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A study on business structure of E-book in non-English Language: Case study of Japan

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A Study on Business Structure of e-book in non-English Language: Case Study of Japan*

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Abstract

The competitive model of e-book is a little bit different from other contents business like movie, television, music, etc. Partially it depends on cultural policy of each countries but it is affected by bargaining power among publishers and distributors. In English Language market we can refer authoritative report like OECD (2012) or working papers like Johnson. They are focusing on trading contract or structure of e-book market in U.S.A., U.K., Australia, Canada, etc.. In Japan and maybe some developed European continental countries the assortment of e-book is limited and distributor cannot expand its sales like as England although according to JAGAT (2010) Japanese e-book market (\$574 million) was third times as that of the U.S. (\$169 Million) in 2009.

In my research I'd like to illustrate the business structure of Japanese e-book by interview survey. My colleagues (Fair Trade Commission, Japan) and I send questionnaire and made interview to Japanese large and middle class publishers, e-book publication distributors, and e-book sellers (its total number is almost 40 organisations).

In this paper I show the structure of Japanese book and e-book market based on our report on e-book published by Competition Policy Research Centre, Fair Trade Commission, Japan. On this interview survey most of Japanese publishers intend to expand its sales in digital section but afraid of the decrease in sales of books. So they request to make a Japanese style whole

* This study is supported by The Telecommunications advancement Foundation (FY 2014). And KDDI Foundation supports travel budget.

sales model contract with e-book sellers. It includes suggested retail prices, rates, and negotiation rules of price change. This structure sounds like resource based view but is changing after market entry of Amazon and Apple. Though old member control the assortments and release timing of e-book limited competition was started. In addition I'd like to discuss to make a comparison between music distribution and e-book distribution in Japan.

1. Japanese e-book market

According to Nikkei Newspaper (Economic high quality paper) DB, e-book is highly intentioned among three-distribution business.

Table 1. Frequency of each word in Nikkei Newspapers

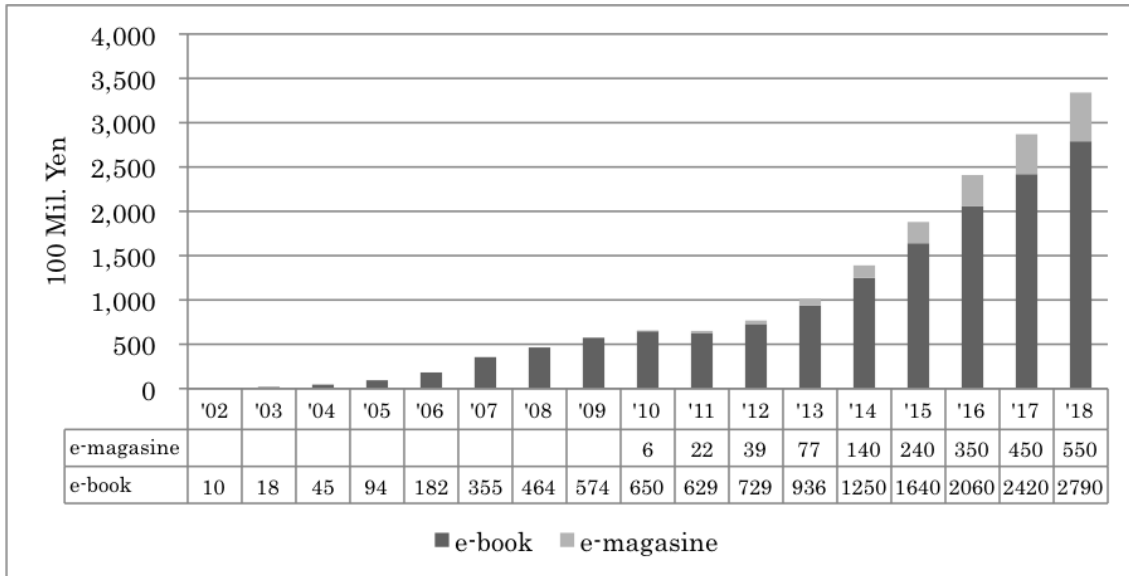
	e-Book (Denshi-shoseki)	Online Music (Ongaku-Haishin)	Online Movie (Eizo-Haishin)
In 1 month	33	11	7
In 3 months	90	24	24
In 6 months	205	77	42
In 1 year	471	155	78
DB Total	4,686	5,450	3,910

Source: Nikkei Telecon 21 DB (on the 28th of November 2014)

In addition e-book market is continue to grow by Impress research report (2014). According to Figure 1 it continues to publish year report of e-book from 2003. In 2002 e-book market was just for subscribers via PC. In 2004 mobile e-book was recognised as one third of the e-book market. And this mobile centred trend continues by 2011 (see Figure 2). According to JAGAT (2010) Japanese e-book market (\$574 million) was third times as that of the U.S. (\$169 Million) in 2009. This means that Japanese e-book market was purely domestic and in-house market over mobile phone carrier based market like Galapagos mobile phone handset by 2011. After Google book shock and kindle shock, Japanese e-book market also affected by globalisation; it was changed structure from mobile based to new platform

based.

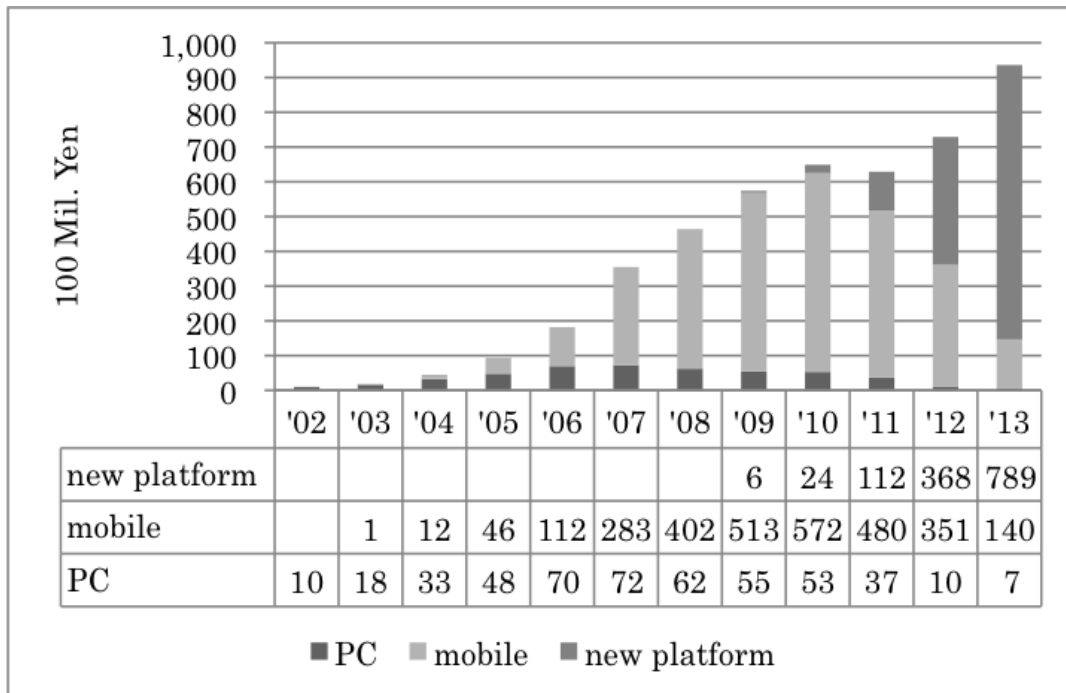
Figure 1. E-book market in Japan (Total market size)



Note: From FY 2014 to FY 2018 is estimated value

Source: Impress Research Institute (2014)

Figure 2. E-book market in Japan (Market segment base)

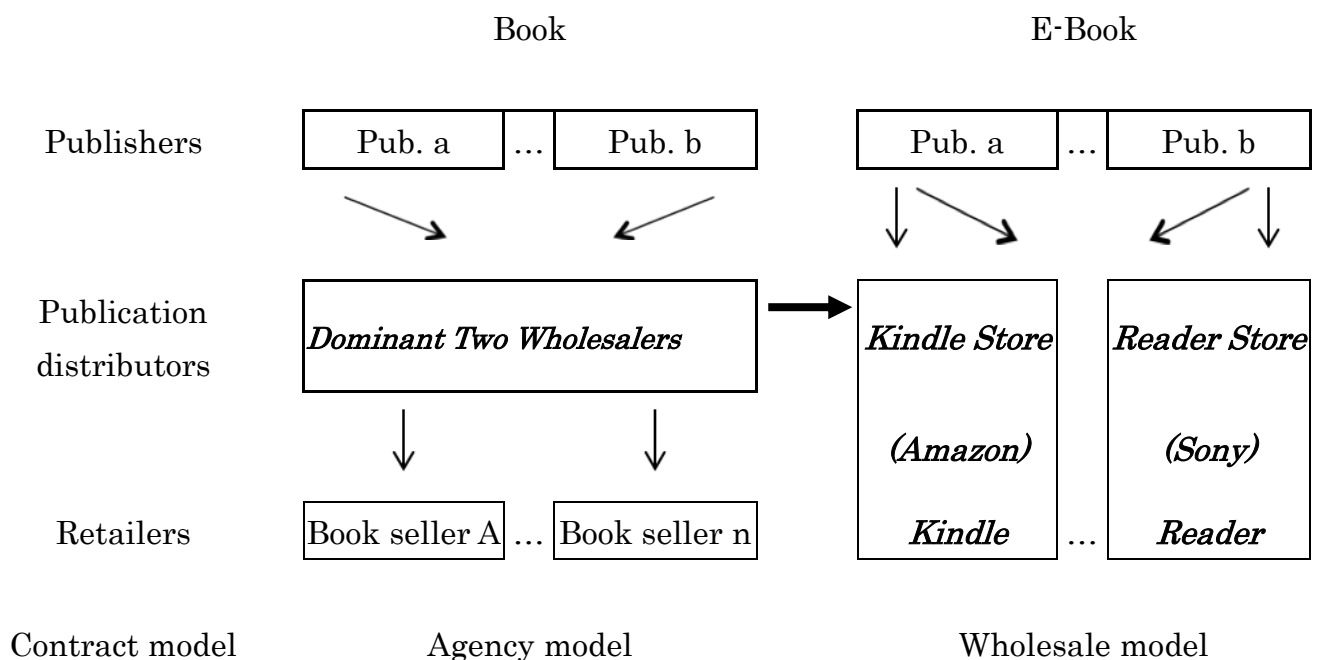


Source: Impress Research Institute (2014)

2. Market structure of Japanese e-book

In Japan book distribution business has a special right to sell in fixed price proposed by publisher. This allows anti-trust law as ‘a special case’ in order to reserve a cultural diversity in Japan. Figure 3 illustrates this traditional book distribution and e-book distribution. In Book market two major wholesalers (Nippan and Tohan) that are owned by major publishers control distribution system. Their share is over 75% of total book wholesales.

Figure 3. Market structure of book and e-book in Japan

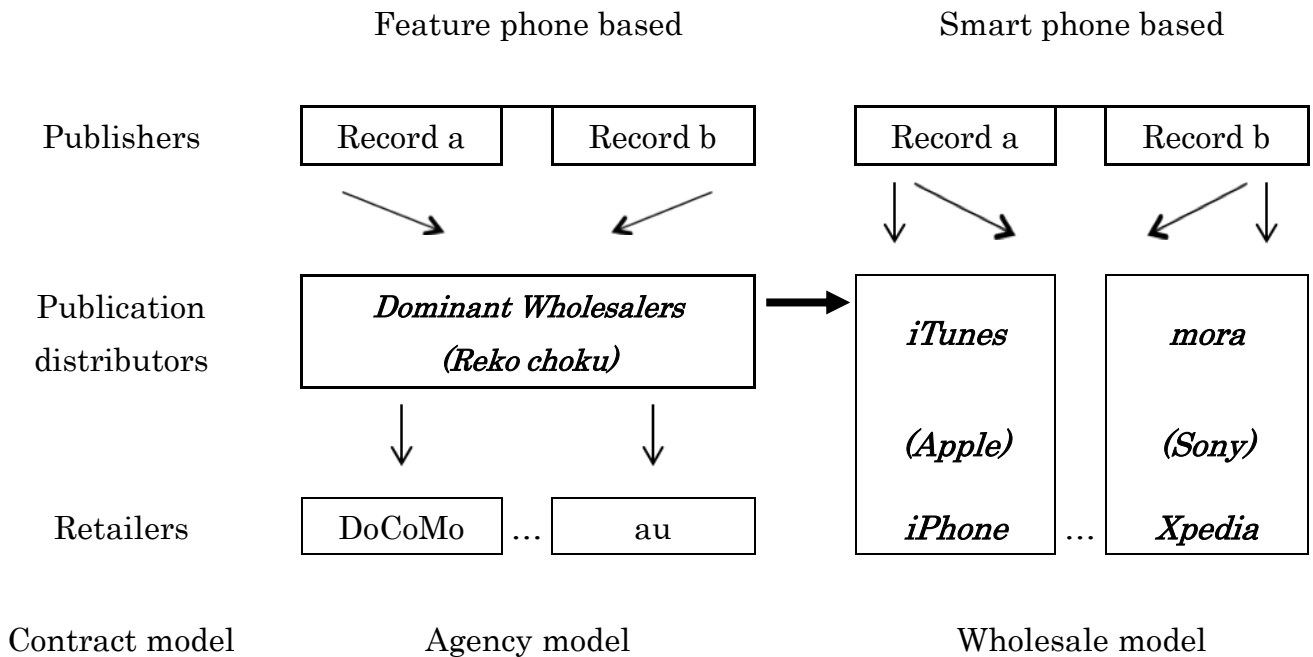


On the centrally e-book distribution is divided by e-book retailers. Kindle (Amazon), Kobo (Rakuten), Reader (Sony), or iBook (Apple) are one of them. In addition book market is adopting agency model while most of e-book market is adopting wholesales model. In former publishers manage the pricing and in latter e-book seller manage the pricing according to the contract.

This situation looks like the switch over of smart phone based music distribution from feature phone based music distribution in Japan. Structurally positions of players look similar. Partially because music CD also ‘a special case’ and each companies music distribution over feature

phone also should be respected traditional order.

Figure 3. Market structure of feature phone based music distribution and smart phone based music distribution in Japan

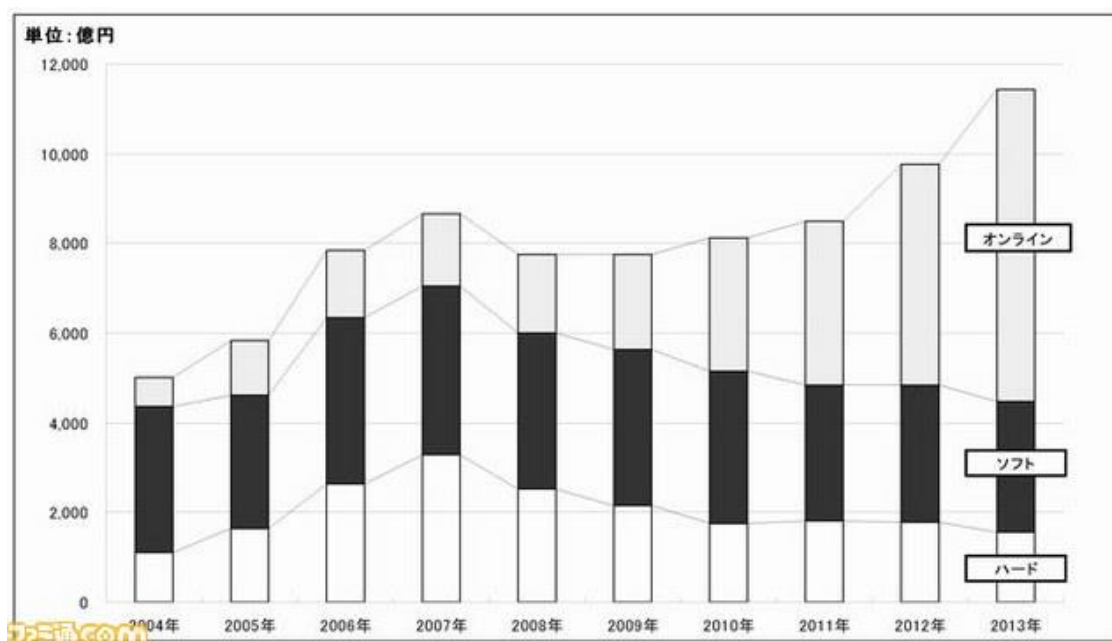


According to Fair Trade Commission Japan report (2013), Japanese music distribution market was shrinking after 2008 when the switch over of platform was started. If e-book market goes to be prediction of FTCJ, estimation by impress is over valued.

Game market also affected by smart phone in Japan. They are also facing drop of sales in home video game market deeply but recover sales by online market. Figure 4 shows its tendency.

In the case of structure its original structure is different from them but in smart phone based platform their structure also similar with them.

Figure 4. Game market in Japan



Note: The vertical axis represents the sales. It's unit is 100 millions of yen. The horizontal axis represents the fiscal year. Stacked chart represents hardware sales, software sales, and the sales of online in order from the bottom.

Source: Enterbrain (2014)

3. Future of Japanese e-book market

In order to predict future of Japanese e-book, we collect data and analyse them.

Table 2. Top noble sales of 2013 in Japan

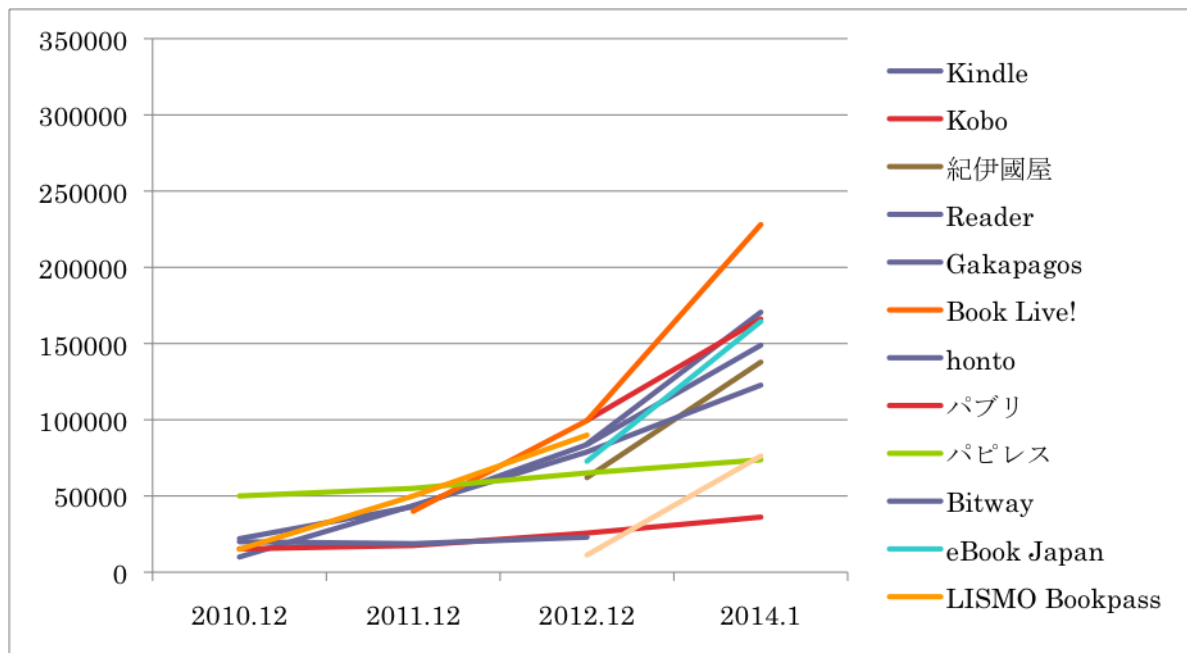
Title	Author	Publisher	Book		Amazon	Kobo	honto
			Hardcover	Paperback	Kindle		
色彩を持たない多崎つくると、...	村上春樹	文藝春秋	1,836	-	-	-	-
海賊と呼ばれた男 上	百田尚樹	講談社	1,728	810	-	-	-
ロスジェネの逆襲	池井戸 潤	ダイヤモンド社	1,620	-	1,080	1,200	1,296
謎解きはディナーのあとで 3	東川篤哉	小学館	1,620	-	-	-	-
ホテルローヤル	桜木紫乃	集英社	1,470	1,132	1,132	1,132	1,132

Source: Nippan

Here are top five noble sales of 2013 in Japan (see Table 2). Most of them don't treated by e-book sellers. Now bargaining power of major publishers still strong and titles of e-book are limited.

Figure 5 shows glow of number of titles of e-book in Japan.

Figure 5. Titles of each e-book stores

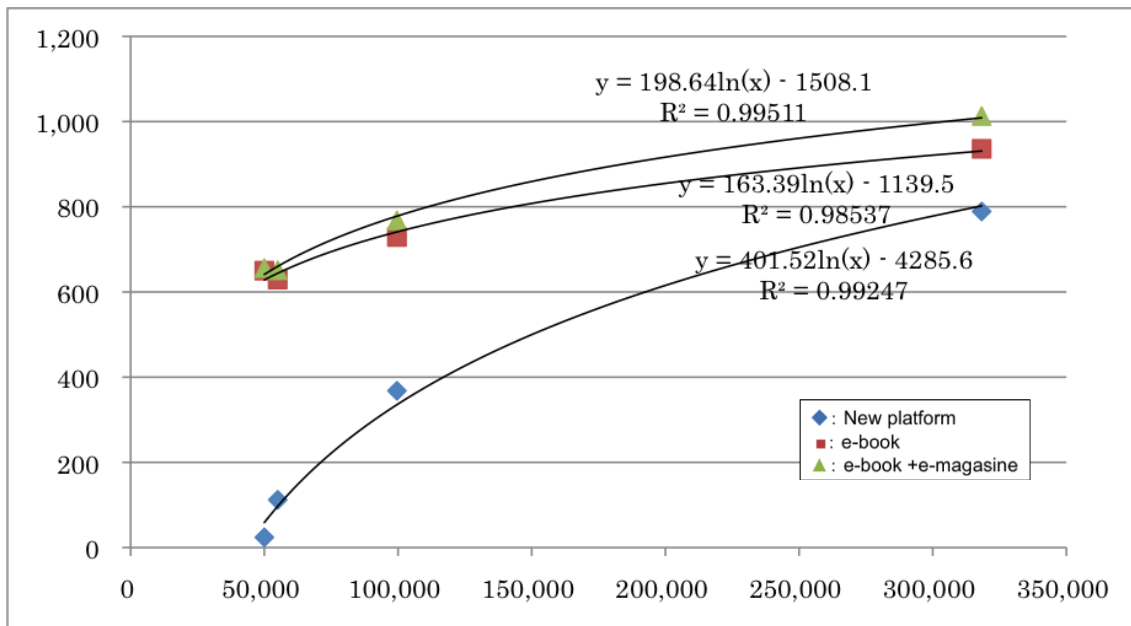


Source: <http://www7b.biglobe.ne.jp/~yama88/>

We analyse the relationship between e-book titles and e-book sales. Limitation of data source its statistical figure is temporal.

According to figure 6 maximum numbers of e-book titles and sales has logarithm relation with high R^2 values. This means that though limitation of titles Japanese e-book market come to be mature in near future if the market structure will not change as it is.

Figure 6. Relation ship between maximum number of e-book titles and sales



Note: The vertical axis represents the sales. It's unit is 100 millions of yen. The horizontal axis represents number of titles. Stacked chart represents hardware sales, software sales, and the sales of online in order from the bottom.

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