TV Continues to Lead Japan’s Advertising Market, but Online Advertising is Coming on Strong, IHS Says

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ENGLEWOOD, Colo. (January 22, 2016) – Though the Web would seem to be the obvious go-to medium for advertisers in the smartphone era, Japanese advertisers are still primarily focusing their attention on television commercials to deliver their brand message. In 2015, TV commercials accounted for 41 percent of total net advertising revenues in Japan, the world’s third largest advertising market, while online ads made up only 23 percent. This situation stands in contrast to other mature markets, such as the US, UK, Australia and Nordic countries, where online ads dominate with an over 50 percent share, according to IHS Inc. (NYSE: IHS), the leading global source of critical informational and insight.

Although the chances of online advertising replacing TV in the near future are slim, online advertising is still growing at a rapid pace, spurred on by the adoption of smartphones in parallel with the development of new ad delivery technologies. After overtaking print in 2014 to become the second largest medium in Japan, online advertising will account for between 23 and 27 percent of the total market between 2015 and 2020.

Total net advertising revenues in Japan reached 3.6 trillion yen ($34.4 billion) in 2015, an increase of just over 1 percent over the previous year. Net advertising revenue in Japan is expected to continue to grow at a compound annual growth rate (CAGR) of 4.3 percent from 2015 to 2020, to reach almost 4.5 trillion yen in 2020. Total net advertising revenue represents revenue generated by media owners from TV, radio, online, print and out-of-home (OOH) advertising, after deducting agency commissions and production costs.

“TV advertising will continue to account for more than 40 percent of the total net advertising market in Japan over the next five years,” said Qingzhen Chen, advertising analyst for IHS Technology. “Japanese TV advertising seems immune to the online cannibalization experienced by other mature markets, as advertisers are still skeptical of online advertising that many perceive to be a lower-quality form of marketing, when compared to TV commercials.”

According to IHS, the prominent position of TV advertising can be partly attributed to the heavy involvement of Japanese advertising agency Dentsu, part of the Dentsu Group, which dominates the industry. Not only does Dentsu control an estimated one third of the Japanese ad market and the majority of the marketing activities, it also produces much of the advertising content and programs seen on Japanese TV.

“The strong relationship between Dentsu and TV broadcasters is one of the reasons Japan still lags behind other mature markets, in terms of the penetration of online advertising despite being technologically advanced,” said Chen.
According to IHS, print advertising still made up 17 percent of total net advertising revenues in 2015 owing to the high level of circulation of the nation's newspapers. By 2020, however, print advertising is expected to drop to around 10 percent of the total market, given the growing preference of younger consumers for online content.

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