

FOR IMMEDIATE RELEASE

March 17, 2020

2019 Advertising Expenditures in Japan: Detailed Analysis of Expenditures on Internet Advertising Media

—Detailed analysis of spending on Internet advertising media jointly carried out by D2C, CCI, Dentsu and Dentsu Digital—

D2C Inc. (D2C), Cyber Communications Inc. (CCI), Dentsu Inc. (Dentsu) and Dentsu Digital Inc. (Dentsu Digital) have released a survey titled “2019 Advertising Expenditures in Japan: Detailed Analysis of Expenditures on Internet Advertising Media.” This survey analyzes the results of “2019 Advertising Expenditures in Japan” published by Dentsu on March 11, 2020—and further breaks down data on Internet advertising media spending. The analysis presents data according to such variables as ad category and transaction method. It also includes forecasts for 2020.

In calendar year 2019, advertising expenditures in Japan totaled 6,938.1 billion yen. Internet advertising accounted for 30.3% of advertising expenditures, having grown 19.7% compared with the previous year, to 2,104.8 billion yen. After excluding Internet advertising production costs and advertising expenditures for Merchandise-related EC Platforms, Internet advertising media expenditures amounted to 1,663.0 billion yen (up 14.8% compared with 2018), exhibiting continued robust growth.

Key Points of the “2019 Advertising Expenditures in Japan: Detailed Analysis of Expenditures on Internet Advertising Media” follow.

1. Video advertisements grew a substantial 57.1% compared with the previous year, to 318.4 billion yen.

Looking at overall expenditures on Internet advertising media by ad category, video advertisements grew to account for approximately 20% overall, having grown 57.1% to 318.4 billion yen. In 2020 video advertisements are forecast to grow 13.0% to 359.7 billion yen.

2. Performance-based advertising, accounting for approximately 80% of the total, grew 15.2% compared with the previous year; reserved advertising also achieved double-digit growth of 17.4%.

Performance-based advertising, which is becoming the main method of transaction, accounted for 79.8% of the total. Reserved advertising was second, accounting for 13.9% of the total, with both methods of transaction achieving double-digit growth compared with the previous year.

3. Social advertising amounted to 489.9 billion yen, accounting for 30% of overall expenditures on Internet advertising media.

Social advertising placed on social media and video-sharing platforms maintained a high growth rate of 26% compared with the previous year, amounting to 489.9 billion yen and accounting for 29.5% of overall expenditures on Internet advertising media.

4. In 2020, Internet advertising media expenditures overall are forecast to grow 11%, to 1,845.9 billion yen

Despite slowing growth, Internet advertising media expenditures will continue to grow in 2020, with overall expenditures forecast to increase 11% compared with 2019, to 1,845.9 billion yen.

Expenditures on Internet Advertising Media: Breakdown by Advertising Category

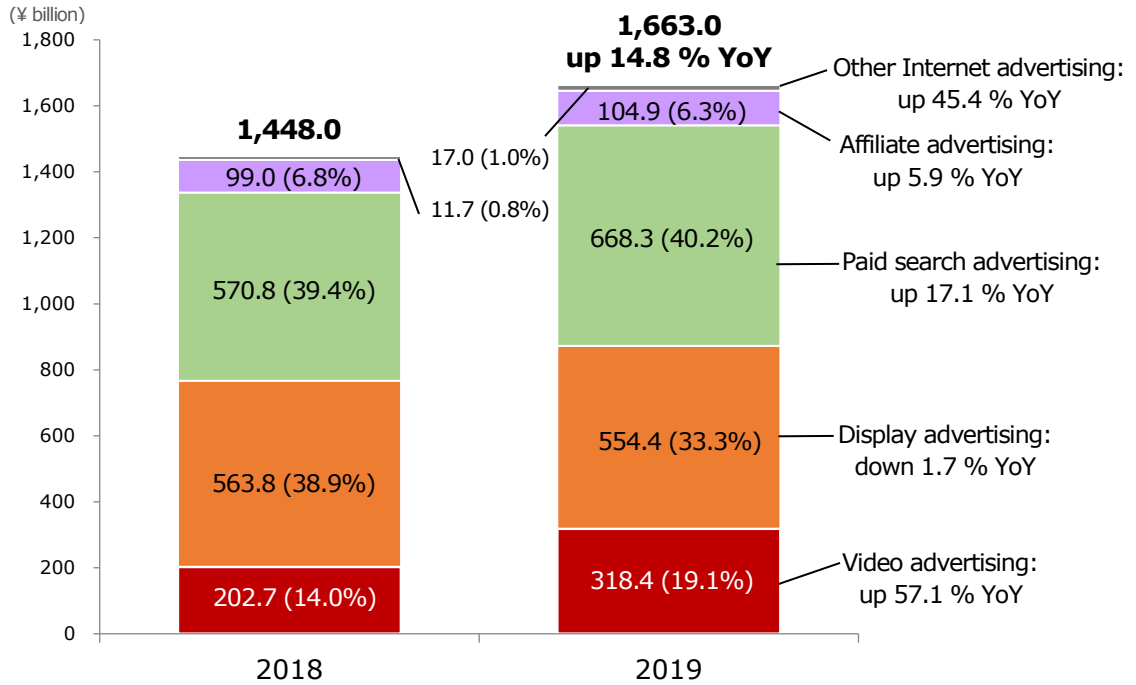
—The two largest categories, paid search advertising (40.2%) and display advertising (33.3%), accounted for more than 70% of the total. Video advertising grew substantially compared with the previous year, accounting for approximately 20.0% of the total.—

In 2019, Internet advertising media expenditures in Japan amounted to 1,663.0 billion yen (according to “2019 Advertising Expenditures in Japan” published by Dentsu). Of the total, the two largest ad categories were paid search advertising (40.2%) and display advertising (33.3%), giving these two categories a combined share of more than 70%. Video advertising grew a substantial 57.1% compared with the previous year, amounting to 318.4 billion yen, accounting for 19.1% of the total. This was followed by affiliate advertising, with 6.3%, while other Internet advertising accounted for 1.0%. (Graph 1)

Definitions of advertising categories

Display advertising	Advertisements and tie-up ads in such formats as images and text, which are displayed in the advertising space of a site or app.
Paid search advertising	Advertisements displayed on a search results page based on their relevance to search keywords used in a search site.
Video advertising	Advertisements in video file format (video images/audio).
Affiliate advertising	Advertisements whereby if a user views an Internet advertisement and then performs some predetermined action, some remuneration is given to the media or user.
Other Internet advertising	Advertisements in formats other than those mentioned above. For example, email advertising and audio advertising.

Graph 1: Expenditures for Internet Advertising Media: Breakdown by Advertising Category



Notes: Figures in parentheses are the percentage of overall Internet advertising media expenditures.

Expenditures on Internet Advertising Media: Breakdown by Transaction Method

—By transaction method, performance-based advertising accounted for 79.8%, reserved advertising for 13.9%, and affiliate advertising for 6.3%.—

Analyzed by transaction method used for Internet advertising media expenditures, performance-based advertising—the principal transaction method—amounted to 1,326.7 billion yen (79.8% of total Internet advertising media expenditures). This was followed by reserved advertising (13.9%) and affiliate advertising (6.3%). Performance-based advertising increased 15.2% and reserved advertising 17.4%, both achieving double-digit growth compared with the previous year. (Graph 2)

Definitions of transaction methods

Performance-based advertising

Paid search advertising and advertising that is transacted via an auction system through digital platforms or ad networks.

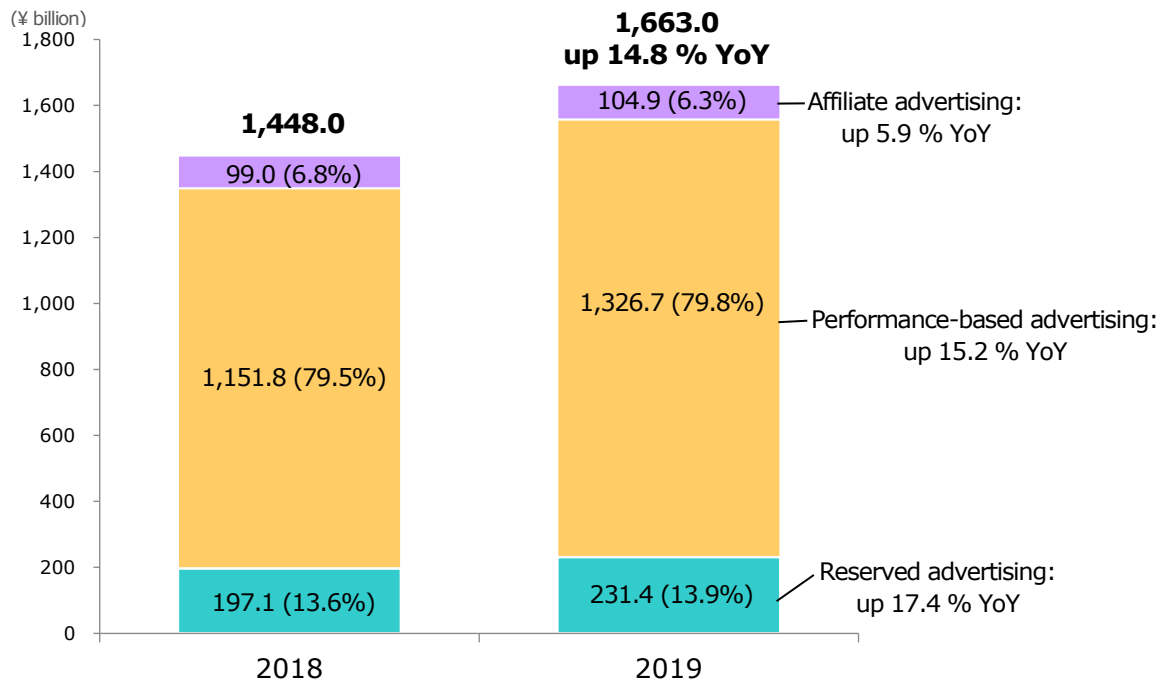
Reserved advertising

Conventional and tie-up advertising that is sold via advertising agencies or media representatives, or sold directly to the advertiser, and advertising that is transacted through a digital platform or ad network based using a non-auction method (fixed price).

Affiliate advertising

Advertisements whereby if a user views an Internet advertisement and then performs some predetermined action, the media or user is paid some remuneration.

Graph 2: Internet Advertising Media Expenditures by Transaction Method



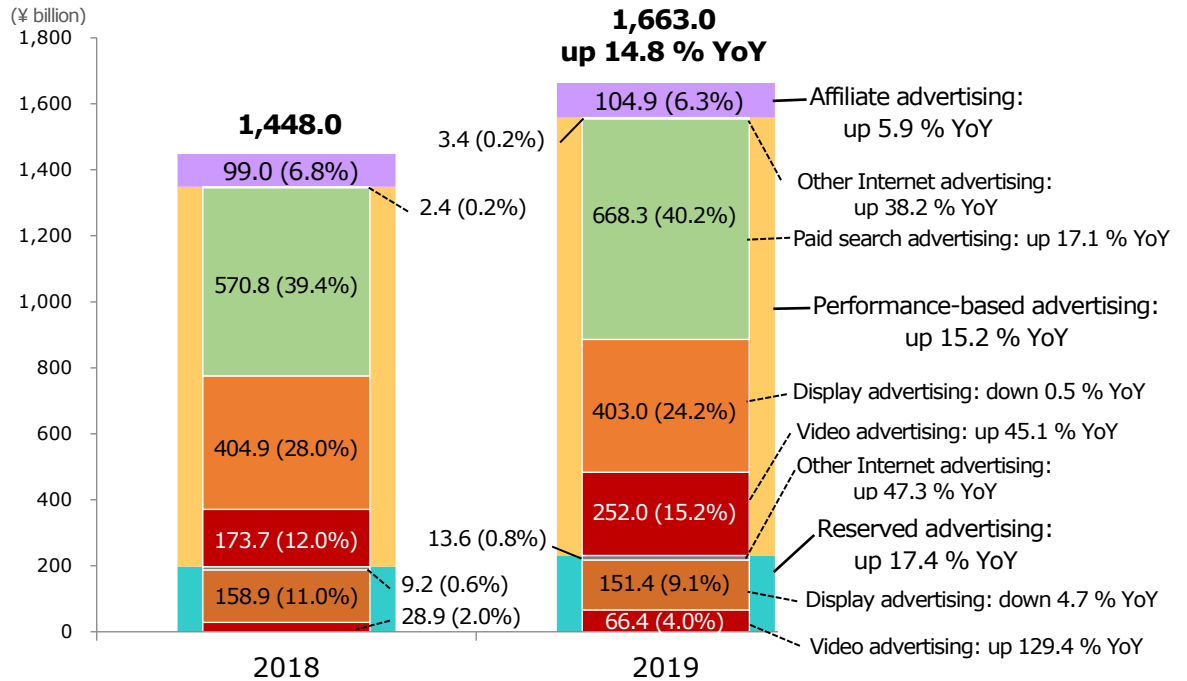
Notes: Figures in parentheses are the percentage of overall Internet advertising media expenditures.

Expenditures on Internet Advertising Media: Transaction Method and Advertising Category Cross Tabulation

—Substantial growth in performance-based (up 45.1%) and reserved (up 129.4%) video advertising—

Cross-tabulating transaction method against advertising category, performance-based paid search advertising accounted for 40.2%, making it the largest sub-category, followed by performance-based display advertising, which accounted for 24.2%. In addition, display advertising declined slightly, while performance-based (up 45.1%) and reserved (up 129.4%) video advertising grew substantially. (Graph 3)

Graph 3: Internet Advertising Media Expenditure Transaction Method and Advertising Category Cross Tabulation



Notes: Figures in parentheses are the percentage of overall Internet advertising media expenditures.

Social Advertising Market

—Social advertising expenditures amounted to 489.9 billion yen, accounting for 29.5% of overall Internet advertising media expenditures.—

Social advertising placed on social media services grew at a high rate of 26% compared with the previous year, amounting to 489.9 billion yen and accounting for 29.5% of overall Internet advertising media expenditures. (Graph 4)

Furthermore, when social media are placed in “SNS,” “video sharing” and “others” categories, the “SNS” category accounts for the largest market at 228.0 billion yen, followed by “other” at 148.0 billion yen and “video sharing” at 113.9 billion yen. (Graph 5)

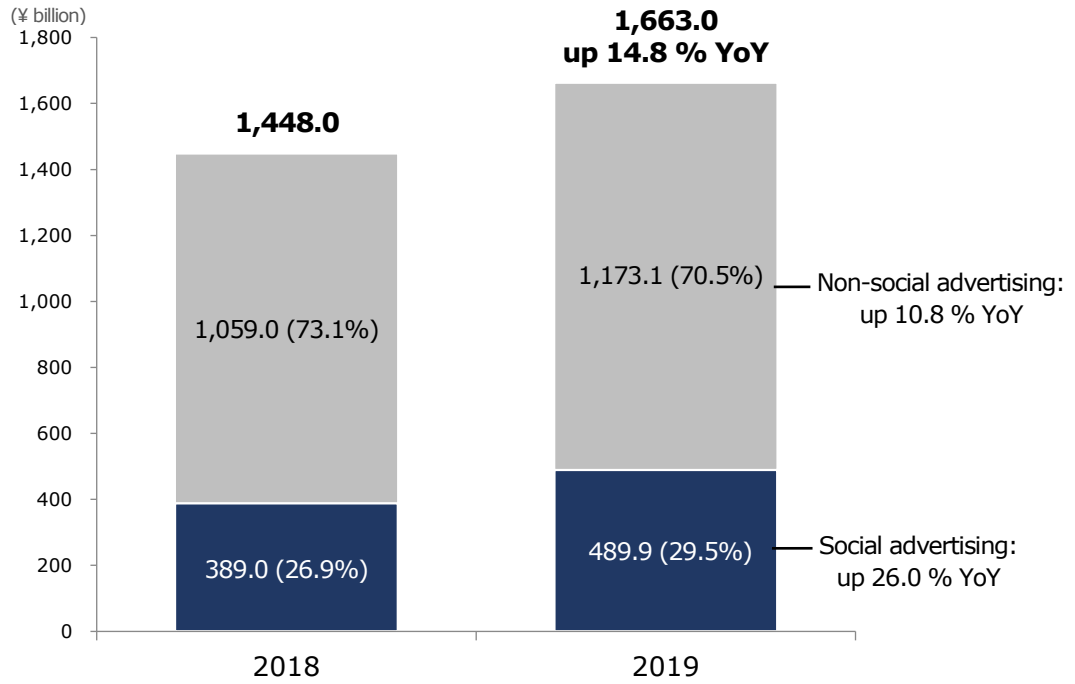
Definitions of social advertising

Advertising placed on social media* services.

* Media (platforms) providing services enabling users to share and exchange information posted by users as content (source: “Fiscal 2019 Internet Advertising Glossary of Basic Terms,” Japan Interactive Advertising Association)
Examples of social media: SNS, blog services, mini (micro) blogs, video sharing websites, social bookmarks, electronic bulletin board services, etc.

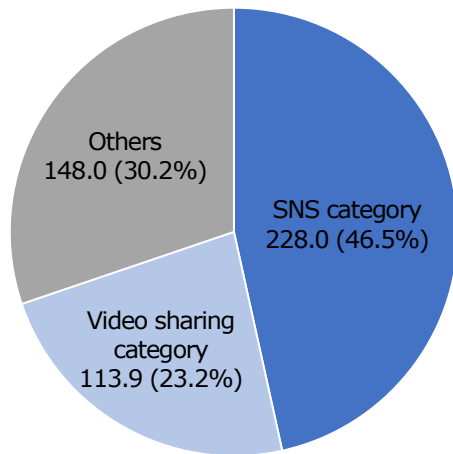
Social Advertising

Graph 4: Social Advertising Expenditures



Notes: Figures in parentheses are the percentage of overall Internet advertising media expenditures.

Graph 5: Social Advertising Expenditures by Ad Category



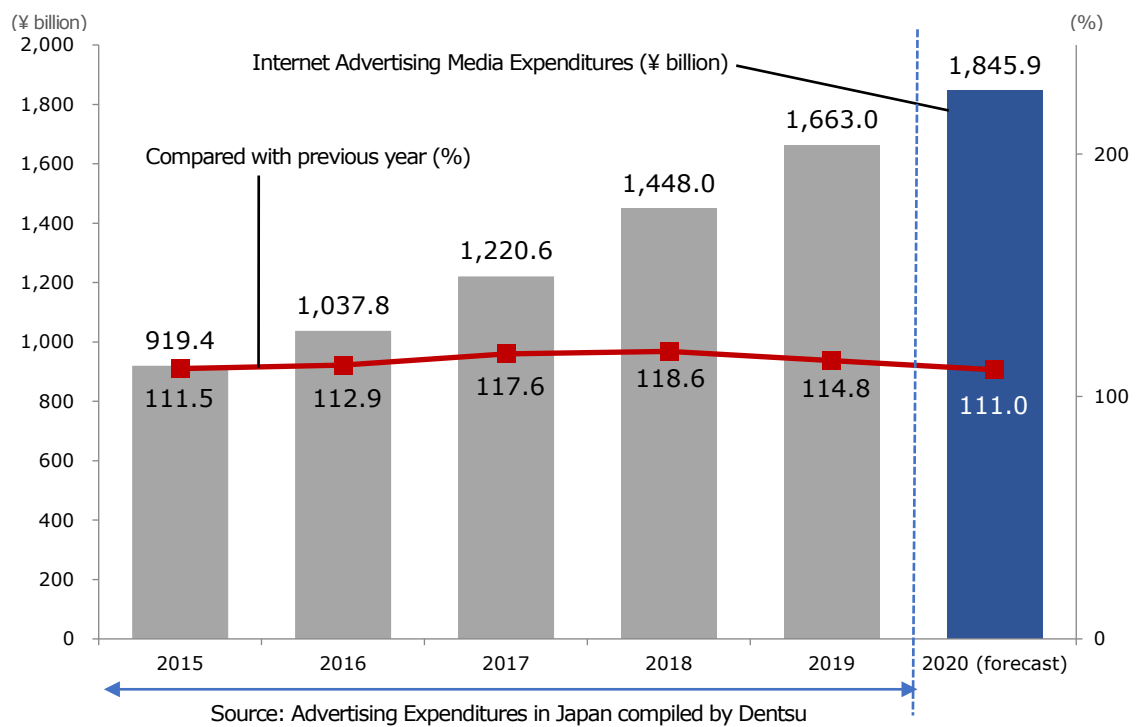
Notes: Figures in parentheses are the percentage of overall social advertising expenditures.

Total Internet Advertising Media Expenditures (Forecast)

—In 2020, total Internet advertising media expenditures in Japan are forecast to increase 11.0% compared with 2019, to 1,845.9 billion yen.—

In 2020, total Internet advertising media expenditures in Japan are forecast to increase 11.0% compared with 2019, to 1,845.9 billion yen, and although the growth rate is slightly lower than in recent years, growth is expected to continue. (Graph 6)

Graph 6: Total Internet Advertising Media Expenditures (Forecast)



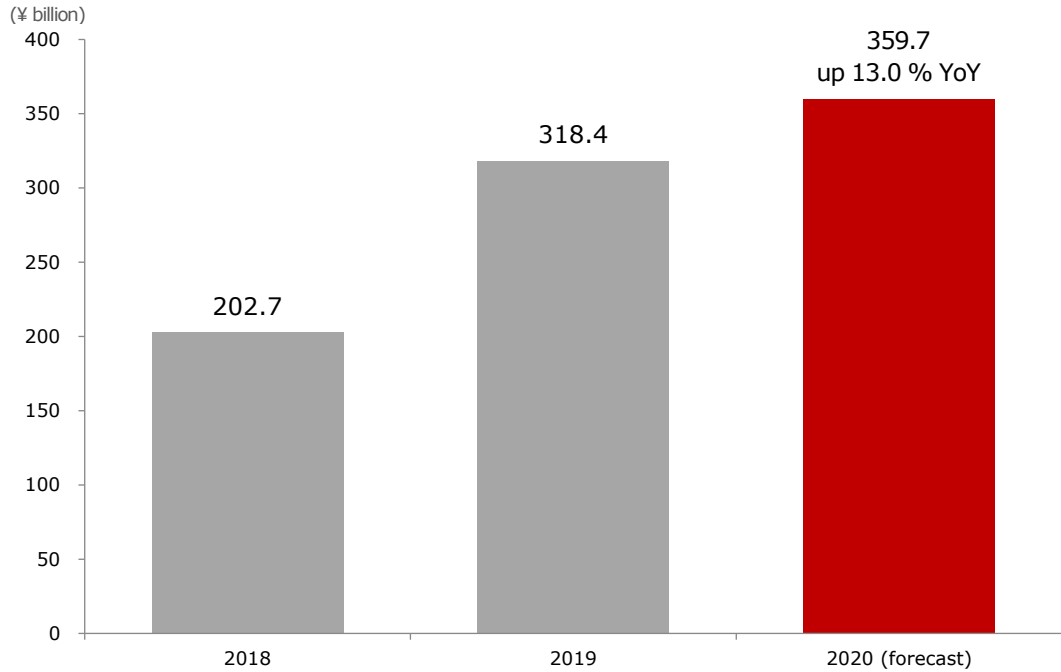
Notes: In 2018, the survey of Internet advertising expenditures newly included estimates for digital advertising carried by companies in the four major traditional media.

Video Advertising Market (Forecast)

—Video advertising in 2020 is forecast to grow to approximately 359.7 billion yen.—

Although the growth rate is slightly lower than in 2019, the market is expected to expand 13.0% to 359.7 billion yen. (Graph 7)

Graph 7: Video Advertising Market (Forecast)



Research Overview

Research organizations D2C Inc., Cyber Communications Inc., Dentsu Inc., Dentsu Digital Inc.

Research period December 2019–February 2020

Carried out estimates based on the following research

Research methodology

1. Research based on questionnaire surveys covering Internet advertising media companies, etc. (postal research/web research)
The research was conducted by explaining to respondents that the survey would be asking about "2019 Advertising Expenditures in Japan" Internet media expenditures
2. Same as above, but with additional interview research
3. Various types of data collection and analysis

* The figures shown in graphs contained in this release are rounded to the nearest unit. Consequently, some totals differ from the sum of the components shown.

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