

The market for the production of TV commercials in Japan for UK production, post and editing companies

Overview

The Advertising Producers Association is the trade body for production, post, editing and music composing companies working in TV commercials in the UK. Internationally, the UK industry is of extremely high standing.

The APA seeks to assist its members in finding new markets and Japan was identified because:

- It is the second largest advertising market in the world.
- It produces around 5,000 commercials per year, of which around 500 are made by overseas (i.e. non-Japanese) producers. Only a tiny proportion of those are made with British producers - thus there is great potential in the market.

The APA visited Japanese agencies and production companies in 2003 and 2004 - when 36 representatives of UK commercials production took part in the APA's Tokyo-London Creative Forum.

That has generated significantly more work from Japan for APA members.

This report gives details of further research into the Japanese TV commercials production market and reports on the APA's meetings in Japan and participation in the Tokyo commercial's festival, in November 2005, to build on the success of the earlier APA delegations.

This report summarises our further research into the Japanese advertising market, to assist UK commercial production, post and editing companies and music production companies, wishing to work with Japanese agencies and production companies.

Nature of research

Research into the size of the Japanese advertising market and the market share of agencies was carried out in advance of the visits to Japan- when analysing which overseas markets the APA should focus on. The emphasis on the visits to Japan was in understanding how the market operated, who the decision makers were and to commence building relationships with them.

The value of the Japanese advertising market

Japan

2004

Total advertising expenditure
38,019
Of which, expenditure on TV commercials*
17,996

2007

Projected advertising expenditure
41,512
Of which, expenditure on TV commercials*
20,330

For comparison:

Britain

2004

Total advertising expenditure
18,400
Of which, expenditure on TV commercials*
5,541

2007

Projected advertising expenditure
20,896
Of which, expenditure on TV commercials*
6,309

(all figures US \$ millions):

*(production and air time costs)

Thus, the TV advertising market in Japan is, on current figures and projections, 350% of the value of the TV advertising market in the UK.

Japanese advertising agencies produce around 5,000 commercials per year. Of those, around 4,500 are produced by Japanese production companies in Japan, with the remainder being produced by overseas, by non-Japanese production companies.

Of those, around 40% go to America and 15% to Australia, with only 20% being produced by European countries, of which Britain only has a small share:

- 5 in 2000
- 8 in 2001
- 6 in 2002
- 7 in 2003

lagging significantly behind France, Italy and Germany.

The structure of advertising in Japan

Japanese agencies

Japanese advertising is dominated by Dentsu, with Hakuhodo and ADK also having very significant market shares. The main international advertising agency networks have offices that are substantial but they have less than 10% of the total market.

Dentsu have around 5,600 employees and about 50% of the Japanese advertising market, with Hakuhodo having around 3,500 employees and about 25% of the market and ADK 1,800 employees and about 12% of the market.

Japanese agencies operate differently from those in the UK and most other developed markets. Our visits to Japan have enabled us to identify and understand those differences. Understanding those differences is vital to the success of UK companies seeking to work with Japanese agencies:

They do not have accounts with advertisers:

In the UK and most other developed markets, including the USA and Europe, advertising agencies pitch for a clients account and will work for that client, very often as the only agency and agreeing not to work on competing accounts.

Japanese agencies pitch for individual campaigns eg Honda will invite agencies to pitch for the launch of a model but have different agencies working on different models.

There is no brand advertising - it is all advertising for specific products or services

Creative divisions

The bigger agencies are divided into a number of creative divisions, which operate independently of each other. This enables them to have one division working on a car campaign for one advertiser and another division working for another car producer- and advertisers in Japan have confidence in this system.

This means that when dealing with the major Japanese agencies, contacts/material/relationships need to be supplied/built to/with each of the separate divisions.

Alternatively, those agencies have departments responsible for the creative work of the agency across all of the division, and building relationships with them is a means of getting information/material to all the creative divisions within the agency.

Agencies in Japan usually access overseas productions companies/directors through Japanese production companies

When agencies are seeking to work with an overseas production company/director, they will often work with a Japanese production company, who will then source and engage the overseas director.

Some of the bigger production companies have departments dedicated to identifying overseas (ie non-Japanese production companies) with whom they wish to work and engaging them on productions for Japanese agencies. AOI for example, have a nine person international department whose task is to source overseas directors and production companies and manage projects with them.

Hence, rather than see Japanese production companies as competitors, or at least, purely competitors for commercials production work, UK production companies interested in working with Japan need to communicate with and build links with them, as UK production companies are more likely to be engaged by the Japanese production company than the agency direct.

Japanese commercials

Japanese commercials tend to be 15 seconds and, in some categories eg food and drink, are very product orientated. The 15 second commercial is dominant because Japanese agencies encompass creative and media- unlike the UK where the two disciplines have been separated- and media generates greater income for 15 second commercials because of the way the Japanese system works.

However, it is possible to have longer commercials and agency creatives are trying to persuade their clients of the benefit of more creative advertising - in terms of it being more effective. They have had some success in some categories eg cars and believe that they will make progress in others.

Japan giving us perspective for UK market

The visit also enabled us to learn about developments in advertising in Japan which can help us in our understanding of the UK market:

- mobile phone technology and content is more advanced in Japan and creating advertising content for mobiles is a potential growth area for commercials producers in the UK.
- PVR's – devices which record television programmes on to a hard drive - in Japan they can be programmed to skip commercials. PVR's and their effect on tv advertising are of concern in the UK but the Japanese production companies/agencies expressed less concern- they see most programming as being watched live. For example, daytime television is dominated by cookery programmes and the habit of Japanese viewers is to leave the set on.

Promoting UK production, post and editing and music production for commercials companies in Japan

The promotion of UK commercials producers in Japan involved:

- promoting the UK on the quality of the work it produced
- building relationships
- learning of some misconceptions the Japanese advertising industry have about UK production and endeavouring to address them.

Promoting the UK on the quality of the work it produces

Promoting UK work by showing it, is the most straightforward task. The viewing of showreels (ie compilations of a directors best work) is the standard method of promoting a director and his/her production company to advertising agencies. The quality of UK work is taken as read by the Japanese advertising community- both from their own appreciation of UK work they have seen - from seeing, for example, the APA 50- our showcase of the best fifty commercials of the year from the UK, and its success in Cannes- the leading international advertising awards- and the Gunn report - the ranking of the top 100 commercials of the year, according to their success in various awards and seeing UK commercials in shots.

Building relationships

Building relationships is vital. In commercials production, relationships are paramount. On a domestic basis, production companies (assume here that all references encompass post, editing and music production), along with building the best possible showreel, focus nearly all their efforts on relationship building. Marketing budgets are spent on lunches with agency creatives and agency tv departments etc, rather than as a rule on advertising, pr or other forms of promotion.

Having made progress in building relationships with Japanese agencies and production companies during the APA trips, in 2003 and 2004, meeting with them again in 2005 was vital in continuing to build and maintain those relationships and to continue to develop an understanding of the real decision makers as to which production co/director, post co should be chosen for a production.

In Japan, because of the way that agencies are organised into separate creative divisions, it is necessary to establish communications with each division or with an individual or department with an overall responsibility for creative, who can feed material from the UK, such as the APA 50, in to them.

Learning of some misconceptions the Japanese advertising industry have about UK production and endeavouring to address them

The principal misconception among Japanese agencies and production companies- which we have addressed from the first visit but which needs to be addressed with all the new contacts we make- is that working with APA members means shooting in the UK.

The UK is expensive and such a misconception inevitably discourages Japanese agencies and production companies approaching our members.

The reality, as we have explained to them, is that UK producers shoot all over the world- and that the majority of work from the UK is shot overseas. So finding low cost centres, going there and turning out a great commercial is UK productions modus operandi.

Further, Japanese agencies/production companies, from their appreciation of UK work, have felt that UK production might be unapproachable. They have felt unconfident about approaching UK production companies whose work they have admired, fearing their scripts/budgets may be unattractive/UK producers might look down on them.

By going to Tokyo to see them, and the 2004 trip where 36 of London's directors, producers, vfx people and composers of music for commercials took the trouble to come to Tokyo, in particular, we are communicating to them that we are very keen to work with them.

Follow up visits, such as this one, provide an opportunity to gather more information on the market but, equally importantly, demonstrate an ongoing commitment on the part of UK companies, in terms of wishing to work with Japan.

The success of the APA's Tokyo-London Creative Forum 2004

In November 2004, the APA took a party of 36, comprising producers, directors and post production people to Tokyo to meet Japanese agencies and production companies. That comprised a reception for them at the British Embassy, a series of meeting and seminars and showing the APA 50 in the Tokyo advertising festival. A separate report of that is available from the APA.

Subsequently, a significant amount of work has flown in to the UK. A number of the production companies and post and music companies who were part of the November 2004 trip have undertaken productions since. Further, other UK companies, including some of those whose work was featured at the presentations, as part of the APA 50, have undertaken productions for Japan too.

We would estimate the total value of those productions at around £3million.

Summarising the November 2005 visit to Japan

The purpose of the visit was to:

- build on the success of the November 2004 delegation.
- Undertake further research into the Japanese advertising market.
- Make new contacts and nurture existing ones.

To that end, we presented commercials from the APA 50 and met with the two largest agencies - Dentsu and Hakuhodo and the three largest production companies - AOI, Tohokushinsha and Taiyo Kikau, as well as Japan's leading producer of music for commercials, Thirtieth.

Having met those companies before, relationships are being built and the opportunity to see the best work in commercials from the UK, each November, is becoming an established event. All of them had worked on a production with an APA member since our last visit or had endeavoured to and wanted to find an opportunity to.

We also presented commercials from the APA 50 in the Tokyo advertising festival on Friday 18th and Saturday 19th November- where an audience of over 1,000 people per night, including staff from many agencies and production

companies, watches commercials from around the world. Of the 500 commercials from around the world shown, those from the APA 50 drew the most enthusiastic response.

The Japanese economy- another reason for optimism

After the economic transformation of Japan, during the second half of the twentieth century, into the second largest economy in the world, came stagnation. From 1989, Japan saw a period of no, or even negative, growth, which persisted into the twenty first century. Now, though, there are real signs of economic recovery.

As an example, this is an extract from an article by Jesper Koll, Chief Economist at Merrill Lynch, Tokyo, from October 2005:

“Japan is back as a high-growth economy. A combination of positive cyclical forces and structural changes suggests that an upgrade to the short- and medium- term outlook for the country is in order. Over the next five to 10 years, the Japanese economy’s growth potential is poised to be close to 2.5% —much higher than the 1% to 1.5% estimates commonly proffered by economists. This paves the way for the Japanese economy to become an even more powerful engine of prosperity for Asia.”

Building on success- the next steps

Japan represents a market of substantial potential for UK production, post, editing and music companies producing commercials.

That potential is starting to be realized through the work of the APA and its members.

The APA will work to nurture the contacts it has developed and to get new work from APA members in front of agencies and production companies in Japan- to keep our members front of mind.

APA members, particularly those which established contacts on the 2004 trip, are building their own profiles in Japan.

Those efforts are reinforced by:

San Takashima at Manifesto, who was an integral part of the organization of the initial APA visit in 2003 and the group visit in 2004. San is based in London and has brought Japanese productions into the UK/produced commercials for Japan over a long period.

Yanina Barry at Good Film. Likewise, Yanina, has brought Japanese productions into London for several years.

Barry Stephenson at Clarity. Barry set up in Tokyo in 2004 and represents many directors with APA members, on behalf of UK production companies.

Bringing the Japanese industry to London

All the agencies and production companies we met with expressed interest in coming to London to see our members. We suggested this as another means of consolidating links with them and that we might organise such a trip over, say, three days, in the week before Cannes - so representatives of those companies who are coming to Cannes can combine visiting London with that.

This is something we will explore.

The Advertising Producers Association November 2005