

# The Media Content Market in Japan and Its Recent Changes

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## Introduction

Since the collapse of the economic bubble at the start of the 1990s, Japan's economic situation, despite the occasional glimpse of a recovery, has gotten progressively worse. Reversing this trend will be no easy matter as Japan's aging population and low birthrate are feeding concerns of a future slide economic and social dynamism.

Amid these economic and social uncertainties, Japan is about to see tremendous transformations take place in the information and communications sector.

There are several reasons for this, the first of which is infrastructure establishment. The build-out of communications infrastructure, for example, has made it possible today, with the proliferation of smartphones and feature-rich mobile devices, to send and receive information via the Internet anytime from anywhere. With the rollout of ultra-high-speed broadband through fiber-to-the-home (FTTH) networks accessible from some 90 percent of Japanese households, it is now possible to deliver large content works — such as high-definition video — on demand to individual homes. And we must not overlook that broadband access fees have plummeted by about two-thirds between 2001 and 2008.

Broadcasting infrastructure has also evolved dramatically with the move to digital by both satellite broadcasting and terrestrial broadcasting. Terrestrial television is scheduled to switch over completely to digital broadcasts in July 2011, prompting some to dub 2011 the “first all-digital year.”

The establishment of this communications and broadcasting infrastructure — and the continued digitalization of content — has made it easier than ever to push content over various media channels. At the same time, digital signage and other content markets are emerging, which are picked for substantial future growth.

Users, primarily younger generations of “digital natives” who have grown up with digital devices, are now increasingly involved in the creation and distribution

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of information outside the mass media, something that previously was almost unthinkable.

At the same time, traditional mass media, who have watched their ad revenues being steadily eroded by the prolonged recession, are now seeing their ad markets shrink as advertisers flock to the consumer Internet ad market. The mass media has failed so far to come up with revenue models that work in the new market reality.

The first intent of this paper is to provide a thorough examination of the current media content market in Japan. We will then discuss the causes and extent of recent market transformations and finally take a look at where those transformations might be headed in the near future.

The concept of “media content” is of paramount importance in our discussions. For our purposes here we define media content as “information in a software format that is circulated over various media channels for use by a broad range of people and that by being circulated, as an economic activity, forms markets.”

When considering how to gauge the size of the media content market, we decided to measure content markets rather than media markets, given that most content in circulation is deployed on multiple media channels. Furthermore, our objective was to use quantitative statistical data wherever available when assessing the volume of content being distributed over multiple media channels. From these assumptions, we were able to divide the media content market by content type: video content — including movies and TV programs; audio content — such as radio and music; and text content — which refers to newspapers, magazines, and books. These are the criteria the Ministry of Internal Affairs and Communications’ Institute for Information and Communications Policy (IICP) has used when conducting studies measuring the media content market size.

## The Media Content Market until FY 2008

Since rising to ¥11.1 trillion in 2004, the size of the media content market has stabilized in the ¥11 trillion range, as shown in Figure 1.

For these calculations, the primary distribution market is the market where content is first circulated after being created. The multi-use market — all other markets in which the content is distributed after the initial release — is showing growth, albeit gradual growth, even as the overall media content market remains flat. This indicates that increasingly more content is being reused in other markets rather than being used only once.

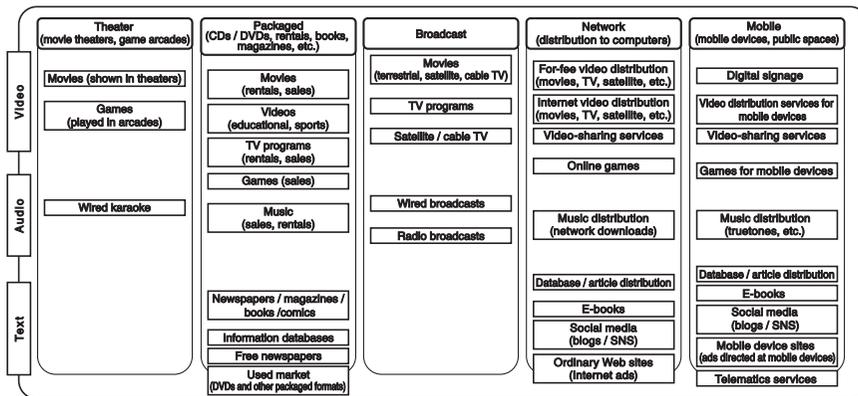
	2003	2004	2005	2006	2007	2008
Primary distribution market	¥8.7 trillion	¥8.9 trillion	¥8.9 trillion	¥9.0 trillion	¥8.9 trillion	¥8.4 trillion
Multi-use market	¥2.1 trillion	¥2.2 trillion	¥2.4 trillion	¥2.5 trillion	¥2.5 trillion	¥2.6 trillion
Total	¥10.9 trillion	¥11.1 trillion	¥11.3 trillion	¥11.4 trillion	¥11.4 trillion	¥11.1 trillion

Source: IICP (2009b).

Note: 2008 figures have been adjusted to reflect the survey criteria used in earlier media software research studies<sup>1</sup>

Figure 1: Transitions in the media content market size

Figure 2 illustrates the categories used in the 2008 media content market survey. The survey arranged the media market into content, divided into three groups — video, audio, and text, and distribution, divided into five channels — theater, packaged, broadcast, network, and mobile.



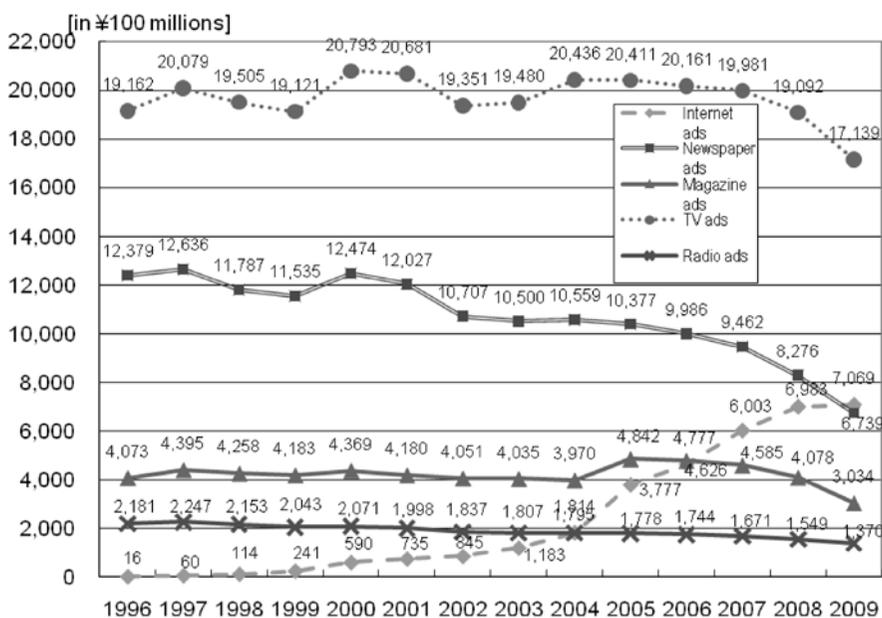
Source: IICP (2010a).

Note: The used market was not factored into media content market scale calculations.

Figure 2: Structure of the media content market

The business models employed in the media content market can be largely divided into fee-based models and ad-based models. For example, terrestrial TV broadcasts, newspapers, magazines, and others derive much of their revenue from advertising. (Advertising expenditures make up more than one-third of the total media content market.)

Examining the transitions in advertising expenditures in Figure 3 finds that advertising expenditures are slowing in the four mass media — newspapers, magazines, television, and radio. Internet advertising, on the other hand, has enjoyed robust growth. Observers suggest the main reason for this shift has been the increasing number of users who watch diverse types of content on the Internet, which has been made possible by the development of broadband and mobile Internet. At the same time, advertising expenditures are largely governed by the state of the economy. In the wake of the global economy’s sudden downturn after 2008, advertising expenditures have nosedived, putting a crimp in the content business.



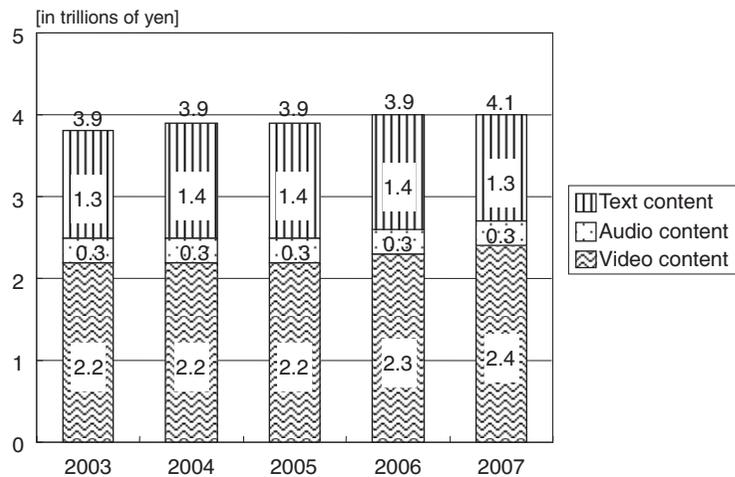
Source: Dentsu Inc. (2010)

Figure 3: Transitions in four mass media and Internet advertising expenditures

The production side of media content has also experienced significant changes. Changes have resulted from the move to digital platforms and the rise of feature-rich platforms as well as from new production approaches.

Since the 1990s content producers have been forced to adjust to the massive transformations in the landscape surrounding media content, such as the move to digital media, huge increases in storage capacity, the roll-out of broadband networks, and increasingly sophisticated devices. For example, TV programs have been affected by TV stations’ move to digital and the use of computer graphics

for animations, movie production has had to cope with the transition from film to video and the recent introduction of 3D technology, and the scale of game development has shot up with the arrival of high-definition video and graphics. Media content production costs have risen conspicuously as producers adapt to these new technologies. For example, Figure 4 illustrates how production costs in the video content sector have climbed from about ¥2.2 trillion in 2003 to ¥2.4 trillion in 2007.



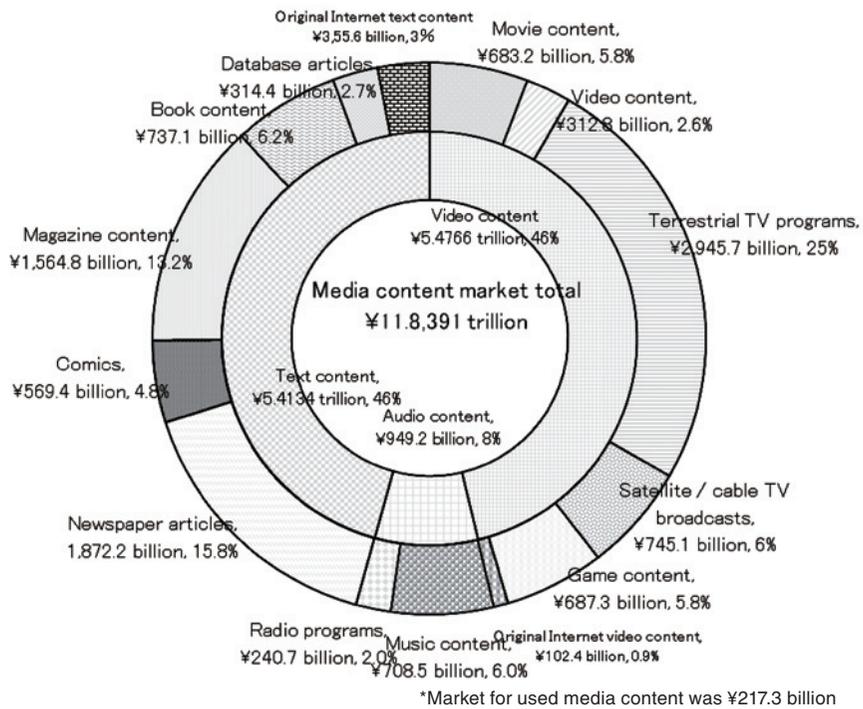
Source: IICP (2009b).

Figure 4: Transitions in media content production costs

In terms of production approaches, partnerships between media firms and production by committee account for more and more of the content created today. Companies choose this strategy to divide risks in the face of soaring production costs and to secure multiple distribution channels for their releases. Another risk-mitigating trend is the recycling of ideas taken from past hits in other fields. In other words, companies rework ideas from past media content to create new content. Examples include remakes of old movies and creating movie adaptations of books or comics. Content producers are being pushed to deliver guaranteed hits to reduce the risks associated with recuperating production costs, and to do this many new works are now created based on works that already have an established reputation or a substantial fan base.

The market categorization is revised for the 2008 study of the media content market size. New markets were added to reflect changes in media content distribution, and the network distribution market for game content and music content was reclassified as a primary distribution market. Figure 5 illustrates IICP's

new market structure categorization. The market's total value was estimated to be ¥11.8 trillion (¥9.6 trillion for the primary distribution market and ¥2.2 trillion for the multi-use market).



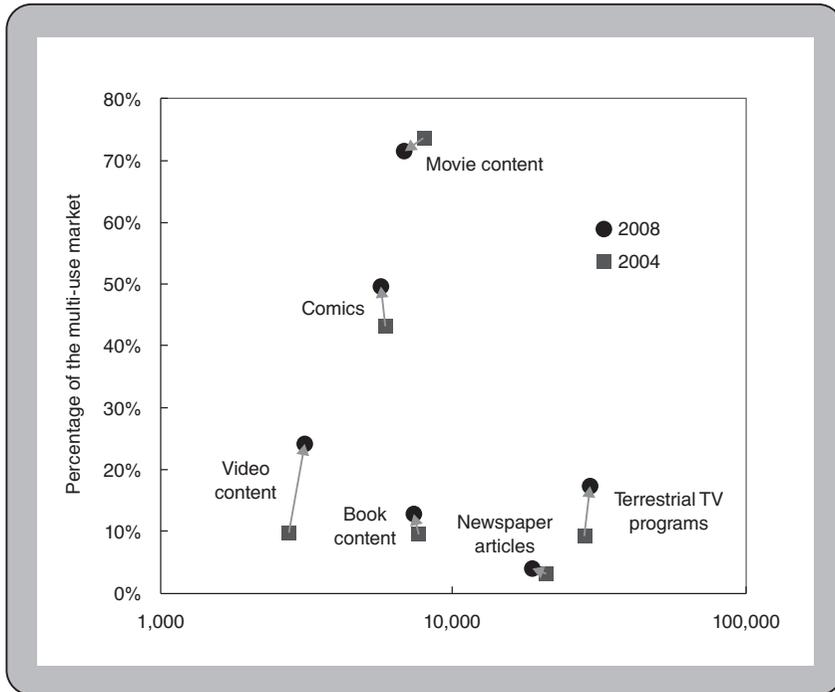
Source: ICP (2010b).

Figure 5: Media content market size

By sector, video content and text content both occupied just under half of the total market, while audio content accounted for about 10 percent of the market.

The two recent characteristics that have marked the media content market have been the development of the multi-use market and the rise of network distribution. Figure 6 illustrates how the multi-use market has developed. Note that because 2008 data in this figure are based on the new survey criteria described above, the multi-use market's expansion in terrestrial TV programs, video content, and comics is striking, but not that in game or music content. Bucking the upward trend is the fall in reusing movie content. A possible explanation for this is as follows. For a certain period sales of packaged movie content (DVDs and videocassettes) grew as prices for DVDs dropped and players flooded the market. After a time, however, most past titles had come out on DVD and there was a dearth of major hit movies.

Thus, since 2004 shipments have waned in value, a trend that continues to the present.



Source: IICP (2010b).

Figure 6: Development of the multi-use market

The network distribution market was worth ¥1.4855 trillion in 2008. Text content accounted for about half of this, while video content and audio content contributed about 30 percent and 20 percent respectively.

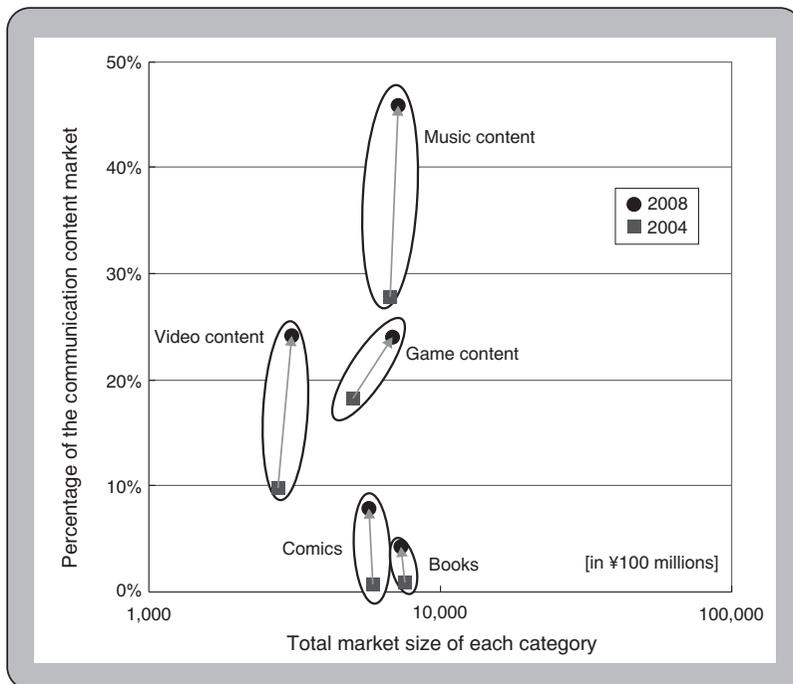
Contrasting 2008 with 2004, Figure 7 shows that network distribution has expanded with the market growth in the music, video, and game content categories. The context that has permitted this expansion is inexpensive broadband access and mobile broadband access.

In particular, the percentage of music content distributed over networks has skyrocketed. There has been huge growth in the game market itself. And increasing mobile use of comics and books has fueled much of the network distribution growth in that sector.

Controversy over e-books welled up in Japan in the second half of 2009 when Amazon rolled out its Kindle e-book reader worldwide. To investigate ways

of promoting the use of published material in a digital networked society, three ministries — the Ministry of Internal Affairs and Communications, the Ministry of Education, Culture, Sports, Science and Technology, and the Ministry of Economy, Trade and Industry — initiated the Panel Discussions Promoting Beneficial Use of Publications in a Digital Network Society in March 2010. The panel’s report, released at the end of June, called for “wider reproduction of knowledge within the digital networked society through the stable and unimpeded production and distribution of publications,” “the realization of an open electronic publication environment,” “the arrangement of an access environment to ‘knowledge infrastructure’,” and “the assurance of user safety and security.” In parallel with this report, work on a Japanese e-book platform is moving ahead, which is expected to encourage even wider e-book acceptance in Japan.

More recently, Apple’s iPad, which can be used as an e-book reader, was launched in Japan. This has prompted the release of a flurry of e-books, including comics, that are distributed via the iPad. This tendency is certain to pick up speed, and network distribution of comics and books is expected to widen even further.



Source: IICP (2010b).

Figure 7: Development of the network distribution market

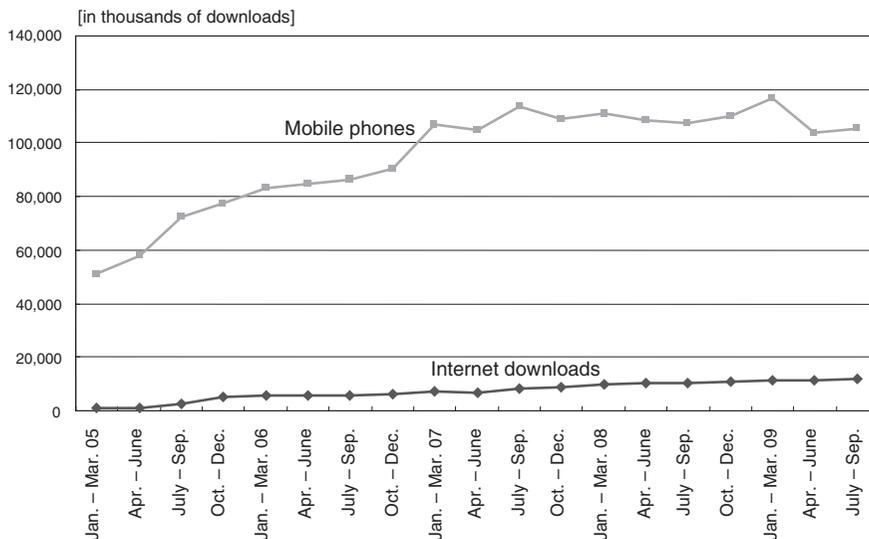
## Huge business model transformations in the music and game markets

Business models in the music and game markets are undergoing drastic transformations, and network distribution is claiming an ever-increasing share of the overall distribution market. Consequently, we decided to examine these markets in detail.

### Music market

The music content market was valued at ¥708.5 billion in 2008. The market breakdown finds that CDs and other packaged versions still hold about 40 percent of the market. The value of packaged music content peaked in 1998 at more than ¥600.0 billion, but has been in near free fall since 1999. In 2007, the category was worth about ¥330.0 billion, less than 60 percent of its peak value. At the same time, royalties collected by the Japanese Society for Rights of Authors, Composers and Publishers (JASRAC) are on an upswing, resulting from revenues collected for mobile phone ringtones and from other interactive distribution channels. Music content delivered to mobile devices currently accounts for about 30 percent of the market.

We can see in Figure 8 that the surging mobile music market is closely tied to the increase in music distribution over networks. Backed by broadband proliferation



Source: Recording Industry Association of Japan (2009).

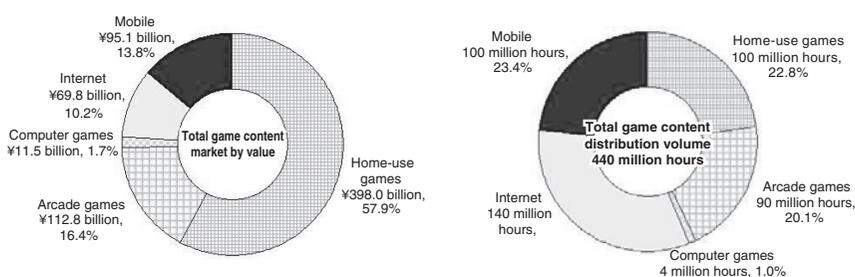
Figure 8: Transitions in fee-based music distribution sales (by volume)

and more powerful mobile devices, computer and mobile phone downloads have become the primary network distribution means for music content. To offer computer downloads, businesses set up an Internet site to distribute their music titles. But with track prices continuing to drop and Internet distribution expanding rapidly, listening to downloaded music on mobile audio players has become wildly popular. Another characteristic of Internet music distribution is that consumers can purchase single tracks rather than only complete albums. One factor in music distributors' slumping revenues is thought to be that consumers are buying only the specific tracks they want.

Using songs as ringtones has become a popular way to enjoy music on mobile phones, and new services enabling users to listen to music on their mobile phones are appearing. The sound quality has been steadily improving as mobile phone networks approach broadband speeds.

## Game market

The game market was worth ¥687.3 billion in 2008, as Figure 9 indicates. By value, home-use games had the largest share of the market, at about 60 percent, followed by arcade games, at under 20 percent. The market's total distribution volume was equivalent to 440 million hours, but the market composition by distribution volume looked quite different from the market composition by value: Internet games accounted for about 30 percent while mobile games, home-use games, and arcade games each held about a 20-percent share.



Source: IICP (2010b).

Figure 9: Game software market size by value and distribution volume

By 2008, online games — the sum of Internet and mobile games — accounted for the majority of the market's distribution volume. Faster communications networks were the primary reason.

Online games offer a different type of attraction from conventional games

since multiple players can play together, which has pulled in casual users as well as hardcore gamers. In particular, social games, which are distinguished by the communities they form, provide the same sort of enjoyment found with blogs and SNSs and have seen their sign-up numbers soar. The downside to social games is that although the sign-up is free, they require players to buy virtual currency used within the game with real money in order to progress to higher stages. There have been instances of social game players unwittingly racking up huge bills. Furthermore, it is not unusual for social games on mobile devices to make use of GPS and other advanced mobile device features.

Finally, what sets game content apart from other forms of video content is that secondary use of games is difficult without incurring extensive production costs. Since separate programs must be written for each game console, porting a game title to another game console is much more expensive than converting video titles for different formats. Another distinguishing feature of game content is the labor costs that account for as much as 60 to 70 percent of the production costs. And as game consoles have gotten more sophisticated, production and development costs have exploded, even as past titles are being sold off at bargain prices. Of the 1,399 game titles released in 2007, 382 were inexpensive or bargain-priced editions.

## Recent Changes in the Media Content Market

Prior to the move to digital platforms, the distribution of media content and software progressed in a linear fashion — for example, from movie theaters to packaged versions to for-fee broadcasts to free broadcasts. In this way the content would eventually be distributed on multiple media channels. Because of this linear deployment, the media content market could be divided into a first-use market where the media content was first distributed and a multi-use market for all later markets based on the release timing.

It is important, however, to understand media content markets in the light of two recent fundamental changes: the development and diversification of distribution media channels, and the distribution scale changes in the media content market.

## Development and diversification of distribution media channels

Since the 1990s content distribution has stretched to encompass many new media channels and devices such as packaged media, terrestrial digital broadcasts, satellite broadcasts, cable television, mobile phones and smartphones, and e-book readers. The move to digital media content formats and advances in the Internet

and mobile phone networks have utterly transformed distribution in the media content market.

Of these, smartphones are drawing the greatest interest as a new mobile device. Until recently, Japan had led the world in developing new functions for mobile phones. But the entry of the iPhone and other smartphones has been a game-changer in Japan. Smartphones feature an easy interface built into the operating system that integrates many different functions such as downloading movies and music and browsing the Internet. Smartphones let users access video and audio services from computer Internet sites in addition to mobile-specific content by connecting wireless carriers' content provision services with external Internet sites. This has had a profound impact on Japan's mobile Internet business, which had grown through the vertical integration of networks, platforms, and device services all centered on the wireless carrier.

Let's pick up some of the actual examples of distribution channel diversification. Television programs, for one, used to be broadcast first by terrestrial TV stations. After their initial run certain programs, such as popular dramatic series, were sold or rented in DVD format and rebroadcast on satellite stations or cable TV networks. In the last few years, however, distribution channels have diversified with the entrance of video distribution from TV station Websites and network-centric on-demand services, such as Internet protocol television (IPTV) services, that allow viewers to watch past programs on a for-fee basis via the Internet.

In the realm of music content, the primary distribution channels have diversified: not only is music sold on CDs and in other packaged formats, it is simultaneously made available on various music downloading networks. In the game content sector, online games and network distribution of games have, compared to a few years ago, taken a much larger slice of the market from home-use game sales. Magazines and books too are no longer just sold in stores but are being distributed in new formats, such as e-books or mobile phone content.

Releasing content to the online distribution market at the same time as selling packaged formats, as is happening with music and game content, has eliminated any temporal differences among distribution channels.

The major drawback to the network market's expansion is the growing circulation of illegal packaged content and illegal file sharing without the consent of the rights holders.

File-sharing software is the most egregious problem. Of the estimated six million content works in circulation on leading file-sharing programs, around half are being used without the consent of the respective rights holders. (This figure is from report by the Association of Copyright for Computer Software and others.) In a survey of mobile phone users, more than one-third said they use illegal music download sites, and 60 percent of teenagers said they use such sites. Experts

estimate more than 400 million illegal music files are downloaded each year, which easily outnumbers the 330 million legal downloads (figures taken from the report by the Recording Industry Association of Japan).

## Distribution scale changes in the media content market

The media content market has seen a general slowdown in the primary distribution market, which derives much of its income from advertising revenues, because of the poor economy and other factors. Conversely, the media content distribution market, which relies on networks for lower distribution costs, has been flourishing due to broadband availability and lower network usage fees.

For example, the distribution market for selling and renting movies on Blu-ray and DVD is now bigger than the box-office revenues from the theatrical first-runs. And while sales of music on CD and other packaged formats contract, the music download market has seen robust growth for the last few years, although growth has tailed off somewhat very recently due to the economic downturn. The reasons believed to account for the rise of network distribution are as follows:

- Improved convenience of network distribution (as a result of lower network fees, proliferation of broadband networks, greater title selection, lower unit prices, improved payment platforms, etc.)
- The move to digital formats for TV programs and other media content, the establishment of a multi-media (multi-use) distribution market because of amendments to the Japanese Copyright Act, and the adoption of window strategies
- Larger base of enabled devices, such as smartphones

## Classifying the media content market

Until recently, the Japanese media content market could be understood as a primary distribution market — the market of first use — and a multi-use market — all later markets — based on the release timing in order to ascertain how much content was being distributed over multiple media channels. This was possible because distribution followed a linear expansion path from channel to channel and because Internet content distribution had not taken off.

But with the increase in Net distribution caused by the uptake of broadband, the temporal differences among distribution channels have disappeared. Music and game content are now released to the Net distribution market at the same time physical CDs and other packaged formats hit the shelves. The distribution channels

for music content, in particular, have diversified enormously — comprising cable broadcasts, karaoke, and network downloading — beyond just the sale of physical formats. And online games and network distribution of games supplement the sales of games for home game consoles.

Thus, to keep abreast with market realities, the network distribution market for music and game content must be considered a primary distribution market.

## New markets

New markets have been created as a result of the changing landscape around media content, such as the move to broadband and mobile platforms. We will look at four new markets created due to network advances: social media (blogs and social networking services (SNS)), video-sharing services, digital signage, and Internet protocol television (IPTV).

The first of these, social media, has gained attention as a media channel that enables users, who previously could only receive information asymmetrically, to independently create and distribute information. Social media owe their existence in large part to the growth of broadband networks. The two most common social media — blogs and SNS — are today some of the most widely used Internet services because they enable individuals to publish information and communicate with others. As shown in Figure 10, the overall blog market is valued at ¥16.01 billion. For the purposes of media content surveys, however, which consider only advertising, e-commerce, and services, the market is estimated to be worth ¥13.9 billion.

The Ministry of Internal Affairs and Communications estimated there were more than 8.68 million bloggers in Japan at the end of March 2006. In April 2007 a U.S. technology company reported that blogs written in Japanese accounted for 37 percent of the world's blogs and were the world's most numerous, even exceeding the 36 percent global share of English blogs.

Many influential alpha, or A-list, bloggers have already appeared who draw large numbers of readers, and there are an increasing number of tie-ups between blogs and other media channels. The influence of blogs and the blogosphere on society and economic activities is expected to mount as corporations, attracted to blogs' ability to transmit information, begin to actively utilize blogs for sales promotion.

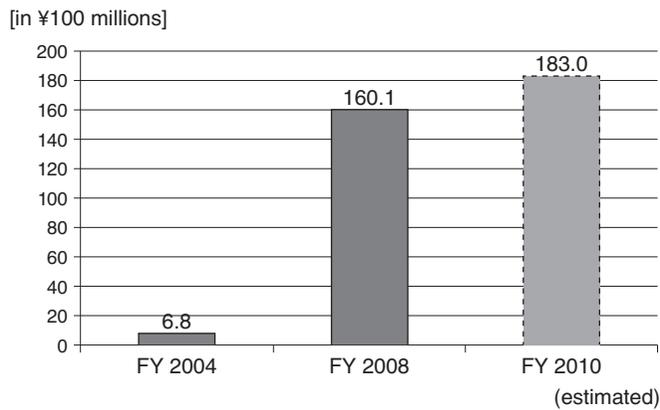
Another area of recent interest is social games, which deepen user interaction while providing game play. But as mentioned before, social games are not problem-free; unexpectedly high bills have been identified as an issue.

Figure 11 shows the value of the SNS market to be ¥49.88 billion. But for the purposes of media content surveys, which consider only advertising, e-commerce,

and services, the market is estimated to be worth ¥48.6 billion.

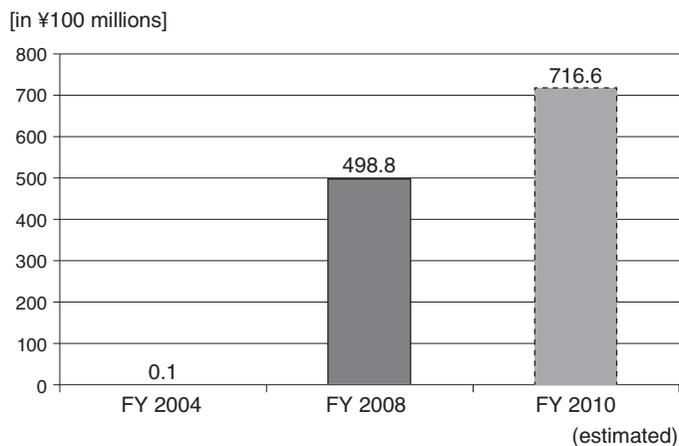
Another likelihood is that as users spend more of their disposable time on free social media, they will spend less time with paid media content. Thus, traditional media content markets may shrink if the consumption of free media content continues to rise. An ongoing issue will be the nature of trade-offs made with traditional media content markets.

Video-sharing services, also known as video-hosting sites, allow people to upload videos they have taken and/or edited to a public Web site where others can



Source: IICP (2009a).

Figure 10: Blog market size



Source: IICP (2009a).

Figure 11: SNS market size

view them. Two of the leading services are the U.S.'s YouTube and Japan's Nico Nico Douga. Nico Nico Douga, which launched in 2006, is unique in that, if the display feature is enabled, user comments on a given video are superimposed momentarily over the video. In this way, viewers can share in other viewers' responses to the video and can visually tell the level of user interest by the number of comments. Video-sharing services have already carved out a significant market. Nico Nico Douga's sales, for instance, have jumped from ¥1.8 billion in the year ending September 2008 to ¥3.2 billion in the year ending September 2009. Observers feel this market has significant potential for future growth.

Related to this, the Broadcasting Ethics & Program Improvement Organization (BPO) conducted a study in 2008 and 2009 on the Program Viewing Habits of Digital Natives. In response to the question "How many minutes do you spend watching video-hosting sites on a computer per viewing session?" the median response for all respondents and for each group was "30 to 59 minutes." Setting aside the existence of the heavy user segment who answered "four hours or longer" (3.2 percent of all video-hosting site viewers), the answers formed an almost perfect normal distribution. Judging from the time spent with these services, we can conclude that video-sharing services have already secured an established position in young people's lifestyles.

Despite their established position, several issues with video-sharing services have been pointed out. According to the BPO study mentioned above, the most serious is the problem of people uploading TV programs, music videos, and even currently screening movies without permission of the rights holders, which are then viewed for free by millions of site users. As far as the users uploading copyrighted material to video-sharing sites are concerned, they are simply "sharing" with other site users material they enjoy. Content stakeholders have yet to find lasting solutions to these violations of the Copyright Act.

Additional concerns are being voiced that if "reasonable compensation" to content creators is the cornerstone for a healthy and growing content market, the normalization of such viewing behaviors will cripple the economic basis of creative work and, ultimately, lead to a deterioration in content quality.

For their part, video-sharing sites are also working on this problem. Nico Nico Douga has instituted policies that strengthen the rights protection on submitted videos.

The third emerging market is digital signage. These are systems that deliver information in many different places — in streets, shop fronts, public spaces, public transportation, etc. — using network-connected displays and other electronic devices. A market for digital signage is forming, valued at ¥24.8 billion in 2008 (Seed Planning survey), and forecasts predict strong growth in the coming years.

Digital signage is piquing interest particularly because it can convey different kinds of contextual information. What makes digital signage different from other

media channels is: (a) it delivers contextual ad exposure tailored to the location and target audience; (b) it requires the creation of finely tuned content and advertising for each location in keeping with (a); and (c) as a media channel it can push information exposure while offering simple content management, including DRM.

The most visible digital signage business model is JR-East's Train Channel. JR-East owns many high-traffic railway lines, including the Yamanote Line, the Keihin-Tohoku Line, and the Chuo Line, and can guarantee that consumers will stand still (and thus can concentrate on a display) for significant durations. As a result, the Train Channel can deliver information to businesspeople and other consumers who do not frequently watch television (that is, people who have little contact with television or other traditional media channels). And since more than 10 million commuters use JR-East's lines in the Tokyo region, digital signage is able to deliver ads to a large audience.

The fourth new market is Internet protocol television (IPTV). IPTV services deliver broadcast content and other video content over the Internet. The IPTV market is in its nascent stage: Japan's leading IPTV service, Hikari TV, had 760,000 household subscriptions as of the end of September 2009, and sales of the whole IPTV market in 2008 topped ¥14.1 billion (IDC Japan figures).

Although it focuses on multichannel services, Hikari TV has been retransmitting terrestrial TV broadcasts since 2008. Services are expected to see a significant boost with the completion of terrestrial TV's move to digital broadcasts in 2011. IPTV still faces some hurdles, such as the area restrictions on terrestrial digital TV rebroadcasts over IP, and the inability to watch more than two channels simultaneously due to bandwidth limitations.

## Conclusion

In this paper, we have discussed the current state of the Japanese media content market and the recent changes that have occurred in and around the market. These market changes not only show no signs of stopping, they are still evolving at the present time and will continue in the foreseeable future.

The ICT advancements fueling these changes have not leveled off, and the development of network speeds and ubiquitous availability is accelerating. Forecasts predict wireless Internet modalities such as LTE and WiMax will be commonplace in five years. New technologies, such as area one-seg and multimedia broadcasts for mobile devices, are now being rolled out. The switch to all-digital terrestrial broadcasts will transform media content as well, such as greater penetration of high-definition, high-fidelity video and even 3D video.

To develop an understanding of where the media content market might be headed, we must first closely examine user behaviors and business models that

have driven recent market changes.

The following points about user behavior are help to understand the media content market. In the coming years, not only will networks become more ubiquitous, letting users access content whenever and wherever they want, the degree of personalization will increase, enabling individual users to send and receive more information in more ways. These developments will drive content diversification to new levels. In parallel to this, evolving social media, where users enjoy creating and communicating content, will spark advancements in social games and other user-participation content that differs from traditional content formats. As a result of these transformations, content users will no longer be just consumers; they will wield increasing influence over the creation of their content and over the business models that supply it. Along with this will come more debate over the responsibilities users have concerning information they communicate. Simply put, the information literacy of users will require greater attention and urgent measures will be needed to stem the flow of illegal and malicious information.

The following points about business models help put the media content market in context. As network distribution becomes entrenched, distribution channels are expected to diversify and revenue opportunities increase at the cost of more intense price competition that will force content unit prices lower. Faced with this new reality, business models premised on past analog technologies will have to adapt. In other words, new profitable business models will have to be constructed even as the economic situation worsens caused by falling ad revenues for content producers and more free content in circulation. Moreover, advances in information communications technologies and the emergence of new information communications technologies are likely to generate new media content markets. Such network technology and distribution changes will drive the development of business models that take a holistic view of content distribution, such as creating distribution alliances that cross business boundaries, instead of relying on past strategies that vertically divided content distribution among media channels. All of these forces have the potential to radically transform business models.

When considering the future prospects of the media content market itself, we must look at new perspectives as well as just the market itself, although this too is a necessary perspective.

Given that recent growth in the media content market has been flat and that no major developments are on the horizon, exports of Japanese content to overseas markets and measures to stop illegal copying of copyrighted works take on increased importance to stimulate Japan's media content market.

Digital formats have made it possible to copy content without quality degradation and extensive broadband access has simplified the distribution of

copies. Thus, resolving the illegal copying of content is becoming thornier than ever. In addition to enforcement, it may be necessary to construct business models that include people now dealing in illegal copies into legitimate content distribution channels.

Under the banner of “cool Japan,” Japanese anime, games, and other content has made inroads in overseas markets and created substantial fan bases. But more must be done to broaden this trend. The South Korean government, for one, actively supports the overseas expansion of South Korean content. The Japanese government must also consider promotional measures including financial support.

Japan’s media content market is facing a period of drastic upheaval. It is time for traditional models to be overhauled and time for media market stakeholders — not just traditional mainstream media but users too — to exhibit their creativity and imagination.

## NOTES

1. Unless otherwise indicated, 2008 figures are based on the new media software survey criteria.

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