

Internationalizing Japan's Magazine Industry

By David Kilburn

Even a short ride on Tokyo's subway system is enough to suggest that publishing is big business in Japan. Whether seated or simply hemmed in by the press of bodies, most people are usually engrossed in a book, magazine, comic or newspaper. Japan's well-educated highly literate population has helped make its publishing industries some of the world's largest. Newspaper circulations are the world's highest. The *Yomiuri Shimbun's* morning edition alone sells over 9.7 million copies a day!

But magazines are the fastest-growing area of the publishing business, with annual sales rising almost 5% in 1991. This compares with 1% to 2% for books and newspapers. Magazine sales totaled 4.6 billion copies in 1991, up from 4.4 billion in 1990 and 3.1 billion in 1980 (Table 1).

Revenue from advertisements provides 25% to 35% of the average income of magazines, the rest coming from circulation. For some titles, advertisement revenue can be 50% or more. Although the advertising industry worldwide has gone into recession, in Japan it has proved a little more robust. Magazine advertising has proved more resilient than that of newspapers—reaching almost ¥387 billion last year (Table 2).

A lively market

These factors have made Japan's magazine market increasingly interesting to foreign publishers. The key question is how to tap the market without incurring the risks of starting up from scratch. The unusual structure of Japan's magazine market creates many opportunities that are easy to access for foreign publishers whose magazine concepts appeal in Japan.

The market is competitive and has a very high level of innovation. There are over 320 magazine publishers, of whom 118 majors form the Japan Magazine Advertising Association. No single publisher dominates the industry. One reason for

this is that magazine circulations are small compared with those of newspapers. Another is that the range of topics covered by magazines is vast. Each year there are many new titles and many closures. In 1991, 165 publications started and 81 closed down. According to *Shuppan News*, the industry's trade magazine, between 1980 and the end of 1987 some 1,500 new titles appeared. Of these, fewer than 500 made it into January 1988.

Only two magazines claim circulations over one million, *Non-no* and *Orange Page*. It is quite possible for a magazine to be very successful with a circulation of 500,000 or even less. Over 2,000 magazine titles are now published in the country. Many of them succeed both in advertising and circulation by appealing to carefully defined audiences. The most

successful titles, both in circulation and ad revenues, are women's magazines. Indeed, the women's magazine market is now so highly developed that it is hard to find niches for new titles. Despite the success of *Orange Page, Mon Pain*, a sister magazine from the same publisher, founded after only four months in 1991.

Virtually all magazine sales are from newsstands, bookshops or convenience stores. Subscription sales are insignificant. Many readers thumb through copies on newsstands before deciding to buy. This keeps editors on their toes, since returns can hit 80% for a flop.

"It's a lively business. Targeting is the key to success for publishers as for advertisers," says Ron Sternberg, an editor at *Tarzan*, a successful magazine for health-conscious young city dwellers.

Table 1 Magazine Circulation Trends

(million copies)

| | 1990 | 1991 |
|-----------|----------------|----------------|
| Weeklies | 1,829.28 (3.2) | 1,909.38 (4.4) |
| Monthlies | 2,601.16 (2.9) | 2,732.34 (5.0) |
| Total | 4,430.44 (3.1) | 4,641.72 (4.8) |

Note: Figures in parentheses denote growth rate over the previous year.
Source: Dentsu

Table 2 Advertising Expenditures

(¥ billion)

| | 1990 | | 1991 | |
|-------------------|----------------|-----------|----------------|-----------|
| | | Share (%) | | Share (%) |
| Newspapers | 1,359.2 (6.8) | 24.4 | 1,344.5 (-1.1) | 23.5 |
| Magazines | 374.1 (11.5) | 6.7 | 386.6 (3.3) | 6.8 |
| Radio | 233.5 (12.0) | 4.2 | 240.6 (3.0) | 4.2 |
| TV | 1,604.6 (9.7) | 28.9 | 1,679.3 (4.7) | 29.3 |
| Major media total | 3,571.4 (8.9) | 64.2 | 3,651.0 (2.2) | 63.8 |
| Sales promotion | 1,981.5 (11.1) | 35.6 | 2,064.2 (4.2) | 36.0 |
| Grand total | 5,564.8 (9.7) | 100.0 | 5,726.1 (2.9) | 100.0 |

Notes: 1. Grand total also includes new media.
2. Figures in parentheses denote growth rate over the previous year.
Source: Dentsu

Table 3 Japanese Titles with Foreign Tie-ups

| | | |
|--|--|--|
| Management <i>President</i> <i>Fortune</i> (U.S.) <i>Nikkei Business</i> <i>BusinessWeek</i> (U.S.) <i>Harvard Business Review</i> <i>Harvard Business Review</i> (U.S.) | Language <i>English Express</i> <i>CATV</i> (U.S.) | Men's magazines <i>Playboy</i> <i>Playboy</i> (U.S.) <i>Weekly Hoseki</i> <i>National Enquirer</i> (U.S.) <i>Esquire</i> <i>Esquire</i> (U.S.) <i>Japan Avenue</i> <i>Avenue</i> (U.S.) |
| News magazines <i>Newsweek Nihonban</i> ... <i>Newsweek</i> (U.S.) | Medical <i>Modern Medicine</i> <i>Modern Medicine</i> (U.S.) | Sports <i>Sports Graphic</i> <i>Sports Illustrated</i> (U.S.) |
| Business <i>Money Japan</i> <i>Money</i> (U.S.) <i>Forbes</i> <i>Forbes</i> (U.S.) | Fiction <i>EQ</i> <i>EQ Magazine</i> (U.S.) | Auto <i>Car & Driver</i> <i>Car & Driver</i> (U.S.) |
| Music <i>Cut</i> <i>Rolling Stone</i> (U.S.) <i>FM Fan</i> <i>Billboard</i> (U.S.) <i>FM Station</i> <i>Cash Box</i> (U.S.) | Women's magazines <i>Josei Jishin</i> <i>National Enquirer</i> (U.S.) <i>More-Cosmopolitan</i> ... <i>Cosmopolitan</i> (U.S.) <i>Marie Claire</i> <i>Marie Claire</i> (France) <i>Elle Japon</i> <i>Elle</i> (France) <i>Figaro Japon</i> <i>Madame Figaro</i> (France) <i>Wohmen</i> <i>Schoner Wohmen</i> (Germany) | Movies <i>Premiere</i> <i>Premiere</i> (U.S.) |
| Science <i>Science</i> <i>Scientific American</i> (U.S.) <i>Quark</i> <i>Science</i> (U.S.) | | Fashion <i>WWD</i> <i>Women's Wear Daily</i> (U.S.) <i>Linea Mode</i> <i>Linea Mode</i> (Italy) |

Source: Hakuho

Accurate targeting, of often smallish groups of consumers, makes magazines an important medium for many advertisers. Compared with TV and newspapers, magazines offer communication opportunities that otherwise are not available.

"The market changed dramatically in the '80s," says Yukinori Ohta, publisher of *Media Info*, a Japanese-language trade magazine. "The mass market splintered into a host of smaller markets. Publishers have found they can be very successful with magazines with circulations of about 300,000. Advertisers are looking not so much for big numbers as for special interest readerships."

Yoshitomo Maeda, media director of J. Walter Thompson Japan, says, "Advertisers want to segment their targets much more narrowly than before. The number and variety of new products has increased a lot recently. Many aim at narrow segments of consumers reachable with less wastage via magazines than with mass media." A successful magazine may have a circulation of less than 200,000. Few magazines have circulations over 500,000. For products not targeted at just about everyone, magazines play an instrumental role in marketing.

Helped by magazine advertising, Japan surpassed the United States in 1988 as the world's most valuable diamond market. Retail sales topped ¥1.5 trillion in that year, 30% of the world total.

"We started with advertising for diamond engagement rings in 1966 and ever since the main contribution to the success of the campaign comes from magazine advertising," says Gus Iizuka, J. Walter Thompson Japan's executive vice president. "If you want to reach younger

people effectively—and they are the target for the engagement ring campaign—then magazines are the key for success."

Market researcher Bob Wilk, managing director of Tokyo's Infoplan research firm, explains why this is so. "Magazines are great lifestyle documents for people who are looking for critical information at a period in their life when that's important," Wilk believes.

Growth sectors in the market

New approaches to women's magazine publishing were the major successes of the 1980s. There were new magazines for the career woman (e.g. *Nikkei Woman*), the woman-as-housewife (e.g. *Peach*, *Pumpkin*, *Lettuce Club*) and the mother-to-be (e.g. the aptly named *Balloon*). Last year women bought over 25 million magazines a month.

Men have their magazines too. Magazines about new products are hot for the young man about town. *Trendy* and *Dime* are two examples. In their pages you will find all the new electronic gizmos, sports drinks, watches, cameras and athletic wear—to name a few. Also news about where to play and have fun. For life's software, *Brutus* and *Hot Dog* help with guides on what to wear, etiquette, the first date, and how to style your home.

Among the young, magazines can create new market segments. Readers of *Hanako*, a magazine for Tokyo's young women, are called the "*Hanako-zoku*" ("Hanako-tribe"). They shop in the finest stores, buy sports cars, and take three-day scuba holidays on the Great Barrier Reef. Although only working as humble company employees, their in-

come is entirely for spending thanks to uniquely Japanese circumstances. They live in their parents' home rent-free. On dates, the man pays. When they go to work, the company pays commuting expenses and also provides their clothes for the office.

Even retailers have become publishers. Daiei, a leading superstore chain, publishes *Orange Page*, while Seibu, a leading department store, publishes *Lettuce Club*, both trying to woo their women customers, and promote their goods and services.

As the population profile steadily ages, magazines for older people are appearing. Many new-generation, home-owning retirees are quite well-off, thanks to a surge in land prices. "So far the number of magazines for the middle-aged and older people has been limited. There will be more new titles for these people in the future," says Yoshitomo Maeda. Recent examples are *Shincho 45* and *Ginka* ("Silver Flower").

During the bubble economy of the 1980s, Japan's oceans of yen have floated new magazines to help mop up. *Money Japan*, a sister to Time Inc.'s U.S. title, described itself as "an informative magazine that makes financial dealings fun." Rival *Nikkei Money* also tells its readers how to make money grow and how to enjoy it. Traditionally, the Japanese have done little more than save their yen. Magazines now bristle with ideas for spending.

There are already many foreign titles tied up with Japanese publishers (Table 3). The ties are generally licensing agreements. These allow the Japanese publishers to run translations of articles appearing in the original in one of their

own magazines. Alternatively, they can enable the Japanese publisher to bring out a Japanese edition of the original with both translated and original editorial material. Within agreed guidelines, editorial control in these accords is vested in the Japanese publisher, who carries the financial risks.

While there are always opportunities for lifestyle magazines, there are signs that an important new sector is emerging for magazines dealing with international affairs and business. Two key factors help this. First, the rapid pace of world events following the collapse of communism and also the Gulf War have heightened people's interest in international news. Secondly, major Japanese manufacturers are increasingly integrated into overseas economies.

To meet new needs

Both factors increase the need to know and understand what is going on around the world. This became clear during the Gulf War when sales of the Japanese-language edition of *Newsweek* (*Newsweek Nihonban*) shot up to 300,000 from around 110,000. Today, the circulation remains at a healthy 200,000.

Despite their strengths domestically, Japan's magazine publishers are less able to meet these needs than the major international magazines. Magazines such as *Time*, *Forbes* and *The Economist* all have extensive networks of bureaus and correspondents worldwide. More important, they have established reputations for their reports and analyses of current events. Not surprisingly, there are now opportunities to publish Japanese editions of such titles.

In March, Gyosei Corp. launched a monthly Japanese-language version of *Forbes* targeted at business executives at the middle-management level and above. Gyosei is best known as a legal publisher whose fame stems from publishing *Current Laws and Regulations of Japan*, the supreme authority on that subject. *Forbes* should fulfill Gyosei's longtime goal of publishing a major magazine for the business community.

"It's true that now may not be the best



Some of the foreign magazine titles currently associated with Japanese publishers. The strength of the Japanese magazine market is attracting more and more foreign publications.

time to start a new magazine from the business viewpoint, when it's hard to get advertisers," says Hideo Onozuka, editor of the Japanese edition of *Forbes*. "But from an editorial viewpoint, this is a good time to introduce a U.S. magazine when the Japan-U.S. relationship is plagued with problems of mutual misunderstanding. We hope to make a contribution to better relations."

According to Gyosei, about half of the Japanese version will be of articles translated from the U.S. *Forbes*. The other half will be original stories by Japanese journalists. The company printed 200,000 copies of the first issue, which appeared on March 23.

This April, Diamond Inc. and Britain's *The Economist* announced an agreement that will lead to a new, fortnightly Japanese-language magazine called *Global Business*. This will appear in spring 1993. Diamond Inc. already publishes a number of business titles. With *Global Business*, it should be able to reach a new market which, though small in numbers, is important to many categories of advertisers.

About one-third of *Global Business* will be articles from *The Economist* translated into Japanese. The rest of the magazine will cover international and domestic business and financial topics of interest to top management. "We're going to create a high-quality magazine appealing to a small, select, and highly influential audience," says Hidemasa Saito, editor of the new title. *Global Business*'s initial circulation target is 15,000 top executives.

Chuokoron-sha Inc. plans to publish *GQ Japan* early next year. *GQ* is a month-

ly magazine for men focusing on fashion published by Conde Naste Inc. in the U.S.

BusinessWeek is also looking into the possibility of launching a Japanese-language version.

Time is looking for a Japanese partner to launch a Japanese-language edition. While other foreign titles are entering Japan through licensing agreements, *Time* has a different plan. It intends to keep complete editorial control and implement the project to become a publisher in Japan itself. Launching a Japanese edition of *Time* is a first step in bringing other Time-Warner titles to Japan.

By keeping editorial control, *Time* has virtually ruled out the possibility of working with a Japanese publisher. Accordingly its search is for a financial partner who can also help with business aspects of the project. If successful, *Time*'s approach could encourage other foreign media owners to take control of their Japanese editions.

Despite a depressed market, there is every reason to believe the new crop of foreign titles can succeed, according to Yuji Kikuchi, deputy general manager of Hakucho's magazine division. "The rapid pace of international events and increasing involvement of Japanese companies overseas has created a need for information, commentary and analysis that didn't exist to the same extent a few years ago. The new titles are all authoritative and widely respected. They should help define a new sector of the magazine market."

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