

Executive Summary

With the third largest economy in the world and the third largest web population after the US and China, investment in Japan has proven to be a worthwhile market for companies seeking a global internet presence. However, for western marketers, the difference in culture and language makes Japan a harder country to penetrate than it may appear at first glance.

Online businesses such as MySpace, Facebook and Ask have all launched unsuccessful campaigns in Japan. Their failure to achieve the market reach that they hoped for has often been attributed to differences in culture, with certain aspects of each western site not fitting with the current popular culture of Japan.

In terms of social media, these cultural differences are clear. While Facebook dominates the social media landscape in the western world, social networking site Mixi reigns supreme in Japan. Many suggest that this dominance is directly related to the unique features that Mixi has in its offering, including an almost paradoxical mix of allowing users more anonymity and more transparency at the same time. Mixi allows its users to remain anonymous, using a username or handle instead of their real name, but then lets users see who has been looking at their profile, a feature that the likes of Facebook have so far avoided.

There are, however, some western companies that have made a breakthrough. Twitter, for example, achieved greater market penetration in Japan than in the US last year. Away from social media, Google's perseverance in the region has also paid off. Having tried with limited success to topple Yahoo! Japan's dominance in this market, (Google's clean cut homepage is much less suited to the Japanese web user than the interactive nature of Yahoo! Japan), a recent agreement between the two businesses has resulted in Google supplying Yahoo! Japan with all its organic search results and therefore controlling a dominating share of all search results.

Despite Japan's cultural differences the number of web users and technological advantages, it offers for SEO in are still excellent. Japan has not only the third highest Broadband Quality System in the world, but also the most cities with the highest broadband quality.¹ The opportunity is there for SEO, but achieving good results is not a given; the fact that there is only one dominant Japanese spoken language, but three different alphabets, the Hiragana, Katakana and Kanji, is a case in point. Choosing an SEO team that understands this and that can easily adjust to the market is essential.

¹<http://www.sbs.ox.ac.uk/Documents/broadband%20study/Third%20annual%20broadband%20study%202010.pdf>



Methodology

Reform's International Search Review is a series of papers based on findings on various search markets around the world. Each market paper summarises web-based research (various sources cited), as well as Reform's own practical experience across various local and global search marketing campaigns.

Our research provides an assessment as to how search engine usage is evolving in these markets, as well as an analysis of how search engine marketing tactics and distribution platforms compare in these countries.

Introduction: Japan in 2011

With over 94 million people online, Japan has the third largest population of internet users in the world. Internet usage among young Japanese people is nearly universal, with 90% of the population under 40 years old being online. Currently 90% of all Japanese people have a mobile phone and 40% of them use their mobile to surf the web. In addition to that, mobile internet usage in Japan is growing faster than regular internet usage.²

There is however a gap between mobile and search in this market. Recent research on the Japanese mobile market discovered that 43.7% of mobile users had never performed a keyword search on their mobile. The most common queries when they do search are for 'word definitions'.³ The overall top sites for mobile users included 'coupon sites' and 'social networks' such as Mixi. Mobile internet usage also seems to be very much led by the user's mobile provider. For example, NTT-docomo users are often led to NTT-docomo portal sites.

Having said that, brand advertisers do connect with mobile users through Quick Response (QR) ads on billboards such as the one below, which can be scanned into mobile phones.



² http://www.emarketer.com/Reports/All/Emarketer_2000469.aspx

³ Internet.com and Marsh research, April/May 2009 - <http://japan.internet.com/research/20090430/1.html>



These 'digital' QR ads appear outdoors on billboards, on movie posters and even on food packages, allowing advertisers detailed insight into how many people wanted to view their ads further – digitalising the measurements for traditional media. This trend has started to take off in the western markets too, especially in the US, where many ads are now accompanied by QR tags.

Some western marketers have already taken advantage of this in Japan. In fact, according to various sources, 'McDonalds Coupons' is one of the most popular mobile searches.⁴

Japan – Market Statistics

Internet usage – 94,000,000 Internet users as of June 2010⁵

Wireless Penetration – 2010: 78.2% penetration⁶

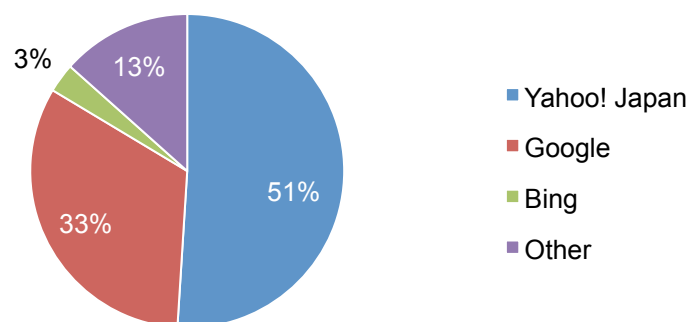
Broadband Penetration – approximately 75.3%⁷

Broadband Quality System – Japan stands out as having cities with the highest Broadband Quality System in the world.⁸

Search Queries by Engine (June 2010) – Yahoo! Japan – 51% / Google 32.6% / Bing – 3%⁹

*NOTE: Google powers the organic search results for both Yahoo! Japan and Google.co.jp (giving it a 84% share overall)

Search Engine Usage in Japan



⁴ Eg. Yahoo! Japan (<http://asiajin.com/blog/2009/11/18/japanese-top-search-keywords-2009-by-yahoo-japan/>)

⁵ <http://www.internetworldstats.com/asia/jp.htm>

⁶ <http://www.internetworldstats.com/stats.htm>

⁷ Source: ITU and Internet World Stats

⁸ Estimated on [oecd.org](http://www.oecd.org) on June 2010

⁹ Source: Netratings



According to Internet World, approximately 51% of Japan's internet users use search in Yahoo! Japan and 32.6% use search on Google. Therefore, the new deal which will see Google powering Yahoo! Japan's results will mean that Google controls roughly 84% of search queries in this market. In November the Japan Fair Trade Commission (JFTC) opened an investigation over worries that this may be violating antitrust law - but the current status is that Google is providing the Yahoo! Japan results, and is thus dominating the Japanese search engine market at this time.

Keywords

Keyword usage in Japan can present a problem as there are three different alphabets in use – Katakana, Kanji and Hiragana – making keyword optimization potentially very difficult. Here is a brief example of the differences between the three:

Hiragana	Katakana	Kanji
46 Characters	46 Characters	8000 Characters
Used for native Japanese words	Mostly used for foreign words	Used to represent nouns, adjectives, verbs

While sentences typically contain Kanji and Hiragana with some Katakana mixed in, some words can be combinations of more than one script. In this case it is important that the text, title tags and meta tags are optimized for all options. A good example of the variations available can be seen with the word Tokyo which is 'とうきょう' in Hiragana, 'トウキョウ' in Katakana and '東京' in Kanji.

With regards to optimizing for SEO, it's worth noting that mobile internet users in Japan have a different mindset from regular internet users. People may use their mobile as much as their PC for accessing the web, but don't use it to search on the same scale. For SEO purposes, the tactic that should be used is to establish the percentage of overall uses of a word which might be written in each script and then determine which form to emphasize.



SEO and PPC in Japan

In general terms, while PPC is picking up pace and becoming part of many business offerings, SEO still has a lot of room for growth in this market. However, as mentioned before, language targeting is difficult and it is hard to manage or gauge strength in the various forms of Japanese. With no detailed research and few statistics publicly available, the best option is to get involved with sites that have some history.

The general premise of using algorithms in search engines is the same in Japan as it is in the US and UK, and as a result many SEO and PPC agencies have started to open up in this market. Traditional Google and Yahoo! style algorithms apply here, although mobile traffic has favoured modernised versions of traditional advertising methods, such as social networking and barcode scanning.

The market here is very loyal, and mobile usage includes a lot of video content. Google has duly noted this trend and is keen to experiment with YouTube.com based marketing methods, such as captioning and indexation of those captions in search.

Yahoo! Japan and Google Partnership

Since Yahoo! Japan and Google announced their plan for a search partnership in July 2010, Google has effectively controlled most of the market (roughly 85% of search queries according to NetRatings).

Google does therefore reign supreme in terms of SEO strategy but there are some interesting notes about the deal:

- *Yahoo! Japan will continue to show content from its vertical data (Yahoo Auction, Yahoo Travel, and Yahoo News) in its search results, and this content data will be given to Google for its use as well.*
- *Each engine may customize the search results for their audience.*
- *Yahoo! Japan will adopt Google's PPC platform although PPC accounts will be kept separate and advertisers will need an account for each site.*



The image to the right shows an example of a Yahoo! Japan search result, and highlights the fact that Yahoo! Japan keeps its own content and thus the Yahoo! Japan feel of the pages while Google supplies the main SEO results and PPC ads.

The image shows a screenshot of a Yahoo! Japan search results page. The page layout includes a search bar at the top, a list of search results, and a sidebar on the right. Annotations are present: three red arrows point to specific search results, with the label "PPC ads by Google" next to them. Three blue arrows point to other search results, with the label "Organic results by Google" next to them. The page content is in Japanese and includes various search results with titles and snippets.

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We can further look at the difference when we compare the same search on Google Japan and Yahoo! Japan:

The results in red are from Google (which are the same) while the results inside the yellow boxes are unique to each individual site. The purple box is Yahoo! Japan news and related terms are within the green box. It's interesting to note that Yahoo! Japan news is shown on both examples.

While there are minor differences between the two sites, SEO strategy should be focused more on Google's algorithms as this now powers more of the results. Any continued focus by SEO organizations on the same strategy they have always used on Yahoo! Japan's algorithms would, by now, show a

¹¹ (source: ChickZ.asia)



decrease in keyword ranking from Yahoo! Japan search as it has switched over to Google. Having said that, for content such as video, images, and press releases, SEO should focus on optimizing for both search engines since Google focuses more video results from YouTube while Yahoo! displays video results from Gyaio/Yahoo video.¹²

Paid search market in Japan

Google AdWords recently changed its ad format in this market, allowing more characters/letters to be entered into the title and ad description.¹³ This particularly helps with keywords in Japan as many SEO strategists have trouble placing longer keywords in ads.

Yet the increase in investment in PPC each year has shown that while keyword strategy can be problematic, it is also financially potent. By the end of the year, internet advertising is projected to grow to 755.8 billion Yen (approximately 7.5 billion USD) including approximately 226.5 billion Yen (2.26 billion in USD) for PPC ads.¹⁴

¹² Gyaio is a Yahoo owned video distribution service.

¹³ <http://ajpr.com/wordpress/japanese-sem/google-adwords-update-japan>

¹⁴ <http://searchengineland.com/getting-to-know-international-ppc-markets-14955>



Social Media in Japan

Mixi, founded in 2000, dominates the social networking market in Japan, accounting for an 80% market share and over 21 million users.¹⁵

One of the things that contributes to the success of Mixi in Japan is that it's an 'invitation only' community. It is only possible to become a member if a current member invites you. Not only that, in order to invite a new user, both parties need a Japanese mobile phone email address, and thus proof that both sides are Japan-based. Once you are accepted, you then create your own character or persona, giving it whatever name/age/likes etc that you choose. Over 90% of Mixi users' avatars are fictional variations of the user.

This is one big difference between the Japanese market and that of the west. Japanese social networkers do not care much for promoting themselves, but prefer to lead a different life on the web. In a recent survey of 2,130 Japanese web users by Tokyo based MMD Laboratory, 89 per cent of respondents said 'they were reluctant to disclose their real names online'.¹⁶ Despite wanting anonymity, Japanese users of Mixi do have the opportunity to see who has viewed their profile with the 'ashiato' ('footprint') functionality. Western sites such as LinkedIn and match.com do offer a similar functionality to this, but only as a paid addition while Mixi offers it free for its users.

Mixi accounts for a large portion of the social networking market and it is very hard to get away with multiple signups or fake accounts due to the complex sign up process. Users must be over 18, and the site has a very templated and cluttered interface compared to western equivalents. Revenue per member for Mixi is much higher than that for other networks such as Facebook, MySpace, Twitter and Bebo, making it a very profitable site. However, Mixi has no plans to expand outside of Japan – and the majority of its users now use the site regularly via mobile.

More recently, Twitter usage in Japan has seen huge growth, reaching over 13.2 million unique users (428% growth from last year).¹⁷ In fact, as of April 2010, Japan's Twitter reach surpassed that of Twitter in the U.S., grabbing 16% of internet users in Japan compared with 10% in the U.S.¹⁸ This is very interesting, particularly in light of the fact that Facebook only records 5.3 million users in Japan (a 78% increase from last year).¹⁹

The Japanese use of characters in their written word could provide an explanation for this. Each written character represents a syllable in Japanese language, and so Twitter's strict 140 character limit allows the site to be more of a microblogging service – much more can be said within the limit. Also Twitter's ability to let the user be anonymous might also hold some weight – we've already mentioned the fact that

¹⁵ <http://www.cnngo.com/tokyo/life/social-networking-site-gree-becomes-japans-no1-280664>

¹⁶ <http://www.nytimes.com/2011/01/10/technology/10facebook.html?pagewanted=all>

¹⁷ <http://www.comscore.com/2010/11/twitter-sees-impressive-growth-in-japan/>

¹⁸ <http://blogs.wsj.com/japanrealtime/2010/09/01/twitter-japan-tweeting-all-the-way-to-the-bank/>

¹⁹ <http://www.allfacebook.com/japan-apparently-prefers-twitter-over-facebook-2010-11>



Mixi's anonymity is considered to be a contributor to its success. Interestingly, Twitter translates to the word "mumble" in Japanese!

In the Japanese market, western giant Facebook is relegated to being most appealing for users who have friends overseas. And while business websites such as LinkedIn, have made attempts at establishing a service in Japan, they have been unsuccessful.²⁰ Although Twitter is currently making great strides in this market, and while Mark Zuckerberg has promised that Facebook will address its weak presence in Japan, the current champion of social networking for advertisers and users in Japan is clearly Mixi; in 2008, ads counted for 85% of Mixi's 92 million US dollars in annual revenues.

Market Summary

Google is the clear market leader in Japan, though this is largely thanks to Yahoo! Japan. Problems due to language and alphabet could make keyword targeting in SEO and PPC difficult.

Overall, SEO and PPC have a lot of potential as Japan has the third largest economy in the world. Entry into this marketplace is a high priority for companies looking for global expansion.

Social media is dominated by 'home based' sites such as Mixi, but the example of how Twitter has entered the market effectively demonstrates that this market is 'crackable' for western social media sites.

²⁰ <http://www.quora.com/Is-there-a-Japanese-equivalent-of-LinkedIn-not-just-for-hiring-but-also-for-B2B-communication>



About the Reform International Search Review

While information on the search engine marketing industry in the US and UK is readily available, insight into other search markets around the world can sometimes be harder to find and is often contradictory. As a result, Reform's international team of search marketing consultants is pleased to present the third of several research papers on other key and emerging search markets around the world.

With many western marketers increasingly adopting a global perspective and with internet usage, mobile usage and broadband internet access rapidly developing in several countries, having the right kinds of knowledge and information are the key to success. At the same time, many marketers within these 'unchartered' countries are only beginning to see what the benefits of search engine marketing are, with SEO and PPC both in early stages of development in some cases. As transparency in ROI is key in today's global businesses, search marketing is starting to take centre stage.

With its International Search Reviews, Reform adopts both a business and a consumer perspective in examining each local search market, so that its findings will help brands to understand local search behaviour, and to develop the most effective strategies for converting this behaviour into meaningful engagement and customer conversion through search.

With major western search engine players such as Google and Yahoo! Japan focusing their international strategic efforts on targeting new users in Asia, this territory seemed an appropriate starting point for Reform's international search marketing research globetrotting. Customised interfaces and applications which attempt to cater for the huge range of internet users across Asia are only the tip of the iceberg as we begin to monitor market development. User interaction and requirements with search engines are varied from market to market, and Reform uses this local knowledge to gain insight in order to shape audience planning strategies.



About Reform

Reform is an independent digital business consultancy with offices in London and New York.

We build actionable business solutions for clients – from market intelligence and benchmarking, to business planning, strategy, product development, technology, resourcing and delivery.

We believe that digital is a disruptive model, a positive force for business change and growth. So we work with our clients to transfer our digital skills and best practices into their organisations – through auditing and modeling, management and practitioner training, planning workshops and organisational change.

Reform's team of business architects has over ten years' unrivalled experience as digital marketing practitioners, business leaders and industry innovators who have worked in organisations such as Microsoft, Ebay, i-level, Google and Aegis. Our expert team of consultants work across an international portfolio of businesses, and across a wide variety of business sectors including finance, recruitment, investment, retail, publishing, education and media.

Join the debate on innovation and change in the search industry with our LinkedIn group, The Reformers. We welcome discussion and comment from search practitioners and specialists, as well as questions and insights from anyone interested in learning more about how search can impact their business positively.

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