

# **Media Concentration in Japan**

## **Part II**

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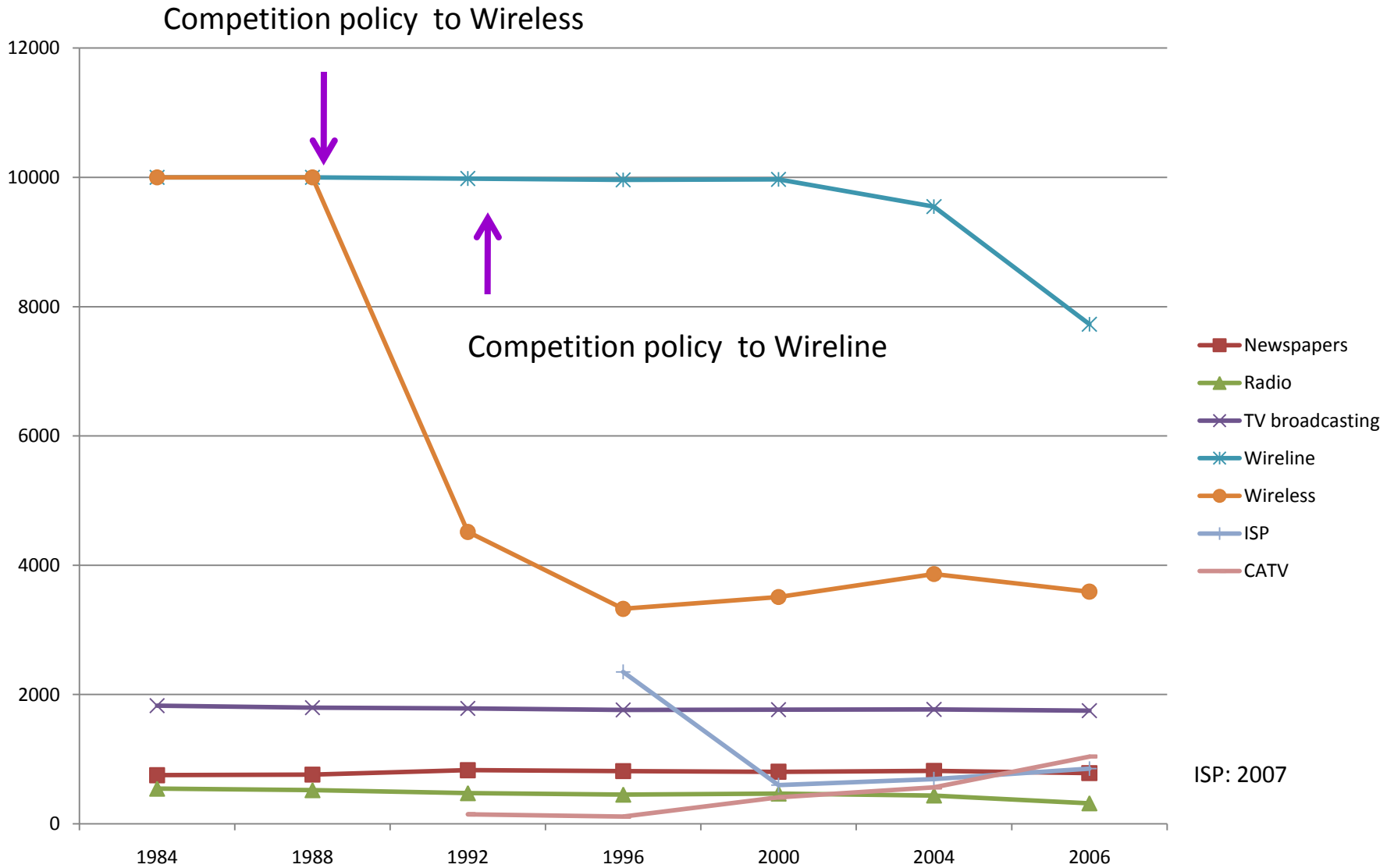
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# Japanese Team

- Major Research Members
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- Data supplied by Media Development Research Institute Inc.

# The HHI: Japanese Media (Part I)



# Preliminary Observations (Part I)

- Generally speaking, the HHI has been lower and stable in most Japanese media
  - partly because of licensing and regulation
  - partly because the unpopularity of M&A in Japan
- However, the introduction of competition policy in the late 80s (especially in telecom markets) has accelerated the lowering of HHI in wireless and wired markets.

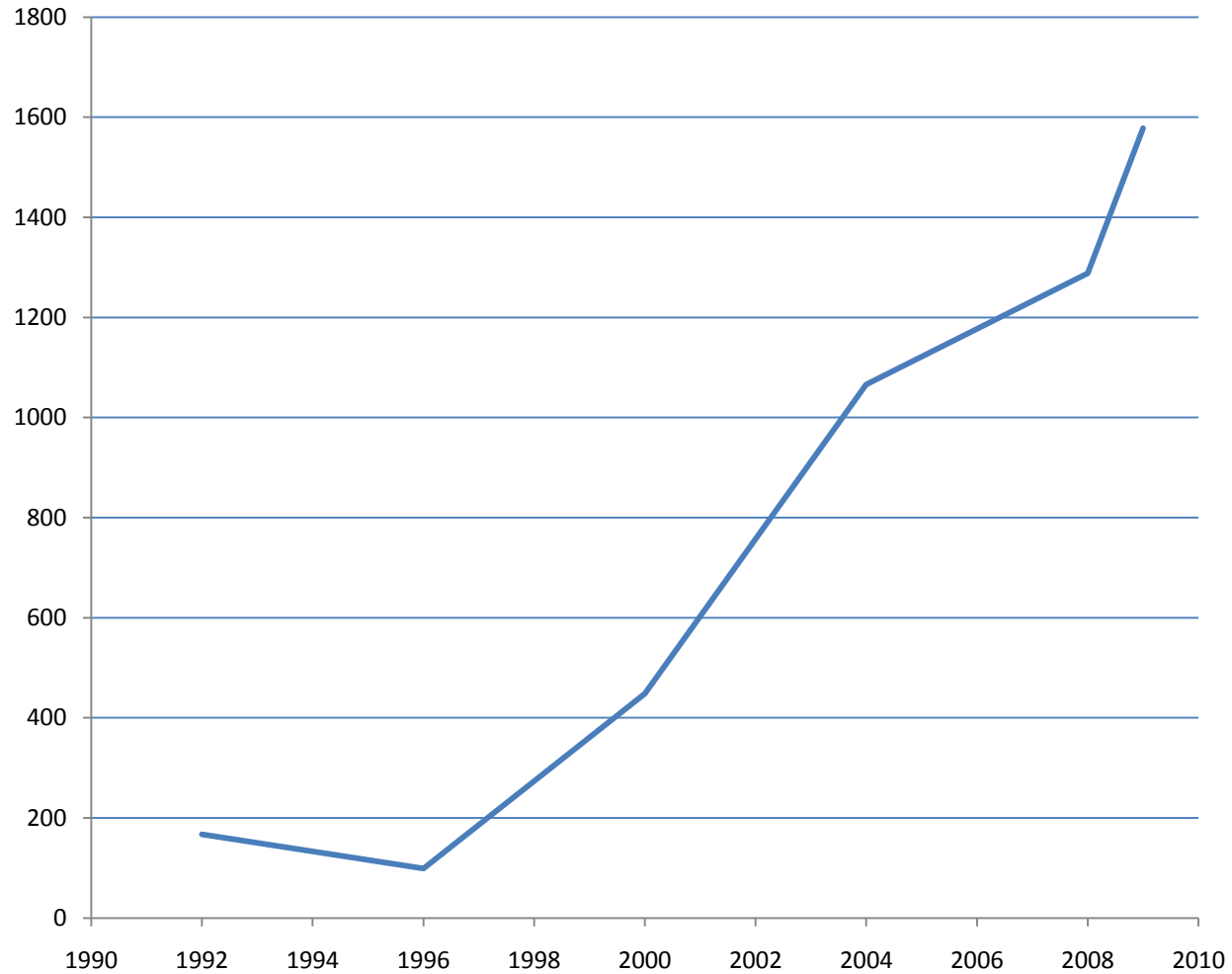
# The HHI in Japan (Part II)

- **CATV**
- **Film**
- **Music**
- **BS Satellite**
- **CS Satellite**
- **Magazines and Books**

# HHI : CATV

	1992	1996	2000	2004	2008	2009
CATVA						
Jupiter (J-COM)		2.8	19.6	J-COM 29.6	34.1	37.5
Titus (J-COM)			3.3			
Cable West (J-COM)			4.3			
Mediatti (J-COM)					2.9	
Tokyu Cable (its com)	5.3	3.2	2.4	its com 2.1	2.2	2.2
Information Network	4.1	2.2				
Reinan Cable	3.7					
Sapporo Cable	3					
Kintestu Cable	3					
Tokyo Cable	2.5	2	1.2			
Lake City Cable	2.4					
Obihiro Cable	2.4					
Central Cable	2.3					
Tepco Cable		2				
Himawari Cable		2	1.4			
Nagoya Cable		2	1.3			
City Y		1.9				
Hanshin City Cable			1.8			
Catch Network			1.2			
Big Tokai				2.1	1.4	1.4
Fukuoka Cable				1.7		
Starcats Cable				1.4		
Bay Communications					2.2	2.2
Kei Cat					2	
CNCI						4.2
Others	71.3	81.9	66.2	54.1	46.4	41.9
Total Revenue						
C4	16.1	10.2	28.1	35.5	41.4	46.1
HHI	167	99	448	1,066	1,288	1,578

# HHI: CATV in Japan



# CATV Markets

- Cluster of **small-scale broadcasters**
  - Financially poor and in need for huge investment in broadband as well as digitization
- Emerging **MOS: J:COM**
  - 24 CATV companies
  - More than 3 million subscribers
    - Take-over Meidatti, 3<sup>rd</sup> ranked CATV (Liberty Media and Olympus Capital in US) in Dec. 2008
- Expected regional integration



# Major CATV Market Share

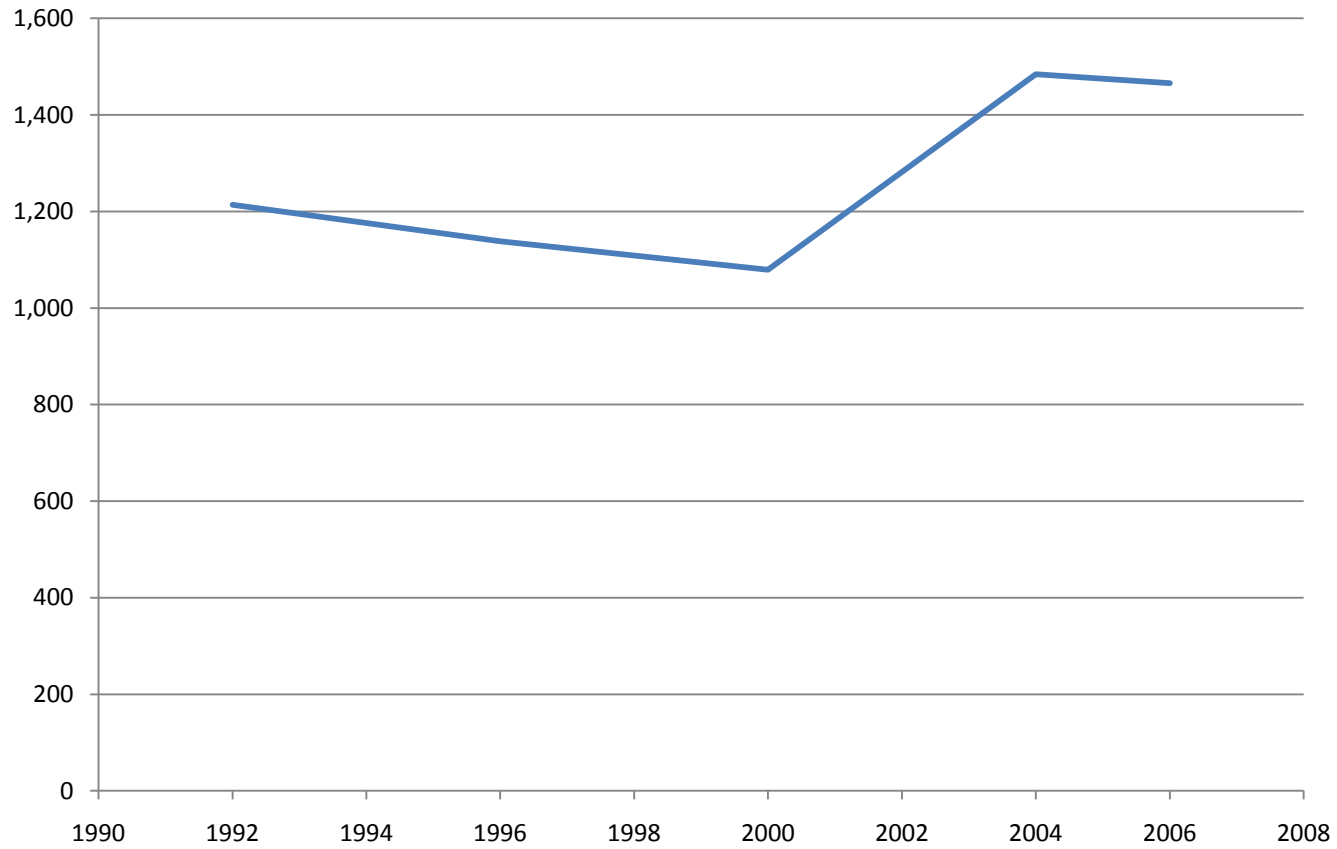
Unit: 10 thousand

CATV	Subscribers
<b>J:COM</b> (Sumitomo Trading Co.)	324.0
Japan Cave Net	57.1
Mediatte Communications ( <b>J-COM</b> )	15.4
Bay Communications	14.6
ITS Com	14.3
Tepco Cable TV	10.2

# HHI : Film

Film	1992	1996	2000	2004	2006
Shochiku	11.8	8.2	4.7	10.5	7.1
Toho	21.5	16.1	13.2	27.8	29.8
Toei	11	8.1	5.3	4.9	6.1
Tohou-Towa	5.4	3.6	4.4	0.9	6.1
Nippon Herald	10	8.4	5.2	3.9	1.6
Herald Ace	0.8				
Ace Pictures		0.5			
Asmik Ace				0.4	3.9
Shochiku-Fuji	1.4	4.6			
Gaga-Humax	0.5	6.3	10	5.4	2.2
Toshiba Entertainment					1
Aski Movie	1.1				
UIP	9.4	19.8	15.5	6.1	6.9
Warner Brothers	12.5	6.6	7.2	17.4	12.2
Buena Vista		7.4	14.5	10.7	12.9
Sony Pictures	8.7	4.3	11.6	7.4	7.4
20th Century Fox	5.8	4	8.4	4.4	6.8
Others	4.2	7.1	12.8	7.5	2.7
Total Revenue (Million Yen)	62,361	63,338	170,882	210,914	202,934
C4	56.9	54.6	54.8	65.5	62.3
HHI	1,214	1,138	1,079	1,484	1,466

# HHI: Film in Japan



# Major Film Distributors

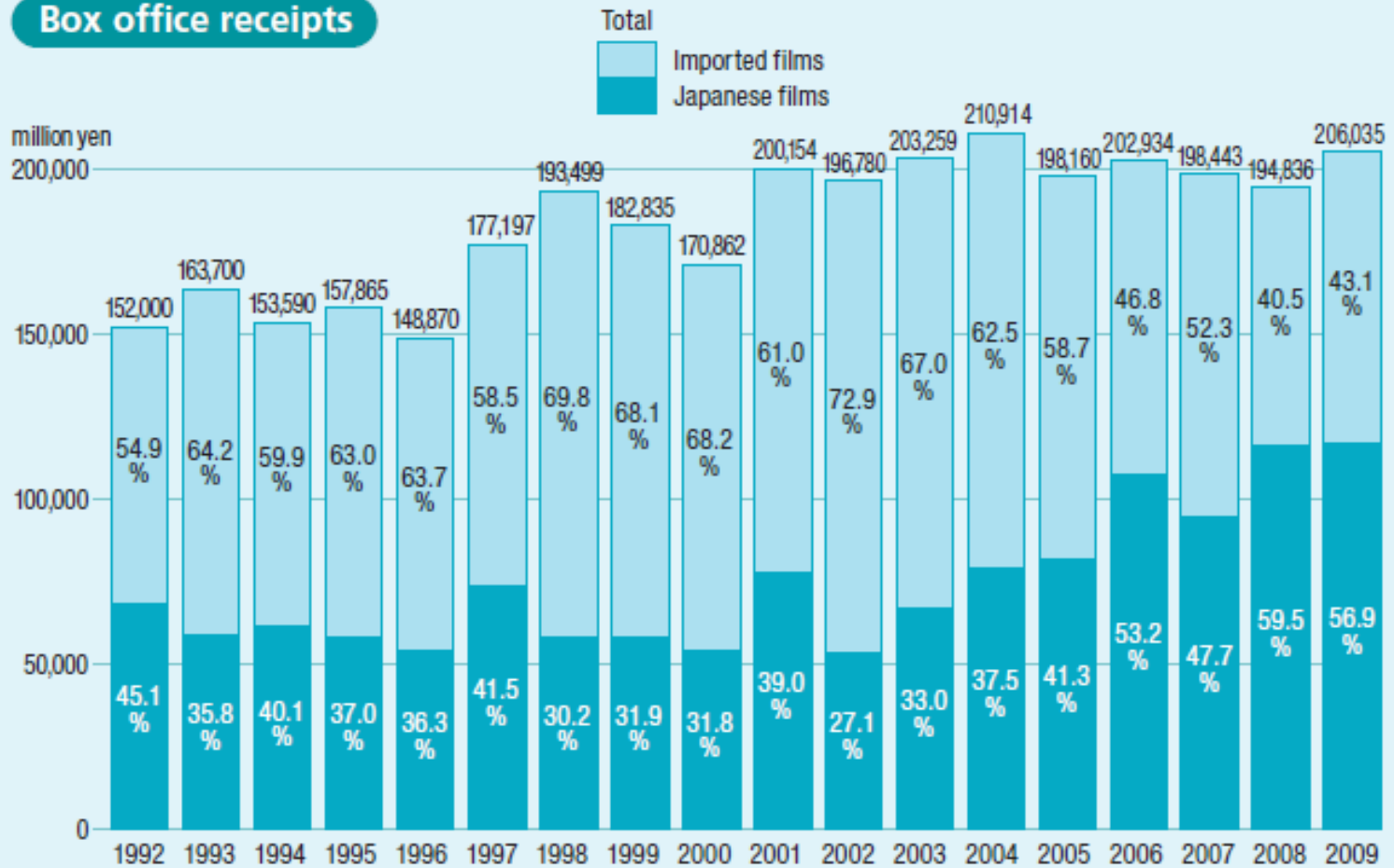
- The market structure of Japanese film is composed of a strong leader and many followers.
- **Toho**, as the leader, accounts for **32%** of the total box revenue in 2009.
- The followers:
  - **Sony** and **Warner** - 9% each
  - **Shochiku** and **Toho-Toei** - 8% each
  - **Walt Disney** 7%.
- As a result, the HHI has been hovering around 1400 for many years.

# Japan's Film Industry

- Generally speaking, the ratio of foreign movies to Japanese movies is **50:50**, though the market share of foreign movies show an increasing trend for last several years.
- The three Japanese majors-**Toho**, **Toei**, and **Shochiku** oligopolize all the successes among themselves, which contributes to the stability of HHI.
- The so-called quasi-majors, **Kadokawa** and **Nikkatsu**, are expected to promote competition to maintain diversity of Japanese films.

# Box Office Revenues

## Box office receipts

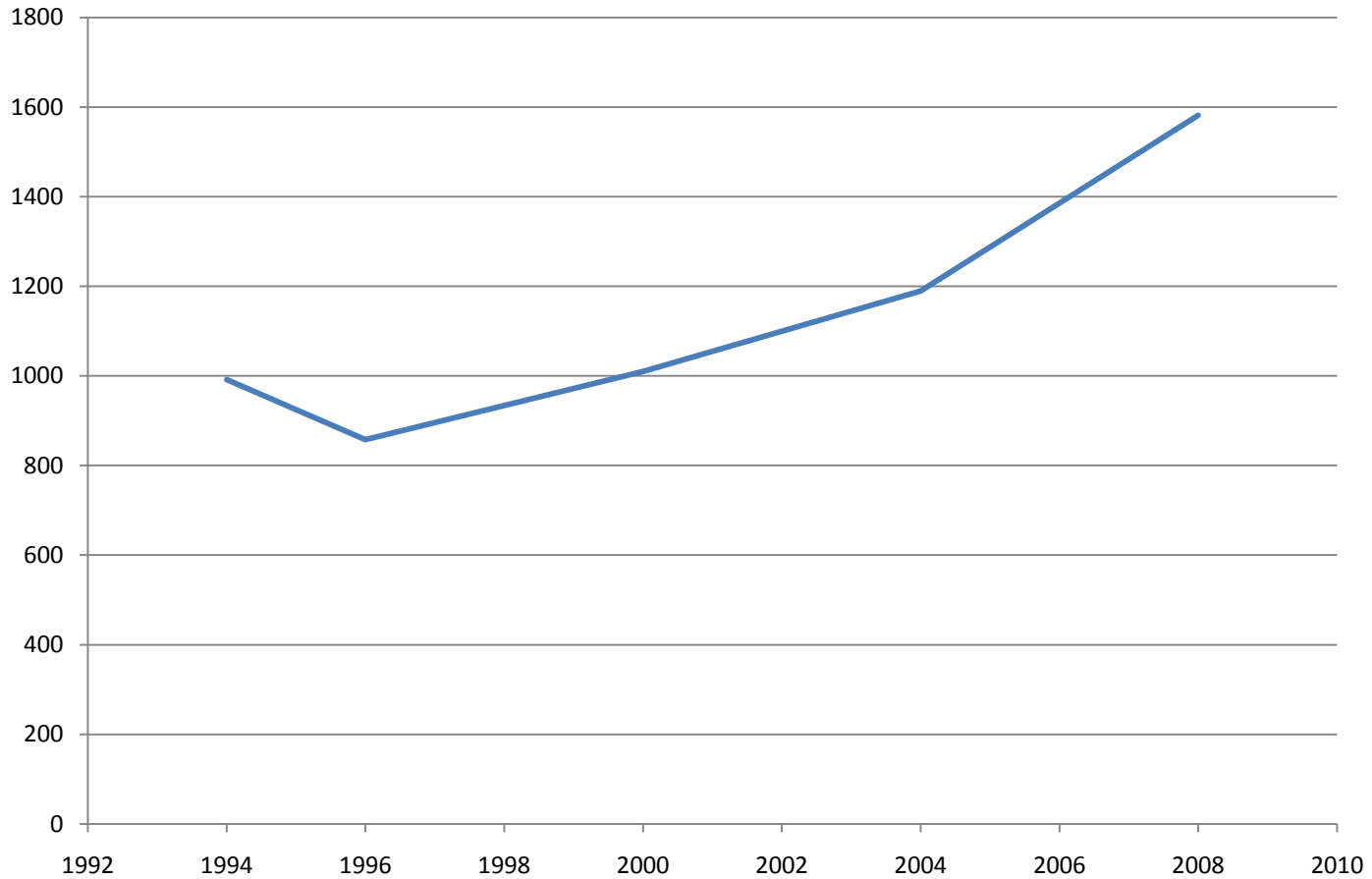


Source: Motion Picture Producers Association of Japan, Inc.

## HHI : Music

Music	1994	1996	2000	2004	2008
Nippon Columbia	5.64	5.25	4.21		
Columbia Music Entertainment				4.43	2.66
Victor Entertainment	12.2	11.55	19.38	8.81	5.88
King Record	2.88	4.15	2.92	3.57	4.45
Teichiku	2.34	1.84	1.42	1.46	1.51
Poligraph	13.26	11.44			
<b>Universal Music</b>				8.93	<b>9.8</b>
Toshiba EMI	11.2	11.39	11.79	8.46	
EMI Music Japan					4.92
Japan Crown	4.54	8.54	1.32	1.19	0.83
Tokuma Japan Communications	1.93	1.93	1.32	0.72	1.28
<b>Sony Music Entertainment</b>	15.88	13.93	16.46	26.04	<b>31.08</b>
<b>Pony Canyon</b>	11.99	8.09	9.8	10.88	<b>10.24</b>
Warner Music Japan	5.65	4.31	9.77	2.89	3.06
Bandai Music Entertainment	1.26	1.02			
Vap	3.24	4.33	4.14	7.23	5.56
BMG Victor	3.82				
BMG Japan		4.85			
BMG Fanhouse			3.03	3.47	
BMG Japan					
Pioneer LCD	4.17	3.88	3.83		
Geneon Universal Entertainment				5.3	
JDISK		2.2	3.79		
JDISK Being				1.09	
Being					2
Apex			9.82	7.55	
Apex Marketing Communications					
<b>Apex Marketing</b>					<b>18.73</b>
Total Revenue (Million Yen)	705,365	740,248	679,681	595,358	537,208
C4	53.33	48.31	57.43	54.66	<b>65.93</b>
HHI	991.9	858	1,009.90	1,189.10	<b>1,581.30</b>

# HHI: Music in Japan





# Music Industry in Japan

- Although Japan's music market is relatively large next to the USA, digital innovation has negatively affected CD production, thus **promoting the concentration** of a few major music groups in Japan.
- Particularly since **Sony** merged with **BMG** in 2008, the HHI shows a sharp increase in Japan.
- Four groups (**Sony**, **Universal**, **Warner**, and **EMI**) have been increasing their dominant power in the music industry on a global scale.

# Features of Japan's Music Industry

- The music distribution system has changed rapidly from the direct sale of CD to **downloading** using the Internet.
- One of the unique features in Japan is the rapid expansion of **mobile content**, which is viewed or used on mobile phones
  - These include ringtones, graphics, discount offers, games, movies, and GPS navigation.

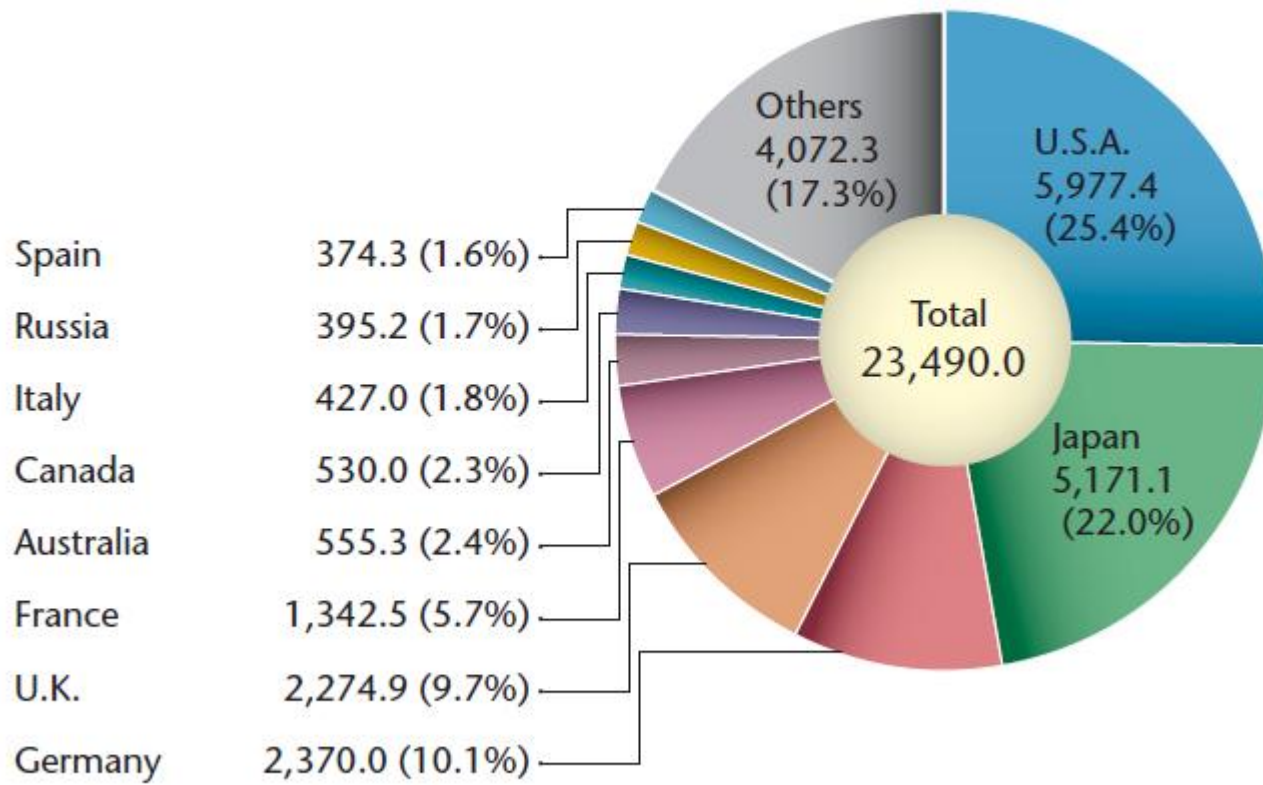
# Change in Power Balance

- Thanks to the emerging new digital distribution systems, **artists** are gaining negotiation power with record companies.
- The burgeoning popularity of a smartphone such as iPhone in Japan is probably the best hope for **digital music sales**.

# Japan's Music Market

(Millions of U.S. dollars)

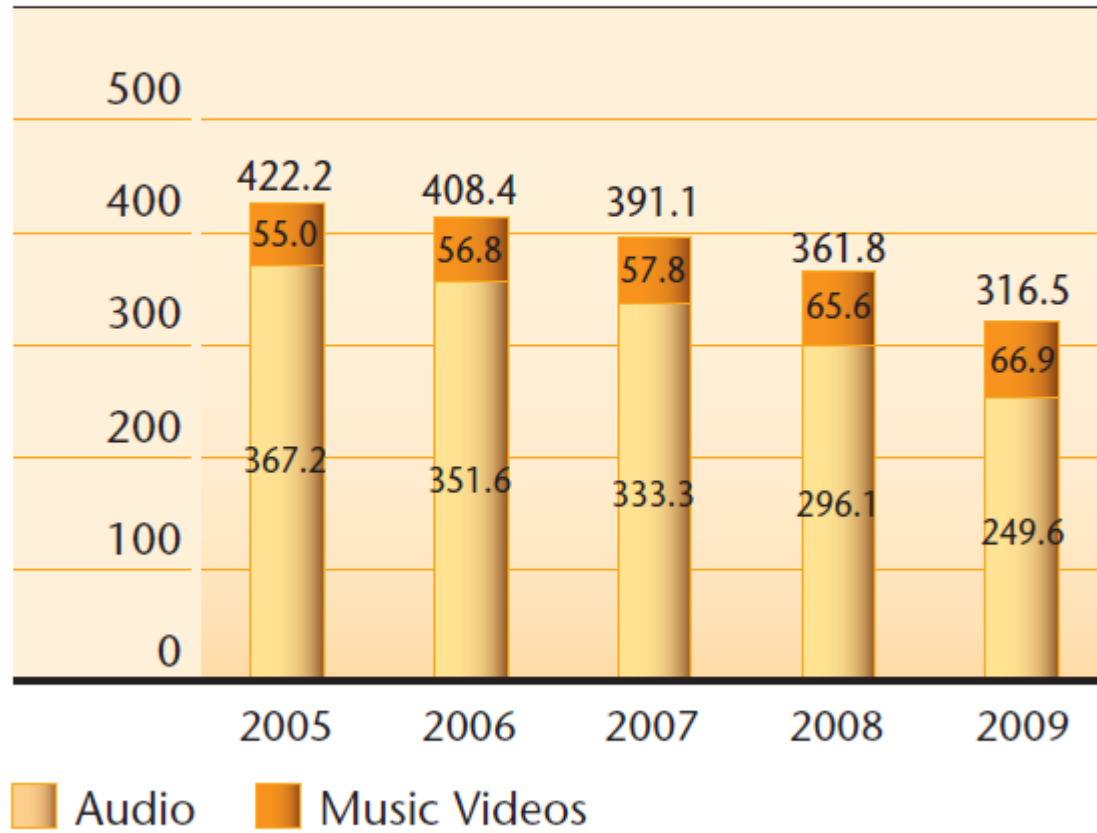
● 2008



# Decline in Production

● Recorded Music — Value Basis

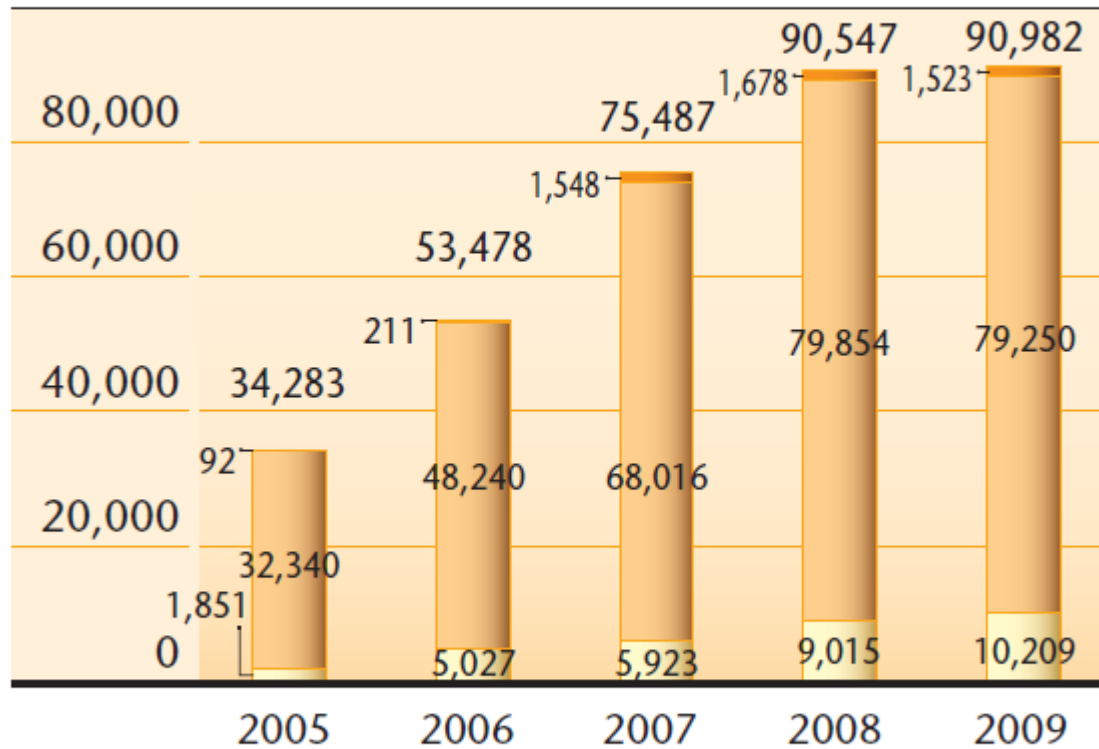
Billions of yen



# Growth in Digital Delivery

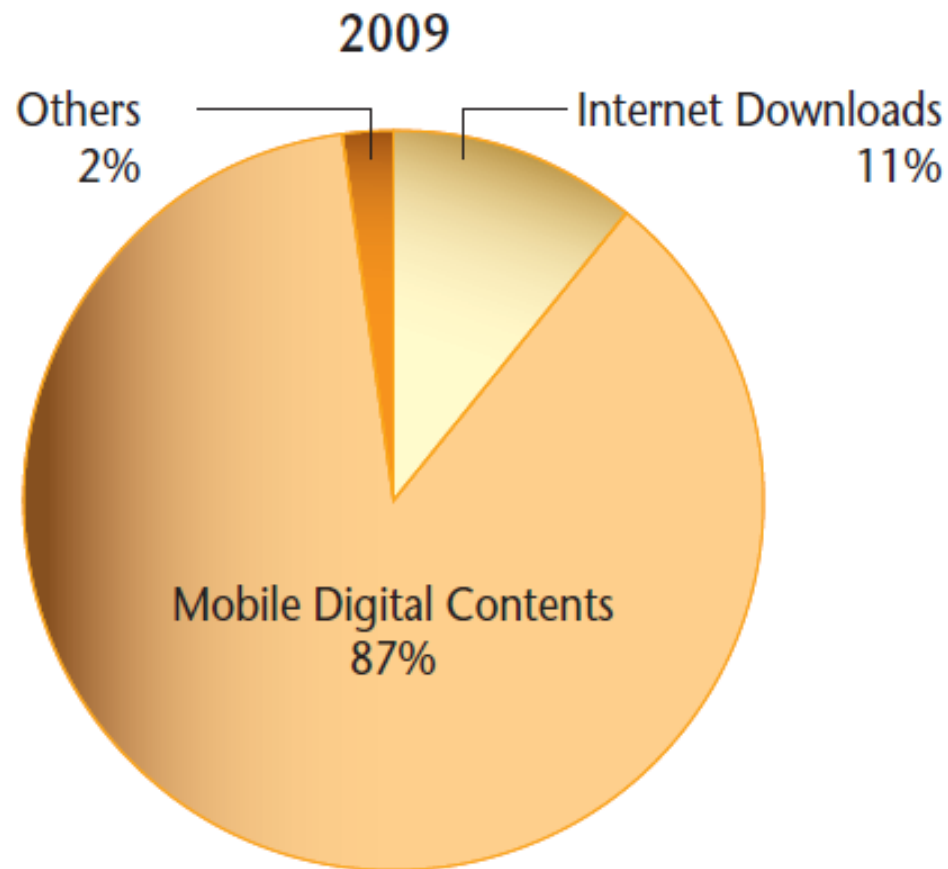
## ● Digital Music Delivery — Value Basis

Millions of yen



■ Internet Downloads ■ Mobile Digital Contents ■ Others

# Increase in Mobile Content

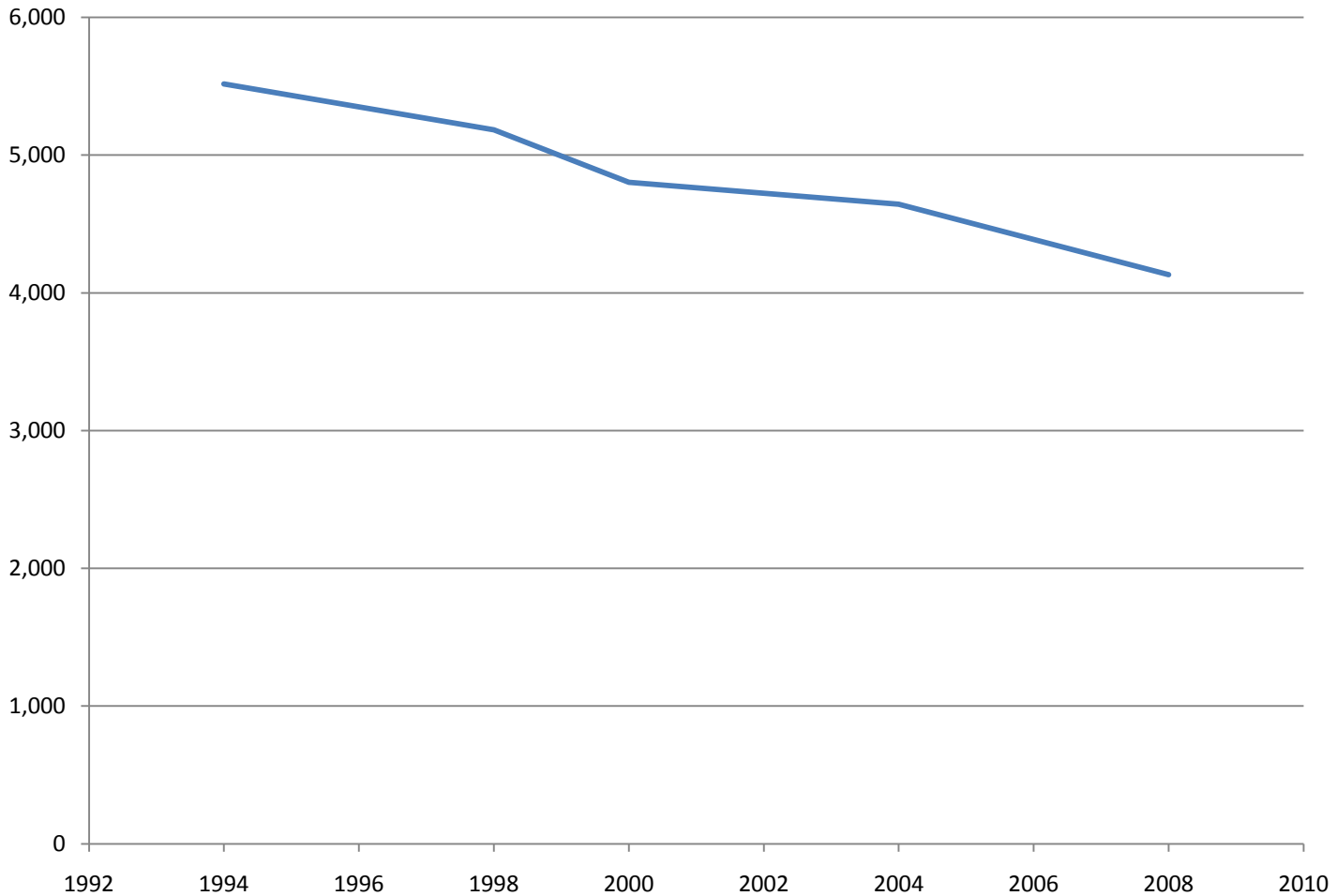


# HHI : BS Satellite

BS Satellite	1994	1998	2000	2004	2008
<b>NHK BS</b>	58.9	59.6	60.3	60.9	<b>58</b>
<b>WOWOW</b>	41.1	40.4	34	30.3	<b>27</b>
BS Nippon			1	1.2	2.6
BS-TBS			1.3	2.3	3.5
BS Fuji			1	1.5	2.4
BS Asahi			1.1	1.6	3.1
BS Japan			1.2	2.1	2.4
BS 11					1
Total Revenue (Million Yen)	109,180	161,659	179,251	206,353	232,827
C4	100	100	96.8	95.6	<b>91.6</b>
HHI	5,517	5,183	4,803	4,643	<b>4,133</b>



# HHI: BS Satellite in Japan



# BS Broadcasting

- Oligopoly market
  - NHK
  - WOWOW (movie)
  - Commercial channels which are supported by Tokyo-based five terrestrial key stations
  - Star Channel (movie)
- The subscription number is 93.87 million as of November in 2010.



# Growing BS Business

- The five BS stations posting operating profits in the 2007 for the first time
  - Growth in demand for **flat-panel TVs** equipped with satellite receivers (thank to government subsidy)
  - Increase in revenues from commercial spots due to the popularity of their **original programs**
    - Such as travel channels and discovery-type channels for the elderly audience
  - A boost in profit from slots sold to **TV shopping companies**

# CS Broadcasting

- Relaxing entry into CS (Communications Satellite) Broadcast in 1989, creating a platform business as an intermediary to connect broadcasters and viewers
- Since then, two CS broadcasters entered into this new market in 1989 and started to compete.

# Sky Wars!

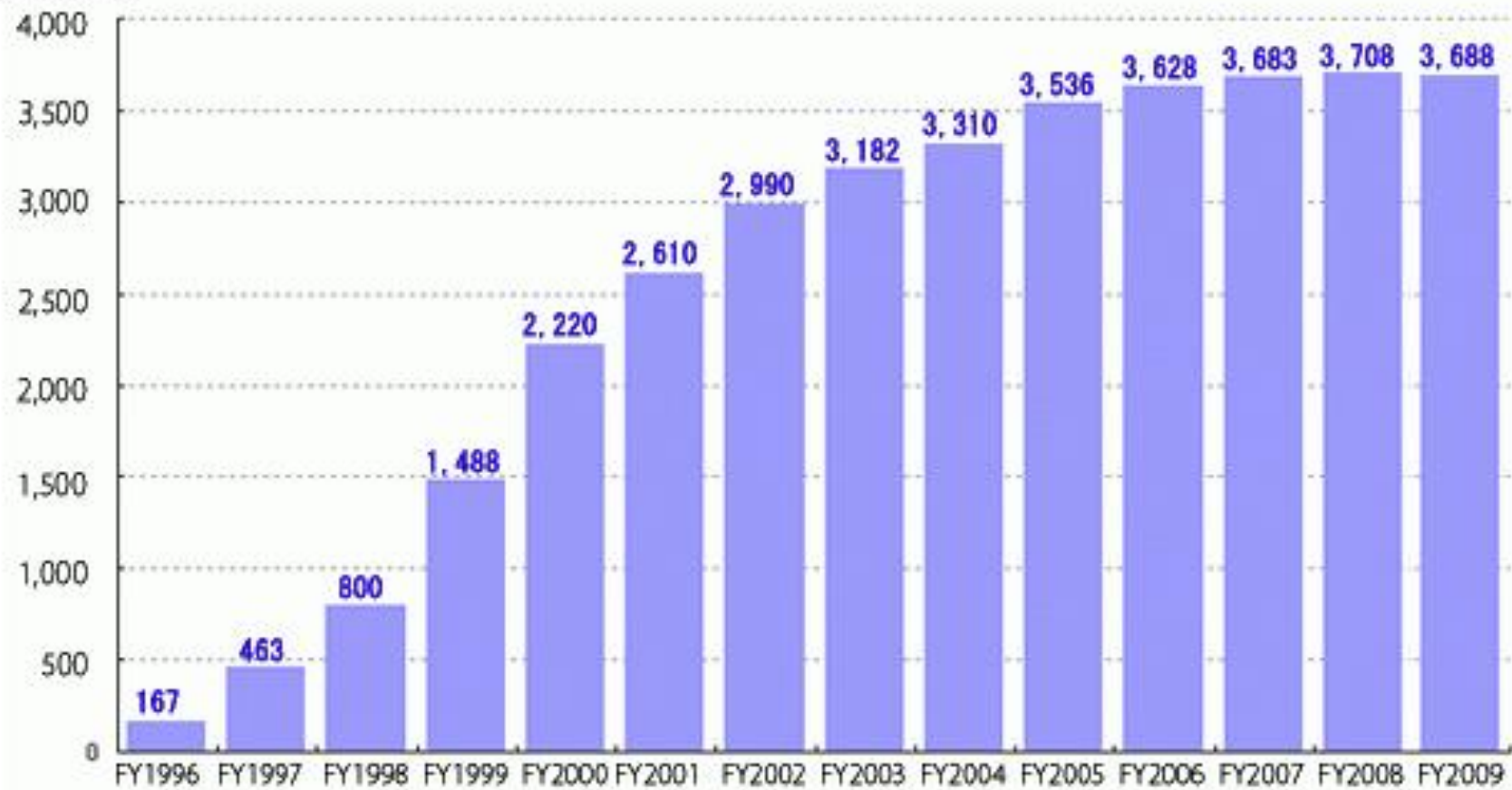
-  was created in May, 1998 after merging PerfecTV with JSkyB by The News Corporation.
-  started its service on December 1<sup>st</sup>, 1997.
- DIRECTV withdrew in March 2000 and all subscribers were transferred to SkyPerfecTV on Oct. 2<sup>n</sup> 2000.

# HHI=10000

- Sky PerfecTV is now a sole platform that offer more than 300 channels
  - Increasing subscription increased to 3.7 million in 2011
  - Gradually making profits by content providers
  - Entering into data communications service

## Individual Subscribers

(thousands)



# Summary

- The HHI of CATV has been increasing due to mergers and acquisitions by a Multi System Operator.
- The HHI of music industry shows an increasing trend, because four major groups internationally gained market power.
- The HHI of film industry has been stable, because there is no structural changes.
- The HHI of BS satellite has been decreasing due to an increase in new entries and the expansion of the market size.
- In general, competition and regulation policies as well as the market size have a strong impact on the HHI trend.



# Concluding Remarks

1. The definition of a specific market
  - It is difficult to define the market in some cases, because the market boundaries have blurred.
  - For example, CATV offers the so-called triple play service, using optical fiber networks. CATV competes against telecom carriers for Internet connection in Japan.
2. Data Issue: There are several different data to estimate the HHI such as the subscription number and sale revenues.

3. Historical Influence: The terrestrial broadcasting is a major player in Japan's broadcasting market, though about a half of 50 millions of households are connected to CATV. However, in some countries CATV is the most common way of receiving video images.
4. Relationship between production and distribution: As in case of films and publishers, distributors play more important roles than producers in Japan. How to handle the difference in market structure should be considered.