

Chapter 7

Policy Evaluation: Japan

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http://www.eria.org/RPR_FY2013_No.8_Chapter_7.pdf

CHAPTER 7

Policy Evaluation: Japan

1. Strength/Weakness, Opportunity/Threat (SWOT) Analysis

1.1. Strengths and Weaknesses: Survey Results

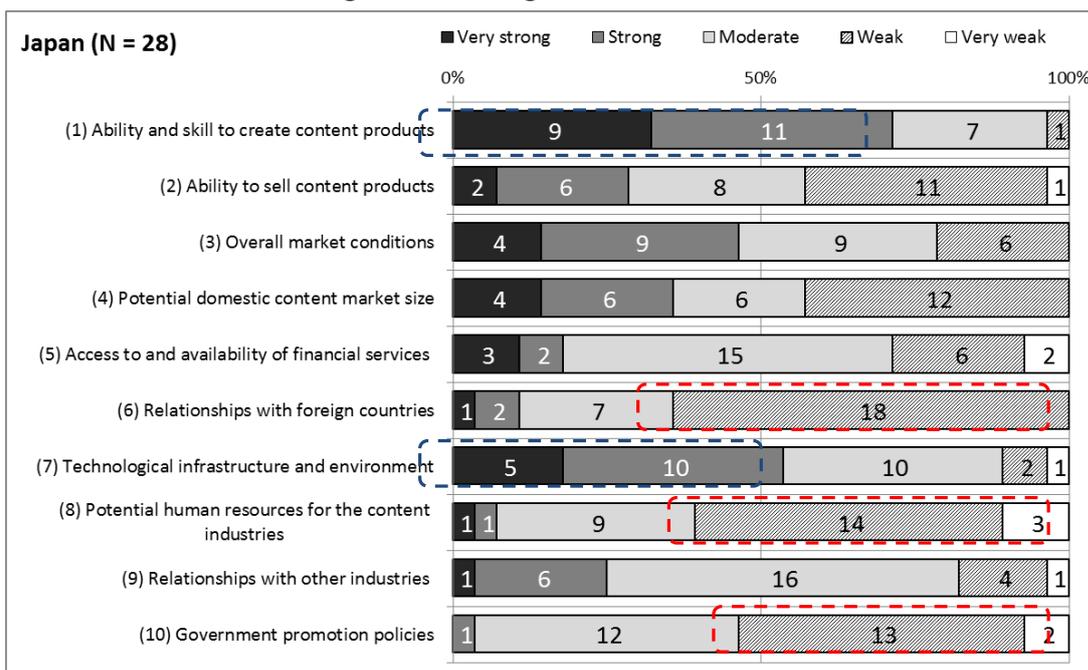
Figure 7-1 shows strengths and weaknesses, and Figure 7-2 strengths and weaknesses by respondent category. The results indicate that the majority of respondents recognise 'ability and skill to create content products' (1) and 'technological infrastructure and environment' (7) as the industry's strengths. These two elements can be considered strengths, where the combined 'very strong' and 'strong' result exceeds 50 percent. The two elements have the most votes for each respondent category and are strongly recognised by policymakers.

'Relationships with foreign countries' (6), 'potential human resources for content industries' (8), and 'government promotion policies' (10) are weaknesses, as the combined result of 'weak' and 'very weak' exceeds 50 percent. Item (6) is one of the few elements that policymakers have rated lower than have other respondents. Item (8) sees a gap of votes among respondents, with industrial organisations and academic experts rating it lowest.

1.2. Current and future challenges

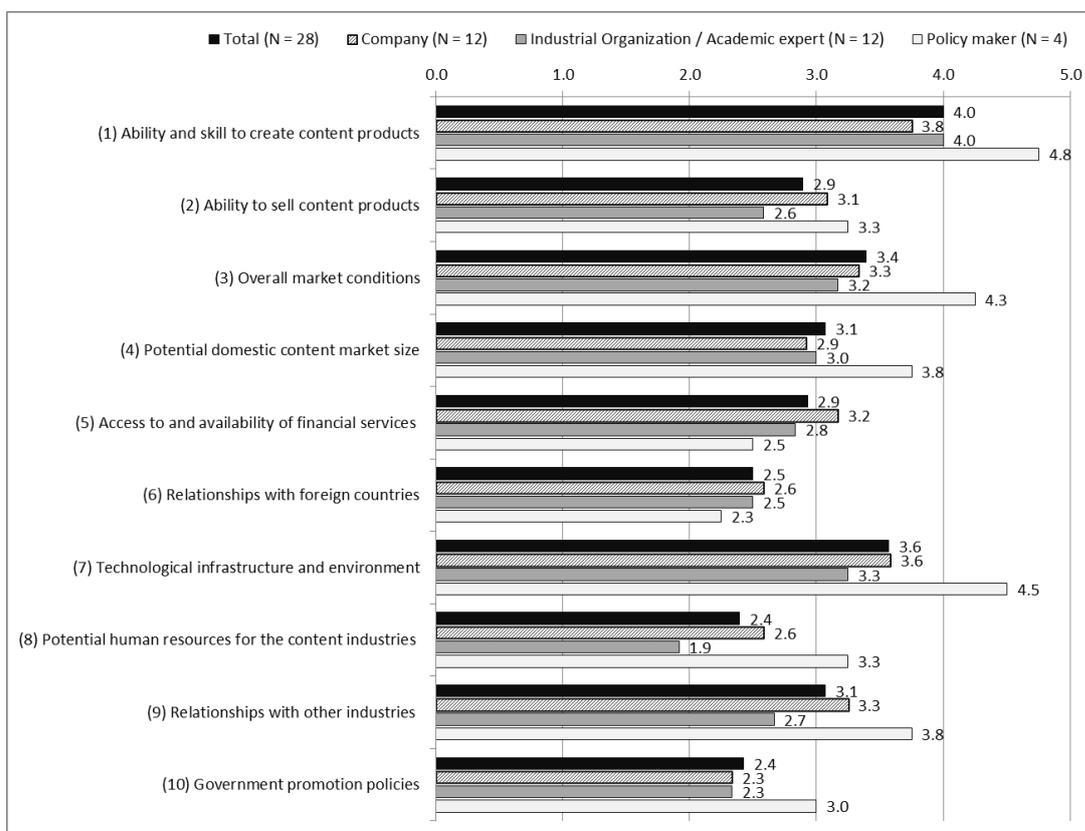
Figure 7-3 shows the results for current challenges facing the content industry. The votes are highest (23/28) in 'spread of pirated contents'; 'insufficient knowledge of overseas promotion, international business' (15/28); and 'adapting to new business models and technologies' (15/28).

Figure 7-1: Strengths and Weaknesses



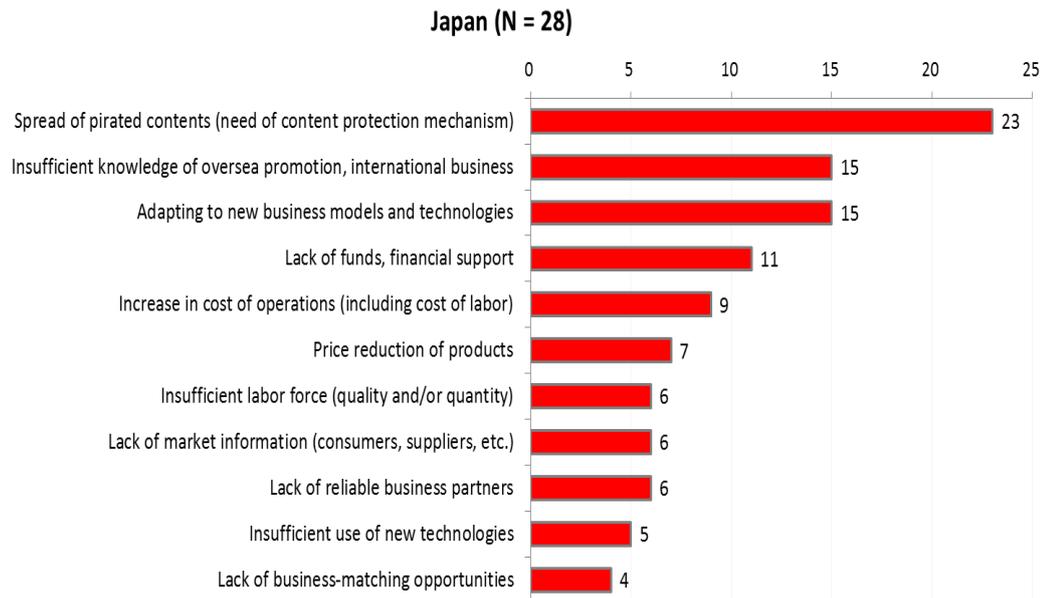
Source: Evaluation Survey of Content Industry Promotion Policies.

Figure 7-2: Strength and Weakness Score: Respondent Comparison



Source: Evaluation Survey of Content Industry Promotion Policies

Figure 7-3: Current Challenges



Source: Evaluation Survey of Content Industry Promotion Policies.

Many respondents point out issues regarding the decline in population in Japan, change in demographics and the technological and business environment, and difficulties in adapting to these changes (Table 7-1). In particular, many content companies lack human resources with international business experience, and are struggling to enhance domestic and international business practices.

Table 7-1: Free Descriptive Answers Regarding Current and Future Challenges

Category	Comment
Company	<ul style="list-style-type: none"> ● Decline in domestic population [1,2,3/1,4,5] ● Because the domestic content market is quite large, there is little incentive for content companies to go overseas and risk new market deployment. In addition, the content business ecosystem of the domestic market is very different from that of the overseas market, and knowledge of overseas business has yet to accumulate in the industry. There is also the threat of large overseas companies acquiring the core licence of Japanese content. [4/5,7] ● Necessity of adapting to declining youth population in the domestic market ● Necessity of targeting growing consumer segments in the region by leveraging experience of Japanese content distribution [1,3,5/1,2,3,4,5,7] ● Improvement of anti-piracy measures [1,2,3/1,2,3,4,5,7] ● Necessity of creating content that meets market demand, rather than selling content that does not make a profit [1,2,3/4]

Category	Comment
	<ul style="list-style-type: none"> ● Lack of new business models for adapting to online piracy and Internet technology [3/1,4,7] ● Strict regulations in some countries against cross-border content distribution [3/1,4,7]
Industrial Organisation, Academic Expert	<ul style="list-style-type: none"> ● Necessity of fostering an overseas market for Japanese content [3,5/1,4] ● Japanese content is well established in the region. In the case of animation, for example, production costs can be recouped in the domestic market alone, and so there is little motivation to go overseas, where piracy is still significant. Negotiations between nations over anti-piracy measures are essential. [3/1,2,3,4,5] ● Necessity of improving skills of artists and staff (content production, language, etc.) and necessity of marketing and developing local networks and staff in overseas markets [1,2/5] ● Liberalising licence conditions to go overseas, such as by introducing a framework for the country to manage rights as a proxy [1,2,3/1,3,4,5,6] ● An important element is collaborating with the region daily over the long term. [1,2,3,4,5/1,2,3,4,5,6,7] ● Improvement of intellectual property rights management, price gap between domestic and foreign markets, and means of making it easy to meet domestic and overseas market demand [1/1,3] ● Strict regulations against cross-border content distribution in Asian countries [4/1,5] ● Necessity of adapting to a changing domestic market (e.g. promoting new music distribution services). Necessity of building good relationships with reliable partners and enhancing content distribution. Difficulty acquiring visas and/or getting approval to convey equipment [1/1,2,3]
Policymaker	<ul style="list-style-type: none"> ● Necessity of collaborating with other countries on anti-piracy measures ● Necessity of developing new business and profit model to enhance overseas business ● The unique production committee system in the Japanese film and animation sector has its advantages in raising funds and managing risk. However, it faces challenges in rights management in overseas operations. Also, the domestic content market is mostly composed of small and medium-sized enterprises, which often lack human resources and funds for overseas operations.

Note: Numbers placed in each comment describes the sector and operation the respondent is engaged in. [1 = TV programme, 2 = film, 3 = animation, 4 = games, 5 = music, ‘-’ = no response/ 1 = production, 2 = post-production, 3 = broadcasting, 4 = distribution, 5 = sales, 6 = purchase/aggregation, 7 = manufacturing, ‘-’ = no response]

Source: Evaluation Survey of Content Industry Promotion Policies.

1.3. Strength/Weakness, Opportunity/Threat (SWOT) Analysis: Update of the FY2012 Report

The update of the ‘Study on the Development Potential of the Content Industry in East Asia and ASEAN Region’ (FY2012 Report) (Table 7.2) takes into account the survey results as well as recent market trends (Chapter 2) and policies (Chapter 4).

Japan’s relatively large domestic market and high ability and skills to create content products are considered strengths. An environment for content production utilising high-end technologies, attractive content, and its global popularity are also considered advantages.

On the other hand, Japan is facing challenges due to limited domestic market growth, relatively high production costs, lack of relationships with foreign countries, and insufficient government promotion policies. The most recognised of these challenges is content piracy—one reason why some Japanese content companies are refraining from doing overseas business despite the worldwide popularity of *manga* (comics) and *anime* (animation). More content companies, however, are getting involved in cross-border business, since the domestic content market will certainly shrink in the long term because of Japan’s declining population. It seems, however, that the content business has yet to accumulate knowledge of or experience in different business practices, with some companies struggling to adapt to business models or to develop new ones.

Table 7-2: SWOT Analysis—Japan

Internal	
<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> ● Ability and skills to create content (e.g. programme planning and producing ability) ● Technological infrastructure and environment ● Popularity of animation, comics, games, and character goods ● Extending range, e.g. idol and geek culture ● Sufficiently developed domestic broadcasting market ● Many broadcasting stations and production companies ● Ability to develop programme formats ● Experience in international joint production 	<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> ● Insufficient potential human resources for content industries ● Relatively high production costs and low competitiveness and profitability abroad ● Insufficient promotion policies or support systems ● Spread of pirated content ● Insufficient experience or knowledge to sell products abroad ● Lack of overseas partners to distribute Japanese content ● Difficulties in meeting demands of both domestic and overseas markets ● Difficulties in adapting to cultures and business customs
<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> ● High GDP and GDP per capita 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> ● Depopulation and aging society

<ul style="list-style-type: none"> ● High penetration of the Internet, fixed broadband, and mobile network ● Diffusion of content distribution platform services ● Large number of Japanese companies operating overseas, which can possibly sponsor content distribution ● High evaluation of Japanese content and culture in overseas markets ● Enhanced government support measures for overseas promotion (Cool Japan, Creative Industries Policy) 	<ul style="list-style-type: none"> ● Maturation and slow growth of domestic economy ● Less popularity of TV among young people (diversification in media usage and transition to online media) ● Ethnic and language barriers (especially actors)
External	

GDP = gross domestic product; SWOT = strength/weakness, opportunity/threat.

Source: Authors.

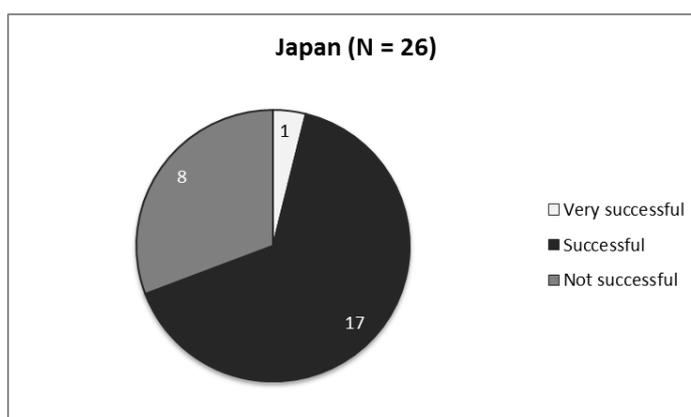
2. Policy Evaluation

2.1. Overall Evaluation

Figure 7-4 shows the survey results of the overall assessment of related policies. Eighteen out of twenty-six respondents (69 percent) indicate positive assessment ('very successful' or 'successful').

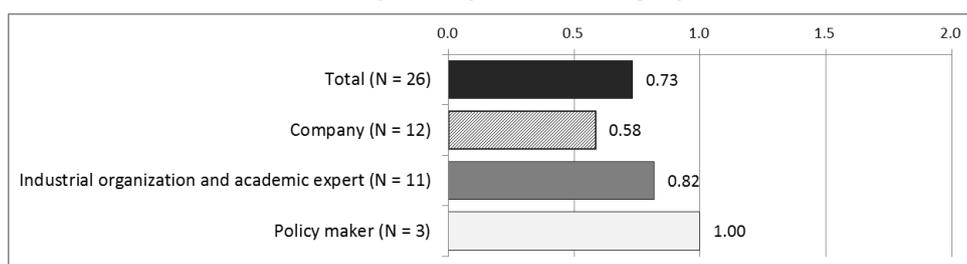
Figure 7-5 shows the score for each respondent category, indicating the gap between stakeholders.

Figure 7-4: Overall Assessment of Content Policies



Source: Evaluation Survey of Content Industry Promotion Policies.

**Figure 7-5: Overall Assessment of Content Policies
(Score per Respondent Category)**



Note: Figures indicate weighted average of number of respondents and weight (very successful = 2, successful = 1, not successful = 0).

Source: Evaluation Survey of Content Industry Promotion Policies.

2.2. Effectiveness of Current Policies

Figure 7-6 shows the survey results on the awareness of effectiveness of the policies, and how these meet respondents' expectations. Three policies are supported by the majority of respondents: #6 (Promote brands and campaigns, international trade events and meetings), #14 (Intellectual property rights protection), and #3 (Support industry-led organisations to aggregate industrial interests and/or functions).

Policy #5 (Establish international agreements) has the most negative votes, which is a recognition of industries' weakness, i.e. relationships with foreign countries (Section 1.1).

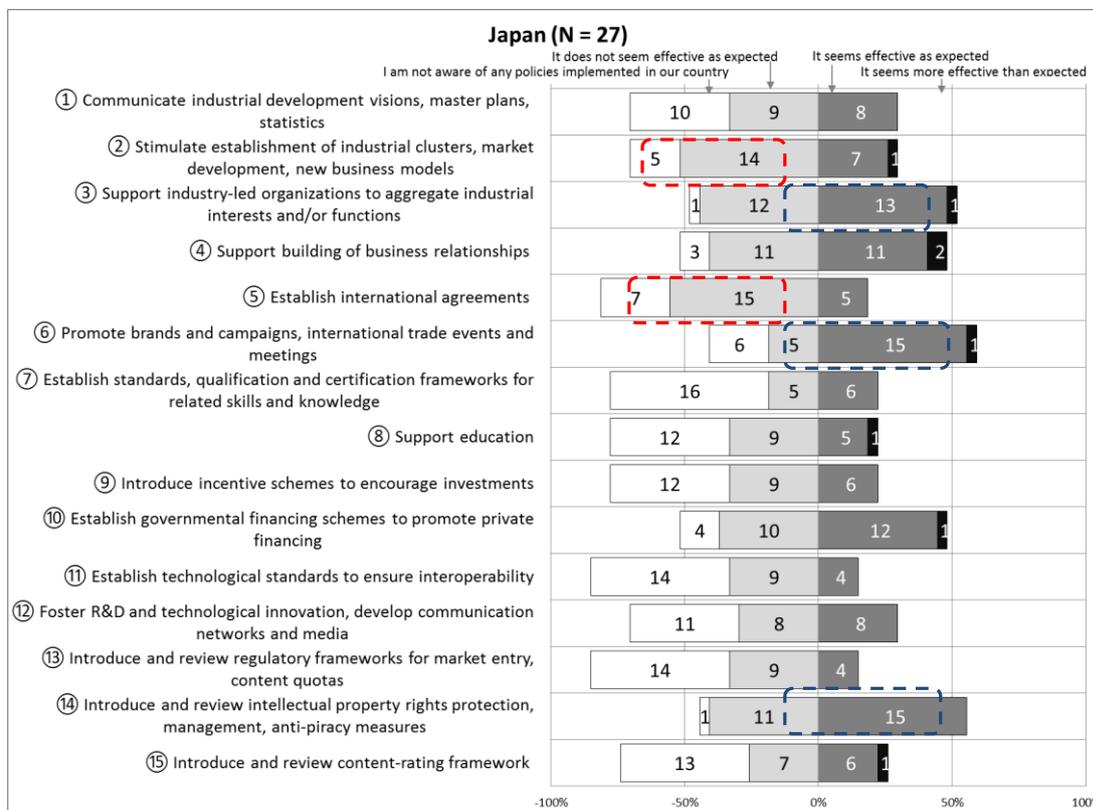
Figure 7-7 shows the policies considered, in descending order, to have high effect. Policy #6 (Promote brands and campaigns, international trade events and meetings) has the most votes. Figure 7-8 describes the effects and outcomes that resulted from policy #6. Most respondents have enjoyed increased opportunities to network with business partners and clients.

2.3. Key Success Factor

Figure 7-9 shows what respondents consider an important element (key success factor) for maximising the effectiveness of policy #6 (Promote brands and campaigns, international trade events and meetings). The majority of respondents consider it

important for the policy to be implemented for a certain period. The government is expected to continue promoting brands and campaigns to encourage the industry.

Figure 7-6: Policy Effectiveness



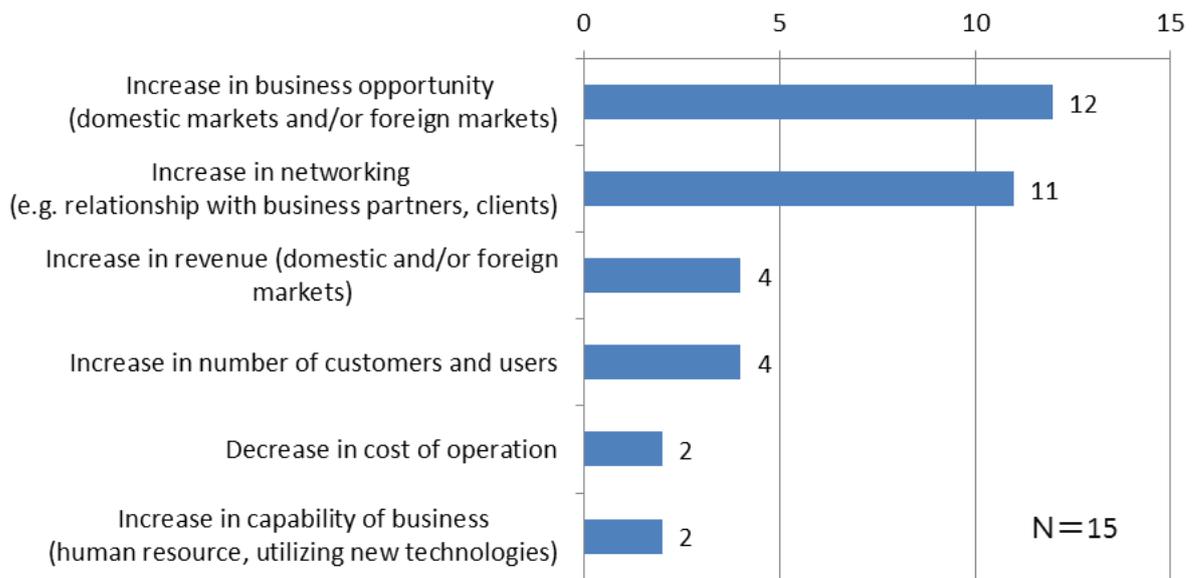
Source: Evaluation Survey of Content Industry Promotion Policies.

Figure 7-7: Policies Regarded as Effective



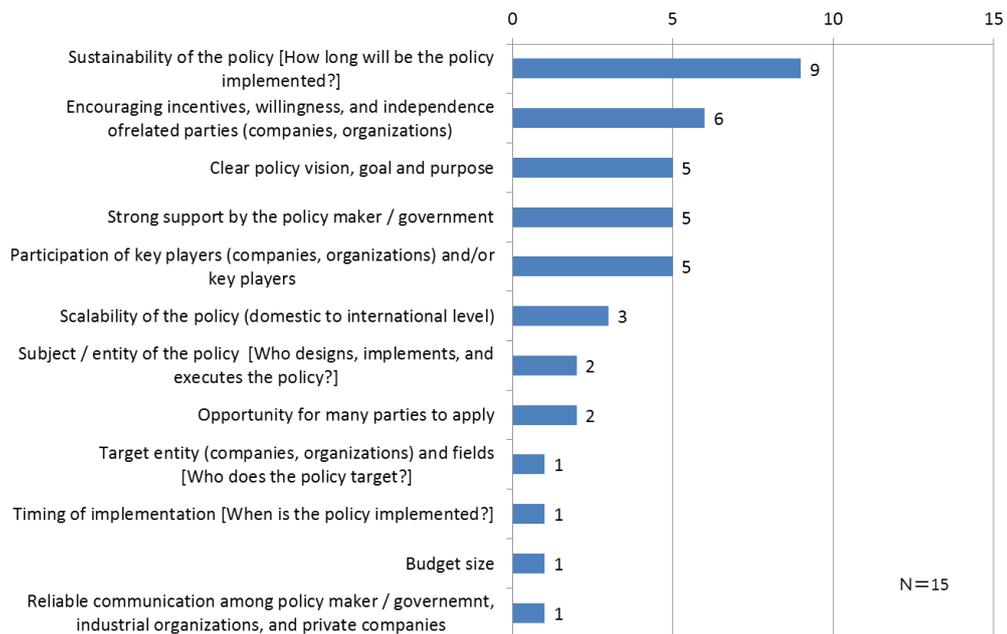
Source: Evaluation Survey of Content Industry Promotion Policies.

Figure 7-8: Effects and Outcomes as a Result of Policy #6



Source: Evaluation Survey of Content Industry Promotion Policies.

Figure 7-9: Key Success Factor of Policy #6 (Promote brands and campaigns, international trade events and meetings)



Source: Evaluation Survey of Content Industry Promotion Policies.

2.4. Challenges

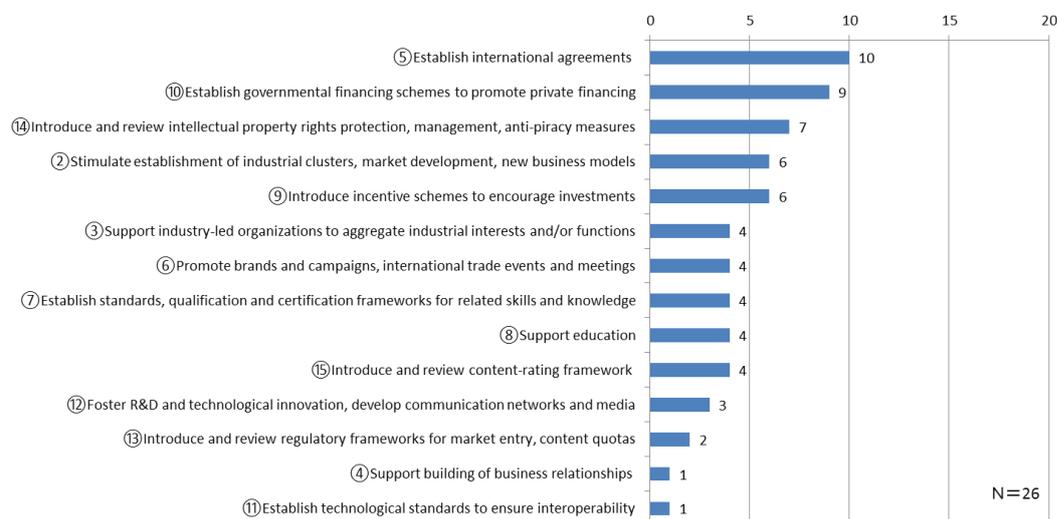
Figure 7-10 shows the policies considered to be facing challenges. Policy #5 (Establish international agreements) has the most votes. Figure 7-11 indicates that many respondents consider strong leadership by policymakers and governments as the key to overcoming the challenge.

2.5. Necessity of Current Policies and Expectations

Figure 7-12 shows the survey results on the necessity or needs of policy implementation. Policy #14 (Intellectual property rights protection) has the most votes (very necessary/important), which corresponds to the current challenges described in Section 0.

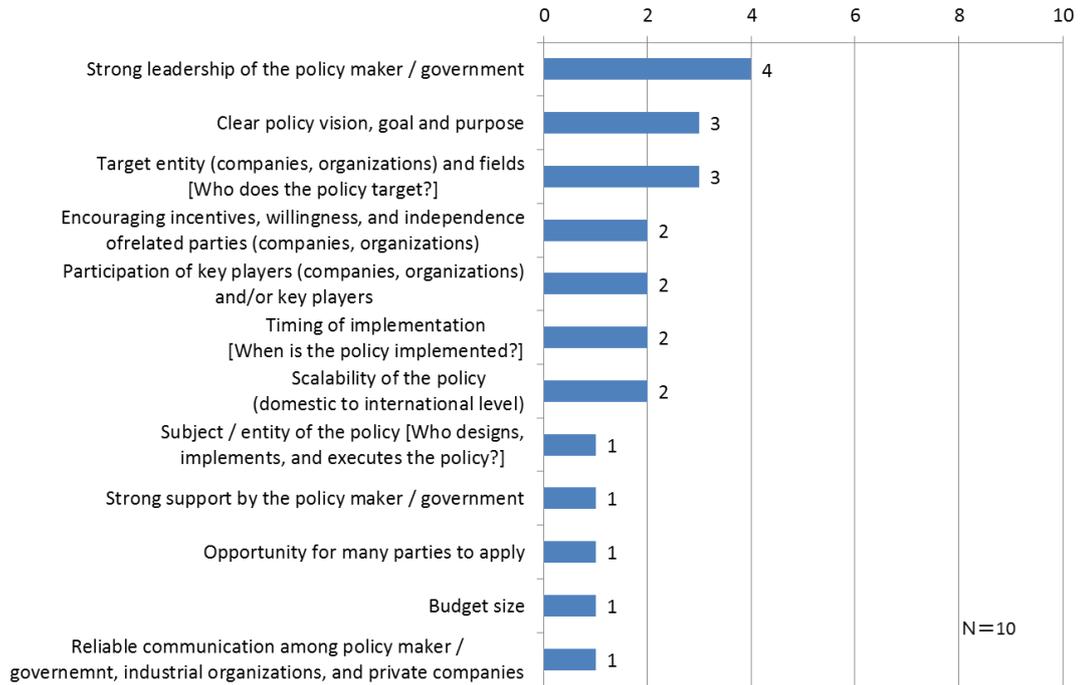
Figure 7-13 shows the respondents' expectations of policies, irrespective of current implementation. The majority of respondents expect increased revenues and business opportunities.

Figure 7-10: Policies Needing Improvement



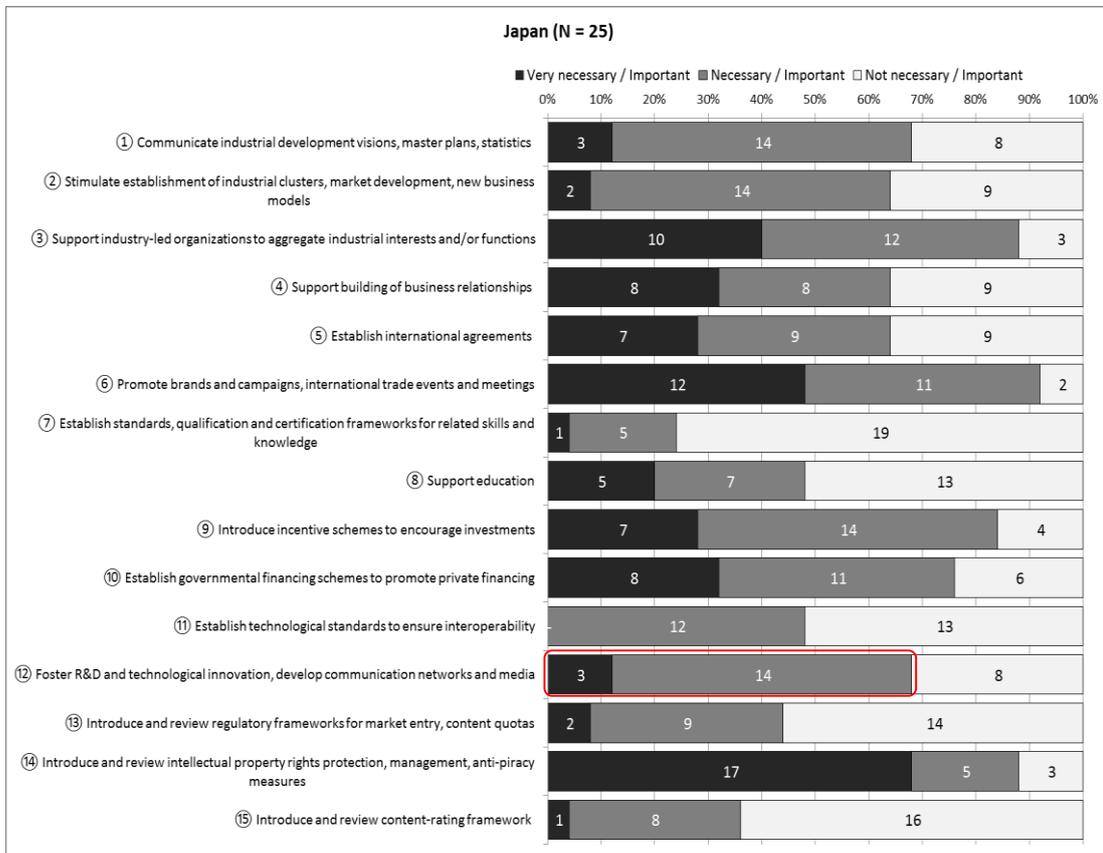
Source: Evaluation Survey of Content Industry Promotion Policies.

**Figure 7-11: Difficulties and Constraints of Policy #5
(Establish international agreements)**



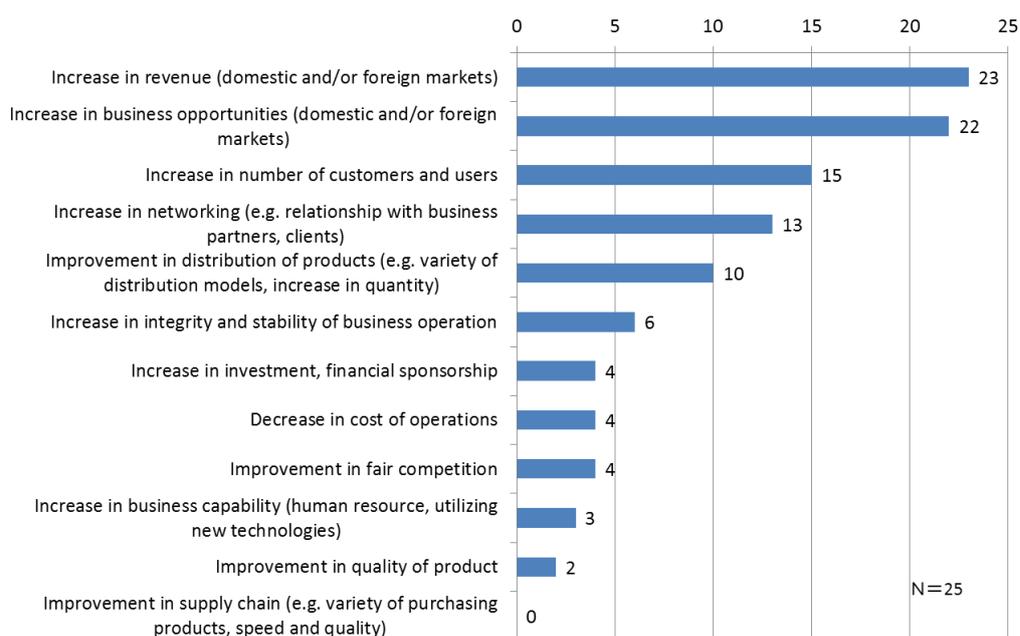
Source: Evaluation Survey of Content Industry Promotion Policies.

Figure 7-12: Necessity of Policies



Source: Evaluation Survey of Content Industry Promotion Policies.

Figure 7-13: Expectations of Implemented Policies



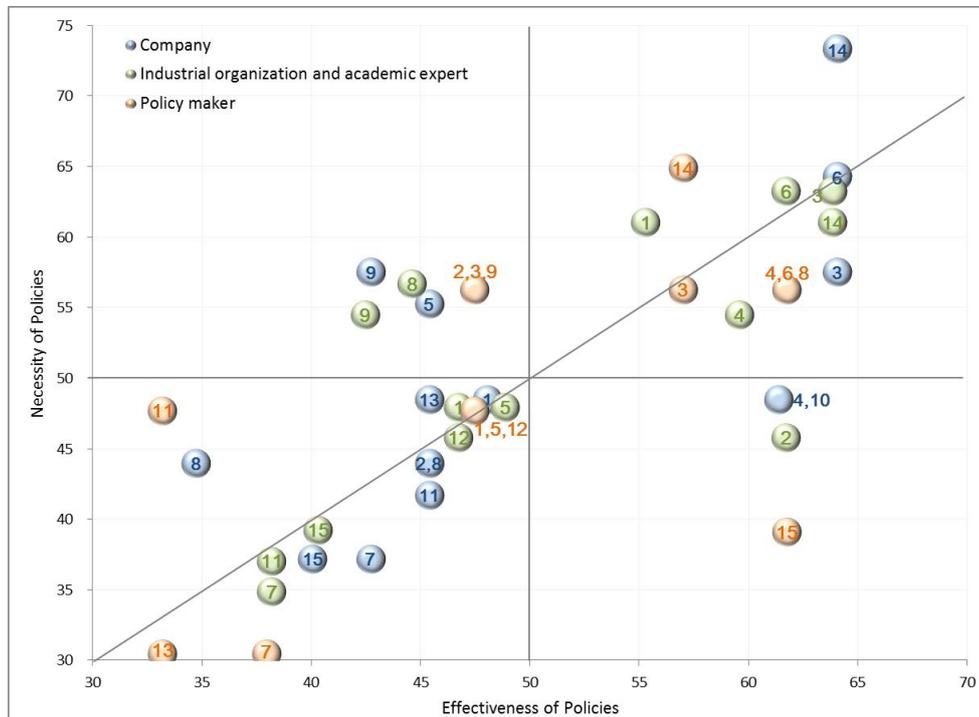
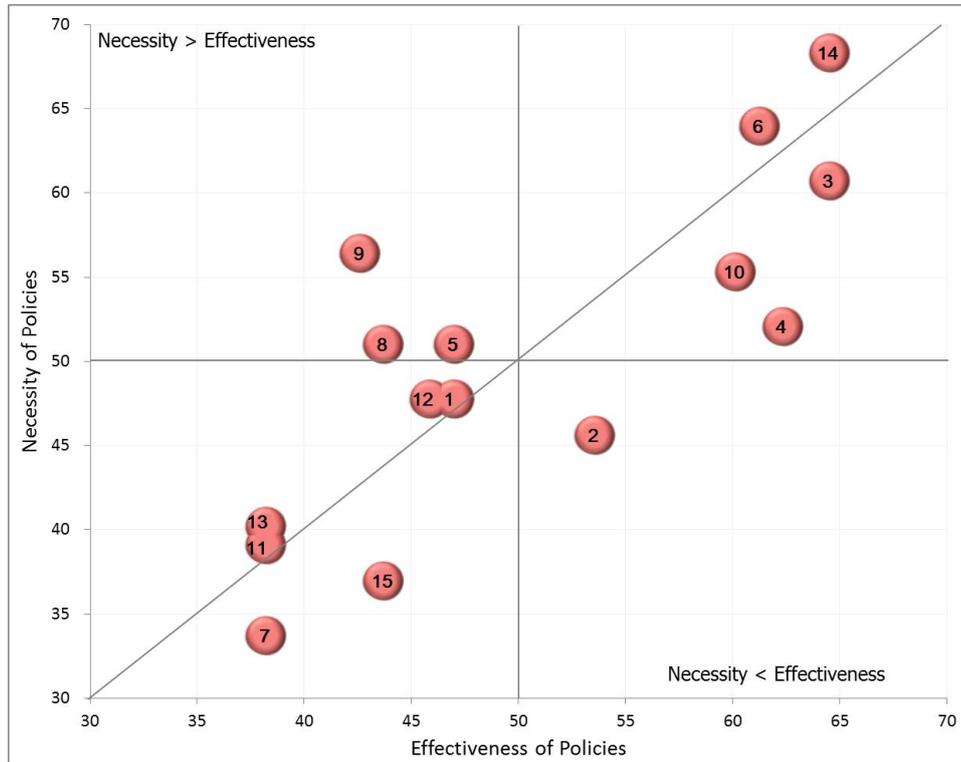
Source: Evaluation Survey of Content Industry Promotion Policies.

2.6. Policy Prioritisation

Figure 7-14 maps the effectiveness and necessity of each policy. The figures are converted into deviation values to relatively map the results. Each plot describes the policy activity. Overall, the level of effectiveness meets the necessity degree for most policies. Although policies #5 (Establish international agreements), #8 (Support education), and #9 (Introduce incentive schemes to encourage investments) are in high demand, their effectiveness does not seem to meet expectations.

Table 7-3 describes the overall analysis results and provides the performance indicator for each policy activity, describing the priority level, or the relative distance between necessity and effectiveness (see Chapter 1 for a more detailed explanation of a performance indicator). The table also provides the coefficient of variation and a normalised measure of dispersion, which describes the variance among respondent categories. The results show that policy #9 has an especially high priority for improvement.

Figure 7-14 : Effectiveness vs. Necessity of Policies
 (above: by category, below: by average)



Source: Evaluation Survey of Content Industry Promotion Policies.

Table 7-3: Results of Policy Evaluation Analysis

Policy Area	Policy Activities	Performance	CV Effectiveness, %	CV Necessity, %
Industry and Market Development	1. Communicate industrial development visions, master plans, statistics	- 0.6	1	1
	2. Stimulate establishment of industrial clusters, market development, new business models	5.6	14	11
Organisational Schemes, Business Relationships	3. Support industry-led organisations to aggregate industrial interests and/or functions	2.6	5	5
	4. Support building of business relationships	7.2	2	6
International Relationships	5. Establish international agreements	- 2.9	3	7
	6. Promote brands and campaigns, international trade events, and meetings	- 2.0	13	6
Human Resources	7. Establish standards, qualification and certification frameworks for related skills and knowledge	3.1	6	8
	8. Support education	- 5.2	24	11
Finance	9. Introduce incentive schemes to encourage investments	- 9.8	5	2
	10. Establish government financing schemes to promote private financing	3.4	5	9
Technology	11. Establish technological standards to ensure interoperability	- 0.7	13	10
	12. Foster research and development and technological innovation, develop communication networks and media	- 1.4	2	3
Legal Frameworks	13. Introduce and review regulatory frameworks for market entry, content quotas	- 1.4	13	19
	14. Introduce and review intellectual property rights protection, management, anti-piracy measures	- 2.7	5	8
	15. Introduce and review content-rating framework	4.7	21	2

CV = coefficient of variation (variation among respondent categories).

Note: 'Performance' indicates the relative distance where:

(a) Figures above zero: Effectiveness outperforms necessity/expectation

(b) Figures below zero: Effectiveness underperforms necessity/expectation

Source: Authors based on Evaluation Survey of Content Industry Promotion Policies.

3. Summary

Figure 7-15 summarises the results.

Figure 7-15: Overall Results: Japan

Content Market Conditions					
Market Size	Large (US\$ 54.3 Billion)	Market Growth	Low (2.7%)	GDP Contribution	High (1.6%)
SWOT Analysis	Strengths			Weaknesses	
	<ul style="list-style-type: none"> ✓ Ability and skill to create content products ✓ Technological infrastructure and environment ✓ Overall market conditions 			<ul style="list-style-type: none"> ✓ Government promotion policies ✓ Relationships with foreign countries ✓ Potential human resources for content industries 	
	Challenges				
<ul style="list-style-type: none"> ✓ Spread of pirated contents ✓ Insufficient knowledge of overseas promotion, international business (e.g. the difference in the ecosystems between domestic and international markets) ✓ Adapting to new business models and technologies ✓ Overseas business development (relaxing license conditions), penetrating the global market with Japanese content ✓ Price gap between domestic and foreign market, gap between overseas market demand and current content production 					
Policy Evaluation	Policy with high effectiveness			Policy with high necessity	
	<ul style="list-style-type: none"> ✓ Promote brands and campaigns, international trade events and meetings 			<ul style="list-style-type: none"> ✓ Intellectual property rights protection 	
	Effects and outcomes			Policies facing challenges	
	<ul style="list-style-type: none"> ✓ Increase in business opportunities ✓ Networking with business partners and clients 			<ul style="list-style-type: none"> ✓ Establish international agreements 	
	Key success factor			Difficulties and constraints	
	<ul style="list-style-type: none"> ✓ Sustainability of the policy 			<ul style="list-style-type: none"> ✓ Strong leadership of policy makers and governments. 	
Performance : High (Effectiveness > Necessity)			Performance : Low (Effectiveness < Necessity)		
<ul style="list-style-type: none"> ✓ Support building of business relationships ✓ Stimulate establishment of industrial clusters, market development, new business models ✓ Introduce and review content-rating framework 			<ul style="list-style-type: none"> ✓ Establish international agreements ✓ Support education ✓ Introduce incentive schemes to encourage investments 		

GDP = gross domestic product.

Source: Authors.

The content industry in Japan has enjoyed a large domestic market and has developed a structure and an ecosystem that contribute to the economy. Strength in the ability and skill to create content and a technological infrastructure environment as well as market conditions have nurtured the industry's growth and capacity. The industry, however, is experiencing challenges, such as slowdown in economic growth, declining population, and changing demographics, as well as rapid changes in business models and the technology environment. Under these conditions, Japan has strived to use its cultural charm to contribute to a higher value-added economy, and to enhance overseas development of the content industry.

Such efforts seem to be effective, especially in supporting industry-led organisations to aggregate industrial interests and functions (#3); supporting building of business relationships (#4); promoting brands and campaigns, international trade events, and meetings (#6); establishing government financing schemes to promote private financing (#10); and introducing intellectual property rights protection and management (#14).

However, stakeholders' expectations for #6 and #14 are higher than the effectiveness of these policy activities. It is essential for the government to continue working on these areas to enhance the development of the Japanese content industry.