The Current Situation of Net-business in Japan

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Market Situation
Social penetration of the Internet usage is proceeding further rapidly

**Supply side**
- Broadband
- Mobile internet
- ‘Cheap revolution’

**Demand side**
- ‘Digital native’
- Social use of the Web
- Multi-device usage

Social penetration of the Internet
(a) E-commerce (B2B, B2C)
(b) Online services
(c) Digital contents
Households’ access to broadband Internet, 2003-07
In % of households

Source: OECD Information Technology Outlook 2008
The number of mobile phone subscriber agreements in Japan

Source: Mobile Content Forum, Japan 2005
‘Cheap Revolution’

Diffusion of free software and on-demand services
- Linux
- Apache
- Amazon EC2/S3 etc.

Rapid price decrease
- Chips
- Storage
- Internet access etc.

Radical fall of market entry barriers
Constantly changing market environment
The Rise of ‘Digital Native’

Internet use by age, percentage of individuals

Social Use of the Web

- The Web as a platform
- Collective intelligence
- Architecture of participation
- Remixable data
- Mashup ...

‘Web 2.0’ is already everyday life
Multi-device Usage for Web Access

Distribution of Internet-accessing devices in Japan

- From mobile devices: 75.1 mil. [82.6%]
- From PC AND mobile devices: 62.0 mil. [68.2%]
- Only from mobile devices: 8.2 mil. [9.0%]
- Only from PC: 15.1 mil. [16.6%]
- From PC, mobile, game, AND TV devices: 4.8 mil. [5.2%]
- From game and TV devices: (5.7 mil. [6.2%])

From PC: 82.6 mil. [90.8%]

Source: Ministry of Internal Affairs and Communications, Japan “White Paper: Information and Communications in Japan 2009”
• The Web has been tightly connected to and deeply embedded in the real world

Real world

Office

Home

On the move

On a visit

PC

Mobile

PDA

Game device

The Web

News

Search

Mail

Map

Tool

Music

SNS

Movie
Some Snapshots of Japan’s Net-Business
Net-business in Japan

• E-commerce
  - B2B (not discussed here)
  - B2C
  - Auction etc.

• Online services
  - Portals, News, Search, Mail
  - Social services etc.

• Digital contents
  - Music
  - Video
  - Game etc.
Market Size

Market size of Japan’s Net-business

(Billion Yen)

Source: Nomura Research Institute “IT Market Navigator 2009”
Online shopping/auction platforms are huge

Rakuten
(No.1 online shopping mall)

Yahoo! Auction
(No.1 online auction platform)
E-commerce (B2C)

• Direct sales channels are now flourishing

UNIQLO Online
(Top casual apparel maker & retailer)

Sony Style
(Sony’s online sales channel)
Online Services

- Major services are ad-driven, oligopolistic markets

### Portal
- Yahoo!
- goo (NTT)

### Search
- Yahoo!
- Google

### News
- Yahoo! News
- Major newspaper’s sites

### Mail
- Yahoo! Mail
- Hotmail/Live Mail
- Gmail
• Social services are developing on an unique trajectory, particularly in mobile business

mixi

• Top SNS
• 17 mil. users

Mobage-Town

• Mobile portal
• 15 mil. users
• 10s and 20s: 70%

Gree

• Mobile-based SNS
• 10 mil. Users
• Focusing on game
Digital Contents

- Mobile phones drive the digital contents market

**Digital contents market in Japan**

(Billion Yen)

- Music
- Online game
- Mobile contents
- Video on demand

Source: Nomura Research Institute “IT Market Navigator 2009”
Digital Contents

- Paid mobile contents are expanding

Mobile novels

Paid games
• Video services are still struggling

The merger of Yahoo! Movie and GyaO
The Way Ahead
Monetization Problem

• The economic recession hit ad sales
  - Even online ad market is shrinking
  - Significant damage and risk to ad-based Net-business

• A need for search of new monetization models
  - From ad-dependent monetization to multiple monetization
  - Re-designing the whole business models
Monetization Models for Net-business

- Ad model
- Tenant model
- Paid service model
- Margin model

Flow:
- Tenant model → Profit → Paid service model
- Ad model → Profit → Margin model
• Grasping ‘the nexus’ of action streams that flow through both the real world and the web world

The real world and the web world are mutually penetrated in our everyday lives

- Focus on ‘gates’ through which both worlds are connected
  - Device
  - Payment
  - User account

- Net-business in Japan is vividly presenting such emerging phenomena
Thank you!

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