Chapter 4
From the Marketers' Perspective: The Interactive Media Situation in Japan

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Abstract This chapter provides insights into the Japanese interactive media situation from the marketers' point of view. In this field, because most service companies rely on advertising revenue models, understanding the marketers' perspective is one of the keys to success. For a background, I will begin by explaining some unique facts about the Japanese media situation, compared to the US market. Then I will describe the "AISAS®" framework advocated by Dentsu, Inc., which will clarify the marketers' point of view. Finally, I will conclude with a presentation of some interesting IPTV and user-generated content companies in Japan.

The Japanese Market: Some Unique Points

Thanks to Softbank, ADSL service competition started in 2001 in Japan. Since then its average price has decreased dramatically. Consequently, as of June 2007, 26.44 million households (54%) of 49.06 million total households in Japan had broadband access. About 13.79 million households (28%) had ADSL access and 9.66 million households (20%) were served FTTH.[1]

Broadband connection via cable was present in just 3.69 million households (7.5%), which is quite different from the situation in the US market. Cable service in general has much less presence in Japan than in USA.

On the contrary, mobile phone service has advanced far more quickly in the Japanese market. As of February 2008, 101.3 million people subscribed to mobile phone service and 87.45 million (86%) of them are able to use WAP (wireless application protocol), to access the Internet via mobile devices. As of 2006, 69.9 million subscribers' bandwidths (72.3%) were 3 G.[2]

According to a Video Research media contact report, from 2002, when broadband penetration started increasing, Internet usage surpassed radio, newspaper, and magazine consumption and was second only to TV in terms of media exposure time. As a result, Internet advertising expenditure has significantly expanded in the Japanese market, surpassing magazine advertising expenditure in 2007.[3] The 2007 advertising sales ranking of the top five were TV ($19.98 bn), newspaper ($9.46 bn), Internet ($6.0 bn), magazine ($4.59 bn), and radio ($1.67 bn).[4]

The "AISAS®" Framework Advocated by Dentsu, Inc.

The purchase model "AIDMA" was invented in the 1920s and had been useful in planning advertising campaigns. This model uses the following process: Capturing the targets' *a*ttention, arousing their *i*nterest, increasing their *d*esire to buy, having them *m*emorize the product, and leading to *a*ctions such as purchasing. To make customers follow these "linear" steps, campaigns were designed with mass media at their core. The "memory" becomes the key here. In a conventional media environment, there was a gap of time and location, between media contact and purchase. Therefore, the key function of advertisements was to have the customers "remember" the product or service.

The diffusion caused by the Internet has changed this purchase behavior substantially. One of the big changes is the act to "search." When consumers find interesting products or services through various media or friends, they immediately search for its information on the Internet. It has become much easier than ever before to get detailed information about products.

The second change is that information is now dispatched by the consumer himself. Each one of the consumers can easily put up personal reviews of a product on a blog or an SNS (Social Network Service). This customer review is then browsed by potential users and becomes an important source of information for decision-making.

The third is the change in purchase behavior. Now consumers can find product information on the Internet, and if they like it, they can jump to the EC (e-commerce) site and purchase it immediately. Even if the consumer decides to purchase from an actual store, information of the nearest store as well can be found on the Internet.

These changes have caused a shift in the traditional consumer purchase model used by advertising from AIDMA to AISAS®. This new purchase model was originated at Dentsu. The desire, memory, action (DMA) of the old model has changed into search, action, and share (SAS) in the new model.

- **"Search" becomes the new next step**

  As mentioned earlier, consumers immediately search on the Internet for intriguing products they see in advertisements, TV programs, newspapers, and magazines. Therefore, effectively promoting this "search," and providing accurate information when searched, becomes crucial.

- **Then "Action"**

  Conventional advertising campaigns required "memory," to maintain consumers' desire, until the time of purchase. Now Internet consumers can search for detailed information right away and, if they like it, they can purchase the product online immediately. In other words, AISAS® allows advertising to influence consumer purchase more directly than does conventional advertising.

- **The last step is "Share"**

  When consumers consider buying a product, they often focus on the information dispatched by actual users on blogs or SNS. Reviews and voices of the actual customers are becoming an important trigger influencing customer decisions.

   The consumers' voice about a product is often searched by potential consumers when they are considering a new purchase. This creates a cycle which expands "WOM" (word of mouth) on the Internet. The conventional AIDMA was a one-way process. AISAS® is characterized by the creation of a "Search" and "Share" cycle.

   By using the AISAS® framework, marketers want to control everything, including WOM, CGM (consumer-generated media), SNS, and buzz.

IPTV and User-Generated Content Service Offerings in Japan

The following are examples of IPTV and user-generated content services in Japan.

- GyaO – http://www.gyao.jp/ – is the name of the IPTV service held by USEN Co. from April 2005. It provides free content: news, sports, bikini, movies, animation, drama, etc. As of July 5, 2007, they had 15 million subscribers.
- Nico Nico Douga – http://www.nicovideo.jp/ – is a modified movie Web site. It is more popular than YouTube in Japan. A company named Niwango executes advertisements and EC on it. They won the Japanese Good Design Award in 2007. On this Web site users can upload, view, and share video clips in the same way as on YouTube. Users can also overlay their comments directly onto the videos, which is an original feature of Nico Nico Douga, so that users can feel like they are watching the same movie at the same time with other people.
- Mixi – http://mixi.jp/ – is the largest SNS in Japan. It had 10 million subscribers, as of May 21, 2007. Gree – http://gree.jp/ – is the second largest SNS in Japan. It had 2 million subscribers, as of August 17, 2007. These two major SNSs are increasing their subscribers by utilizing video and mobile. Mixi started the function of uploading video and they increased their subscribers dramatically. Gree's joint project with KDDI, the second largest mobile operator in Japan, recently enabled it to increase its subscriber base by 1 million.
- Mobage-Town – http://www.mbga.jp/ – is a mobile-based, free game site which also provides SNS. Since most Japanese SNSs permit only 18-year-olds or older to enter, high school boys and girls had no chance to use SNS before this site opened, in February 2006. This site was created with users 18 years and younger in mind. As of June 2007, Mobage-Town has attracted 6 million subscribers, including young teenagers.

Notes

1. Ministry of Internal Affairs and Communications. http://www.soumu.go.jp/s-news/2007/070918_4.html
2. Telecommunications Carriers Association (TCA). http://www.tca.or.jp/eng/database/daisu/yymm/0802matu.html
3. Dentsu Inc. Advertising Expenditures in Japan. http://www.dentsu.com/news/2008/pdf/2008009-0220.pdf
4. Assuming $1 = ¥100