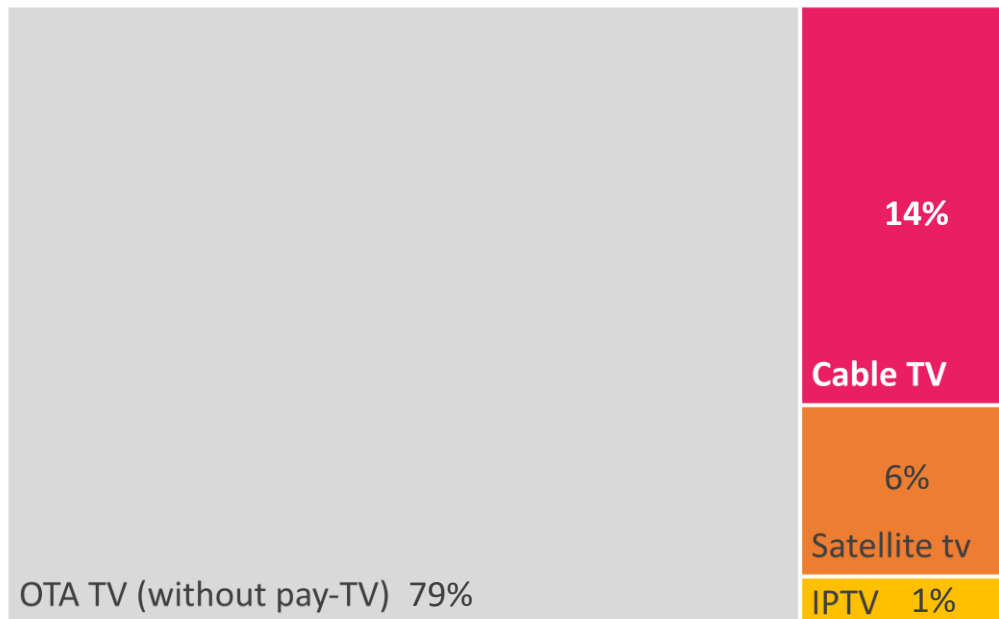
Source: Nielsen [2016]

Background

Paid Video Service Industry in Japan

- ✓ 14% of households with TV subscribed to Cable TV in 2019.
- ✓ Market size of paid OTT-V was \$2.6 billion and 80% of it was in the hand of SVOD in 2019.
- ✓ There is no vMVPD in Japan.

How People are Watching TV in Japan



Source: Dentsu Media Innovation Research Department [2020]

		Cost	Channels
Pay TV	Cable TV	Avg. \$50/month	85+
	Satellite TV	Avg. \$35/month	50+
	IPTV	Avg. \$40/month	50+
SVOD	Netflix	\$8.46/month	
	Amazon PrimeVideo	\$4.81/month	
	Hulu	\$9.86/month	
	DAZN	\$18.51/month	
	dTV	\$5.29/month	
	U-NEXT	\$21.04/month	

Research Purpose

Are Japanese Cutting the Cord?

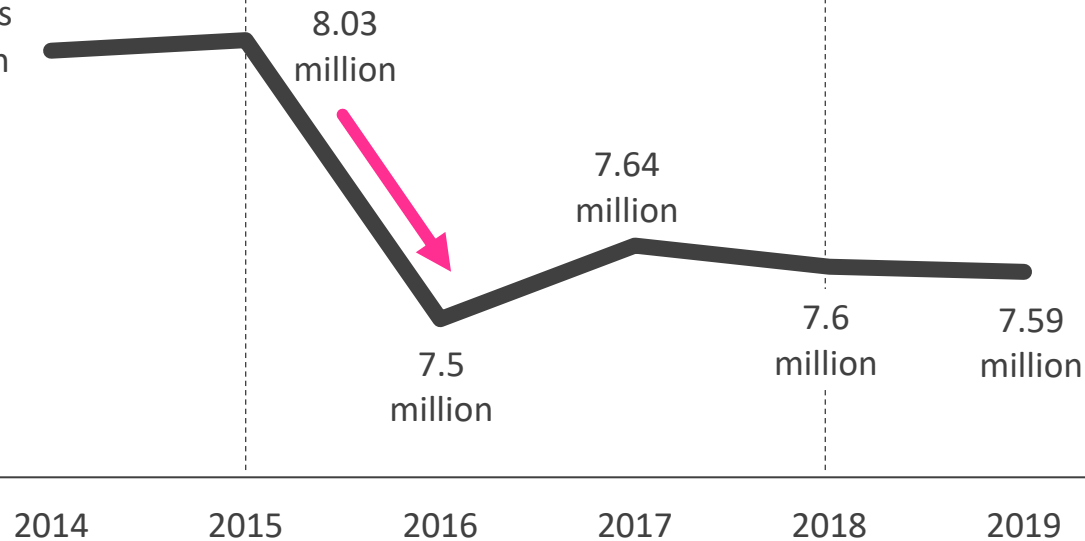
Arrival of US SVOD Giants

Hulu: 2011
Netflix: 2015
Amazon PrimeVideo: 2015

Previous Research on Cord Cutting in Japan

Ohara [2018] and Mayuzumi [2019].
Though they provide important information to catch signs of cord-cutting, they are not providing necessary quantitative data to realize its feature and actual conditions.

Cable TV
subscribers
8.01million



Research Questions

1. Is cord-cutting actually taking place in Japan?
2. What are the features of Cable TV and paid OTT-V usage in Japan?

Research Significance

This is the first detailed study of cord-cutting in Japan which provides new substantial information to examine industrial structure of paid OTT-V market and change of viewers' behavior.

Research Methods

Nationwide Questionnaire Survey

Preliminary survey

- ✓ Purpose: Grasp the overall trend in Japan.
- ✓ Period: From June 26 to 30, 2019
- ✓ Targets: Individuals between the ages of 18 to 79
- ✓ Total number of samples: 37,667

Main survey

- ✓ Purpose: See specific conditions of video service usage.
- ✓ Period: From June 26 to 30, 2019
- ✓ Targets: Individual between the age of 18 to 79 who subscribes to Cable TV and/or paid OTT-V
- ✓ Total number of samples: **2,000**

Main Survey: Definition of Viewer Groups

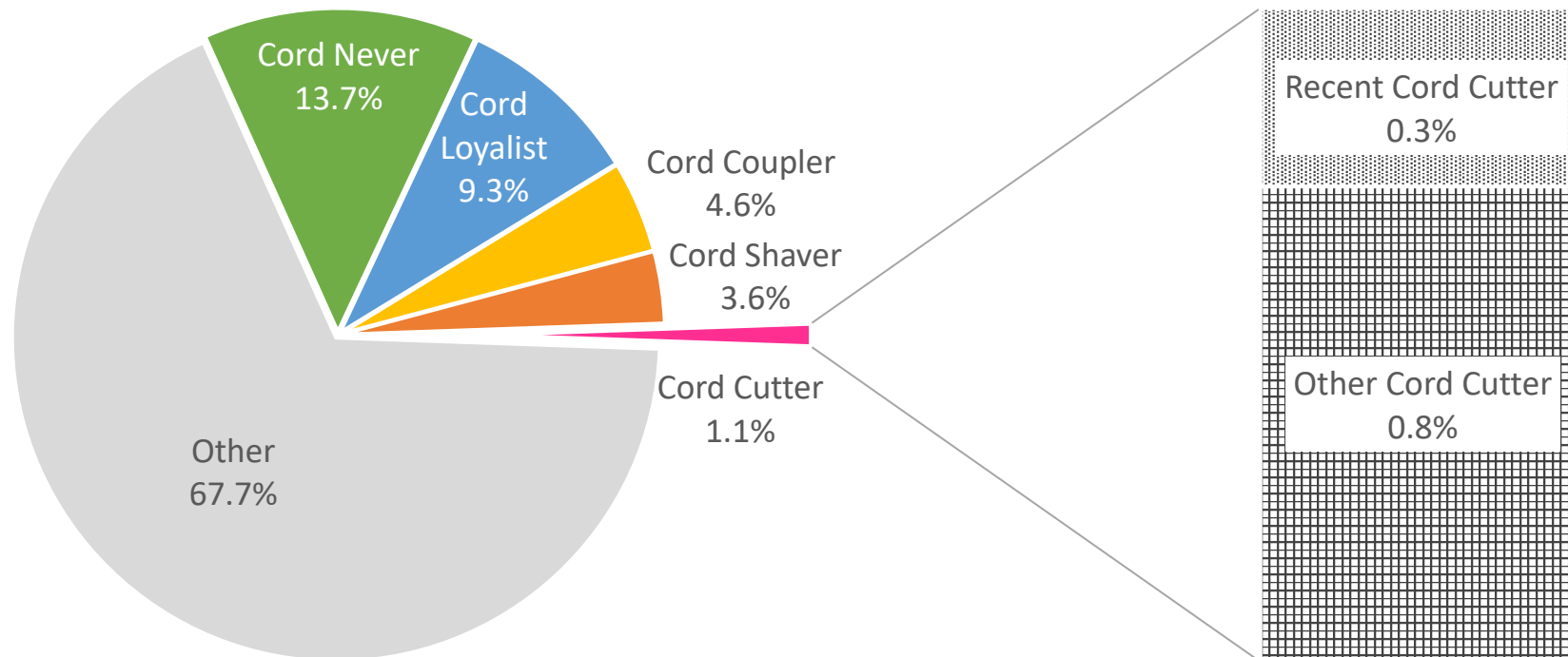
Group Name	Definition	Sample
Cord Loyalist	Individuals who subscribe to cable TV but have never to paid OTT-V	400
Cord Coupler	Individuals who subscribe to both cable TV and paid OTT-V	400
Cord Shaver	Individuals who subscribe to cable TV and paid OTT-V, but has switched cable TV contract to less expensive one when subscribing to paid OTT-V	400
Cord Cutter*	Individuals who unsubscribed to cable TV and subscribe to paid OTT-V	400
Cord Never	Individuals who subscribe to paid OTT-V but have never to cable TV	400

*Out of 400 Cord Cutters, 111 subscribed to paid OTT-V within a year after unsubscribed to cable TV. Hereafter, they are referred to as Recent Cord Cutter.

Preliminary Survey Results

Share of Viewer Groups

- ✓ Only 1.1% of respondents to preliminary survey were Cord Cutters.
- ✓ As Cord Nevers and Cord Loyalists were more among the 5 viewer groups, viewers seem to be bipolarized into cable TV and paid OTT-V.



Main Survey Results

Age

- ✓ Share of elder viewer group was the highest on Cord Loyalists.
- ✓ Share of younger viewer groups was higher on Cord Shavers and Cord Nevers. While group in their 30's was the highest on Cord Shavers, group between age of 18 and 29 was the highest on Cord Nevers.

	Cord Loyalist	Cord Coupler	Cord Shaver	Cord Cutter	Recent CC	Cord Never
18-20's	4.9%	8.2%	20.1%	12.9%	17.8%	27.3%
30's	9.6%	15.9%	25.8%	20.1%	17.8%	20.2%
40's	18.2%	20.3%	21.5%	22.9%	16.8%	18.9%
50's	19.5%	21.2%	14.8%	19.4%	16.8%	15.0%
60's	26.2%	22.7%	11.4%	19.4%	25.7%	13.3%
70's	21.6%	11.7%	6.4%	5.2%	5.0%	5.3%

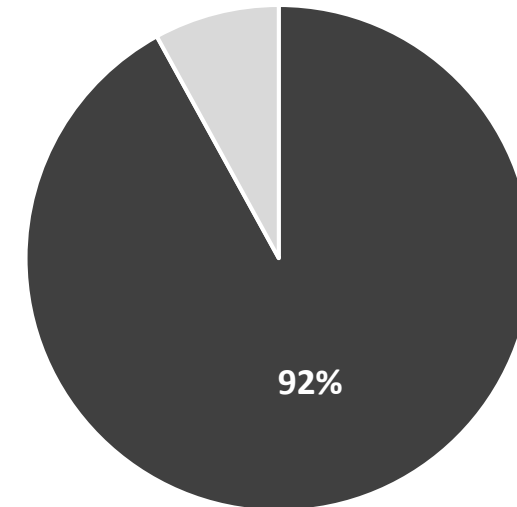
Main Survey Results

Reasons for Cutting the Cord (multiple answers allowed)

- ✓ Regarding the reasons for Cord Cutters to unsubscribe to cable TV, largest number answered “House-moving”.
- ✓ Among recent cord cutters who answered “House-moving”, 92% had one or more cable TV stations in the area where they moved in.

	Cord Cutter	Recent CC
House-moving	46.0%	42.3%
Dissatisfied with price	39.0%	40.5%
Dissatisfied with customer service	6.3%	5.4%
Difficult to use	3.0%	5.4%
Not enough content	11.8%	16.2%
No content I want to watch	30.3%	33.3%
To switch to satellite TV	4.5%	2.7%
To switch to IPTV	2.8%	2.7%
To switch to paid OTT-V service	8.0%	15.3%
Others	8.8%	4.5%

Recent Cord Cutters who have one or more cable TV stations in the area where they moved in



Main Survey Results

Annual Family Income

- ✓ Annual Family Income is lower on Cord Loyalists and higher on Cord Shavers.
- ✓ Background of such tendency is supposed to be that there are more pensioners on Cord Loyalists and that there are more individuals in their prime on Cord Shavers.

In million ¥	Cord Loyalist	Cord Coupler	Cord Shaver	Cord Cutter	Recent CC	Cord Never
Under 2.0	9.0%	5.8%	5.0%	6.2%	10.9%	7.9%
2.01 to 4.0	24.1%	18.5%	17.2%	20.1%	18.8%	18.5%
4.01 to 6.0	20.5%	20.9%	21.4%	22.4%	21.8%	22.2%
6.01 to 8.0	13.3%	16.6%	18.8%	16.9%	13.9%	14.3%
8.01 to 10.0	9.4%	22.7%	14.8%	12.7%	10.9%	8.9%
10.01 to 15.0	6.8%	11.8%	12.1%	9.2%	10.9%	9.3%
Over 15.01	2.8%	4.7%	5.2%	3.5%	5.9%	3.2%
n/a	14.2%	9.9%	5.6%	9.0%	6.9%	15.8%

* As of December 12, 2020, the exchange rate is ¥1=\$0.0096

Main Survey Results

Living Area

- ✓ Distribution of living area by each viewer group was more or less the same.
- ✓ Different survey results may appear, if living area was categorized by media environment, but not by the size of population as done by this survey.

	Cord Loyalist	Cord Coupler	Cord Shaver	Cord Cutter	Recent CC	Cord Never
Special wards of Tokyo	13.0%	15.0%	13.6%	14.7%	15.8%	13.7%
Designated cities	27.1%	27.7%	26.7%	32.1%	26.7%	26.0%
Core cities	22.9%	21.7%	23.5%	16.4%	14.9%	21.6%
Other smaller municipalities	36.9%	35.7%	36.2%	36.8%	42.6%	38.7%

Main Survey Results

Devices Used to Watch Cable TV/Paid OTT-V

- ✓ The most popular device was TV and the second most popular was smartphone in all viewer groups.
- ✓ Feature on Cord Shavers appeared that they tended to use all devices more often and more evenly, despite that the devices to be used by all other groups were heavily concentrated on TV, smartphone and laptop PC.

	Cord Loyalist	Cord Coupler	Cord Shaver	Cord Cutter	Recent CC	Cord Never
Television	97.5%	96.8%	96.8%	93.0%	92.8%	92.0%
Desktop PC	34.8%	41.3%	43.5%	40.0%	39.6%	37.8%
Laptop PC	71.5%	73.8%	78.0%	74.3%	70.3%	68.0%
Tablet	26.3%	40.0%	49.5%	48.5%	47.7%	43.0%
Smartphone	73.8%	79.0%	89.0%	86.5%	82.0%	82.3%
Feature phone	19.8%	17.8%	20.5%	16.0%	14.4%	13.3%
Game console	13.0%	25.0%	46.8%	28.3%	34.2%	27.0%
Others	0.5%	1.5%	1.8%	1.5%	0.9%	0.3%

Main Survey Results

Monthly payment for Cable TV/Paid OTT-V

- ✓ Monthly payment is, in general, between ¥2,000 and ¥6,000 for cable TV and ¥500 or less for paid OTT-V.
- ✓ Cord Shavers were using comparatively less expensive cable TV and more expensive paid OTT-V.

	Cord Loyalist	Cord Coupler		Cord Shaver		Cord Cutter	Recent CC	Cord Never
	CATV	CATV	OTT-V	CATV	OTT-V	OTT-V	OTT-V	OTT-V
Under ¥2,000	9.0%	7.3%		12.5%				
¥2,001 to ¥4,000	19.8%	24.3%		31.3%				
¥4,001 to ¥6,000	21.3%	24.5%		27.8%				
¥6,001 to ¥8,000	12.8%	14.3%		13.0%				
¥8,001 to ¥10,000	13.8%	10.8%		6.0%				
Over ¥10,001	9.0%	10.0%		5.0%				
n/a	14.5%	9.0%		4.5%				
Under ¥500			31.5%		18.0%	40.0%	38.7%	44.5%
¥500 to ¥1,000			22.0%		29.3%	19.5%	23.4%	22.8%
¥1,001 to ¥1,500			9.8%		20.0%	13.3%	12.6%	8.3%
¥1,501 to ¥2,000			9.8%		11.0%	6.3%	6.3%	4.3%
Over ¥2,001			12.5%		13.8%	11.0%	14.4%	9.8%
n/a			14.5%		8.0%	10.0%	4.5%	10.5%

* As of December 12, 2020, the exchange rate is ¥1=\$0.0096

Main Survey Results

Strongest Motivation to Select Cable TV/ Paid OTT-V

- ✓ All viewer groups considered both service fee and content most, though Cord Nevers tended to consider content more than other groups.
- ✓ Cord Shavers seemed to be utilizing cable TV as local media.

	Cord Loyalist	Cord Coupler		Cord Shaver		Cord Cutter	Recent CC	Cord Never
	CATV	CATV	OTT-V	CATV	OTT-V	OTT-V	OTT-V	OTT-V
Offers content I want to watch	15.5%	23.0%	19.0%	13.0%	11.8%	22.5%	23.4%	22.8%
Offers special package deal	21.6%	24.3%	24.6%	34.8%	31.8%	19.8%	19.8%	18.5%
Offers reasonable price	9.5%	8.8%	21.3%	11.3%	16.8%	29.5%	33.3%	22.3%
Offers good after-sales service	0.8%	0.5%	1.0%	1.0%	1.3%	0.3%	0%	0.5%
Offers easy-to-follow application process	5.5%	2.8%	2.8%	4.3%	5.8%	2.0%	0.9%	3.8%
My life circumstances and/or family structure changed	8.5%	9.3%	3.3%	6.5%	3.0%	2.8%	1.8%	1.0%
I received a sales promotion from the operator	13.3%	10.1%	2.8%	6.3%	3.0%	2.0%	2.7%	2.5%
Offers sufficient local information	2.3%	1.8%		12.3%				
My house/office was cable-ready	12.3%	11.3%		5.8%				
I have an affinity with the operator as a local company	3.3%	2.3%		2.8%				
Offers a wealth of original content			10.8%		17.5%	8.5%	7.2%	9.5%
My family/friend recommended me to use the service			7.0%		5.8%	4.8%	4.5%	7.5%
It was a part of a package deal for purchasing a smartphone etc.			1.3%		1.5%	1.3%	1.8%	1.3%
Others	7.8%	6.3%	6.5%	2.3%	2.0%	6.8%	4.5%	10.5%

Main Survey Results

Popular Content Genre on Cable TV/Paid OTT-V

- ✓ News, Sports and foreign films were popular on cable TV and Japanese and foreign films were on paid OTT-V.
- ✓ Cord Shavers tended to watch various genres more evenly than others groups.

	Cord Loyalist	Cord Coupler		Cord Shaver		Cord Cutter	Recent CC	Cord Never
	CATV	CATV	OTT-V	CATV	OTT-V	OTT-V	OTT-V	OTT-V
News	57.7%	47.1%	14.8%	60.1%	30.3%	7.1%	7.2%	8.1%
Documentary	36.9%	33.5%	15.6%	39.4%	24.9%	14.5%	12.4%	10.2%
Sports	45.1%	50.5%	22.8%	48.2%	26.2%	17.2%	20.6%	11.6%
Japanese series	40.0%	43.1%	33.9%	42.0%	40.1%	40.4%	47.4%	36.1%
Foreign series	29.3%	37.5%	30.6%	37.9%	37.0%	41.0%	45.4%	36.9%
Japanese films	33.0%	46.5%	42.5%	46.9%	43.2%	58.2%	59.8%	42.6%
Foreign films	38.3%	48.7%	48.9%	48.5%	48.3%	61.5%	58.8%	53.6%
Hobby and variety	28.2%	24.7%	17.2%	25.5%	22.9%	19.7%	17.5%	16.4%
Music	24.2%	28.7%	11.8%	29.9%	17.7%	12.8%	18.6%	16.4%
Anime	18.6%	23.9%	21.8%	28.9%	23.4%	32.8%	33.0%	35.6%
Children	3.1%	6.9%	3.5%	8.0%	4.6%	6.8%	9.3%	5.4%
Pornography	1.7%	3.2%	2.7%	7.7%	5.1%	3.6%	2.1%	1.6%
Local information	14.9%	7.2%	1.9%	8.0%	2.3%	0.3%	0.0%	1.3%

Main Survey Results

Number of Paid OTT-V Used

- ✓ The most number of paid OTT-V viewers used only 1 service.
- ✓ Share of the viewers who used more than 2 services were higher in Cord Shavers than in other groups.

	Cord Coupler	Cord Shaver	Cord Cutter	Recent CC	Cord Never
1 service	74.0%	57.5%	76.4%	75.2%	77.4%
2 services	17.4%	24.8%	17.4%	14.9%	17.7%
3 services	5.5%	10.5%	5.0%	6.9%	3.2%
Over 4 services	3.1%	7.2%	1.2%	3.0%	1.6%

Main Survey Results

Popular Paid OTT-V Service

✓ Amazon PrimeVideo was the most popular paid OTT-V service in every group.

	Cord Coupler	Cord Shaver	Cord Cutter	Recent CC	Cord Never
Amazon PrimeVideo	41.0%	32.3%	54.5%	54.1%	54.3%
Hulu	6.5%	11.3%	8.8%	9.9%	6.5%
Netflix	5.5%	10.8%	5.8%	4.5%	7.0%
DAZN	3.3%	4.8%	5.3%	5.4%	3.5%
dTV	4.3%	4.0%	2.8%	2.7%	6.5%
U-NEXT	3.0%	2.8%	4.5%	1.8%	3.8%
Others	36.5%	34.3%	18.5%	21.6%	18.5%

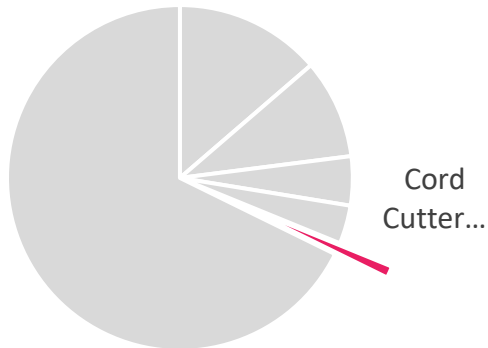
Findings

Answers to the Research Questions

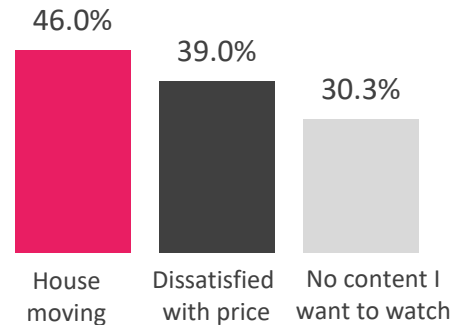
RQ 1. Is cord-cutting actually taking place in Japan?

As of 2019, cord-cutting is hardly taking place in Japan. Besides, the top most common reason for cutting the cord is “House-moving”. It can be concluded that cord-cutting is a passive viewer’s choice followed after moving house in Japan, while Cord Cutters in the U.S. unsubscribe to cable TV proactively because of its cost and/or more attractive content provided by paid OTT-V.

Share of Cord Cutters

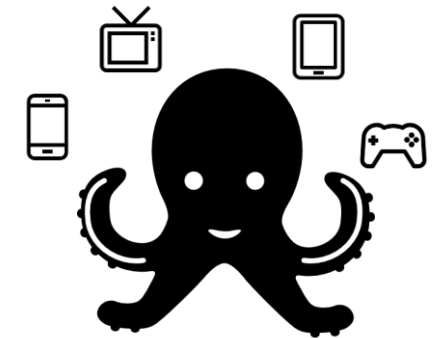
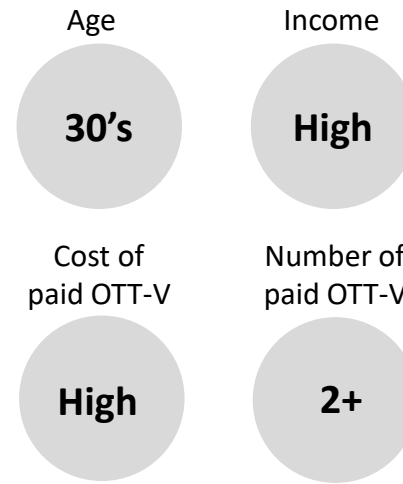


Top 3 Reasons for cord-cutting



RQ 2. What are the features of Cable TV/paid OTT-V usage in Japan?

Cord Shaver is the most unique group in terms of usage of paid video services. Watching content in various genres by various services and devices, they are an advanced viewer group trying to utilize the services more efficiently.



Watches various genres by various services and devices

Discussion

What Will Happen Next?

At the time of the survey, it seemed unlikely to see significant cord-cutting occur in Japan.

For the following reasons, it seemed that there is no such incentive in Japan to cut the cord.

1. Monthly fee of cable TV is not so expensive as in the U.S.
2. Demands for original content and exclusive content on paid OTT-V are not so high as in the U.S.
3. There is no vMVPD.

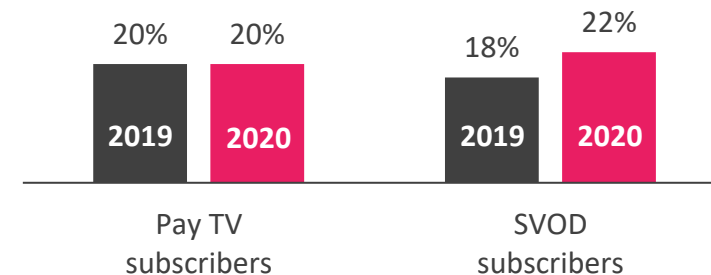


However, there were some changes in the market after the survey

For the following changes, there is a good possibility that the number of Cord Shavers and Cord Cutters have increased in 2020.

1. Some cable TV operators started to offer pay TV package that includes SVOD subscriptions.
2. Covid-19 has increased viewer's appetite for SVOD.

Pay TV/SVOD usage before and after COVID-19 in Japan



Future Research Plan

Post Covid-19 Survey on Paid OTT-V Usage in Japan

Survey Outline

- ✓ Schedule date: Late spring in 2021
- ✓ Targets: Individual between the age of 18 to 79 who subscribes to Cable TV and/or paid OTT-V
- ✓ Purpose: 1) Examine if COVID-19 provoked cord-cutting or cord-shaving.
2) Elucidate the consumption patterns of paid OTT-V (especially foreign paid OTT-V) and its impact on the domestic TV industry.

Background and Aim

- ✓ Countries around the world have been looking to or actually introducing OTT-V regulation to rebalance the market between the traditional TV platforms and the new digital platforms. In Japan, however, not only no policy discussion has taken place, there's not enough data to consider the pros and cons of OTT-V regulations.
- ✓ This survey aims to provide quantitative data to contribute to the future policy discussion on OTT-V regulation.

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**Thank You!
Mahalo!
Arigato!**

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