Media Concentration in Japan
Part II

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Japanese Team

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  – Prof. Hajime Yamada
  – Mr. Yoshiharu Ichikawa
  – Mr. Teruaki Asari

• Data supplied by Media Development Research Institute Inc.
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
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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, 3rd ranked CATV (Liberty Media and Olympus Capital in US) in Dec. 2008

• Expected regional integration
# Major CATV Market Share

Unit: 10 thousand

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## HHI : Film

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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

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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

Total: 23,490.0 (Millions of U.S. dollars)

- U.S.A.: 5,977.4 (25.4%)
- Japan: 5,171.1 (22.0%)
- Others: 4,072.3 (17.3%)

- Spain: 374.3 (1.6%)
- Russia: 395.2 (1.7%)
- Italy: 427.0 (1.8%)
- Canada: 530.0 (2.3%)
- Australia: 555.3 (2.4%)
- France: 1,342.5 (5.7%)
- U.K.: 2,274.9 (9.7%)
- Germany: 2,370.0 (10.1%)
Decline in Production

Bar chart showing the decline in recorded music production in billions of yen from 2005 to 2009.

- **2005**: 422.2 billion yen
- **2006**: 408.4 billion yen
- **2007**: 391.1 billion yen
- **2008**: 361.8 billion yen
- **2009**: 316.5 billion yen

The chart indicates a significant decline in production, with the highest value in 2005 and the lowest in 2009.
Growth in Digital Delivery

Digital Music Delivery — Value Basis

Millions of yen

- Internet Downloads
- Mobile Digital Contents
- Others

2005: 1,851
2006: 5,027
2007: 5,923
2008: 9,015
2009: 10,209

2005: 32,340
2006: 48,240
2007: 68,016
2008: 79,854
2009: 79,250

2005: 92
2006: 211
2007: 1,548
2008: 1,678
2009: 1,523

2005: 0
2006: 53,478
2007: 75,487
2008: 90,547
2009: 90,982
Increase in Mobile Content

- Mobile Digital Contents: 87%
- Internet Downloads: 11%
- Others: 2%
### HHI : BS Satellite

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<td>1.5</td>
<td>2.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BS Asahi</td>
<td>1.1</td>
<td>1.6</td>
<td>3.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BS Japan</td>
<td>1.2</td>
<td>2.1</td>
<td>2.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BS 11</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td><strong>Total Revenue (Million Yen)</strong></td>
<td><strong>109,180</strong></td>
<td><strong>161,659</strong></td>
<td><strong>179,251</strong></td>
<td><strong>206,353</strong></td>
<td><strong>232,827</strong></td>
</tr>
<tr>
<td>C4</td>
<td>100</td>
<td>100</td>
<td>96.8</td>
<td>95.6</td>
<td><strong>91.6</strong></td>
</tr>
<tr>
<td>HHI</td>
<td>5,517</td>
<td>5,183</td>
<td>4,803</td>
<td>4,643</td>
<td><strong>4,133</strong></td>
</tr>
</tbody>
</table>
HHI: BS Satellite in Japan

The graph shows the change in HHI (Herfindahl-Hirschman Index) for BS Satellite in Japan from 1992 to 2010. The index decreases consistently over the years, indicating a decrease in market concentration or competition in the satellite broadcast market.
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!

• 🎥 SKY PerfecTV! was created in May, 1998 after merging PerfecTV with JSkyB by The News Corporation.

• 📦 started its service on December 1st, 1997.

• DIRECTV withdrew in March 2000 and all subscribers were transferred to SkyPerfecTV on Oct. 2nd 2000.
• 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
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.