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Stop the Press? The Sankei and the State of Japan's Newspaper Industry

Peter Alford and David McNeill

Introduction: David McNeill

There can be little exaggerating the vertiginous decline of US print journalism. Daily newspaper sales (of about 379 titles) down by 10 million to 30.4 million over the last decade; over 15,000 US journalists sacked across the country in 2008; some of the most venerable titles in print media, including The Boston Globe, *teetering close to extinction; circulation of others, such as the once invincible* New York Times, *plummeting – down by 7.3 percent in the six months ending September 30, 2009, according to the U.S. Audit Bureau of Circulations. Chicago Tribune down by 9.7 percent in the same period;* LA Times *down by 11 percent. And the decline is accelerating, double the 4.6 fall recorded from September 2007 to September 2008, says ABC. At the same time, American papers are cutting sharply into their international coverage, notably from Japan. In fall 2009* Time *closed its Tokyo office as did* Business Week *when it was absorbed by* Bloomberg, *while the* New York Times, Los Angeles Times *and* Washington Post *all cut staff in their Tokyo offices.*

Yet big American newspapers attract 10-20 times more readers than in the pre-Internet era, when hardcopy and online versions are combined. The problem is that few newspapers have successfully monetized all those eyeballs, said Blaine Harden, Tokyo correspondent for The Washington Post. *"The elite press is in this terrible pickle. There is this incredible problem about where you get money." Harden said his own newspaper epitomizes the problem. It is still hugely popular, with over half the population of Washington seeing the Post in print or online every day. But with online advertising attracting just 11 percent of the revenue of hardcopy versions, the paper lost $200 million in 2008.*

What about Japan? For years, Japanese newspaper circulations seemed to defy gravity, held aloft by the industry's unusual success in scoring and holding subscriptions. Direct deliveries to homes, backed by famously tenacious distribution networks, account for over 90 percent of all sales in Japan, according to Laurie Anne Freeman, author of Closing The Shop. As Tokyo correspondent Peter Alford explains in this piece for The Australian, *newspaper circulation here has held "remarkably steady", losing less than 1.5 percent in a decade. Yomiuri editor in chief and chairman Tsuneo Watanabe claims his company has lost just one percent of its enormous readership. Japan still boasts 51.5 million average daily sales with virtually every household receiving one or more of the big dailies:* The Asahi, Yomiuri, Mainichi, Nikkei *and* Sankei. *It is one of the few advanced countries with a daily communist newspaper,* Akahata, *which claims a daily circulation of over 1.6 million. And let's not forget the Soka-Gakkai-affiliated* Seikyo, *with a claimed circulation of 5.5 million.*

What explains Japan's lingering love of print? One reason is simply the weight of the past: subscriptions are overwhelmingly sustained by middle-aged and older people. As a trip on any urban train makes clear, however, the generations below largely shun newspapers for the Internet, usually delivered via cell phones. Japanese media proprietors have been savvy about protecting their turf, effectively cartelizing to jointly limit access to online content, unlike many of their Western counterparts who have cannibalized their expensive print editions for online versions out of fear of being left behind by competitors. Alford brings another factor into the mix here: the practice of oshigami, *obliging distribution companies to buy newspapers far in excess of their orders from customers, which artificially inflates circulation by up to 20 percent and which is the industry's "dirty little secret."*

Slowly, however, the gravity-defying circulations appear to be heading for earth. ABC statistics on the main morning-edition circulation for 2006 to 2009 show that every Japanese newspaper recorded a loss of sales, except the business-oriented Nikkei. *In relative terms, the declines are tiny: the world's best-selling newspaper, the conservative* Yomiuri *is down from 10,042,075 to 10,018,117; the liberal-left* Asahi *from 8,093,885 to 8,031,579; the liberal* Mainichi *has taken a more substantial hit, from just under 4 million to 3.8 million. The* Nikkei *is up slightly from 3,034,481 to 3,052,929. Perhaps more indicative, and worrying, for the industry is the sharp drop in advertising revenues: from one trillion yen in 2007 to an estimated 600 billion in 2009, a year in which online advertisements continued to grow. In 2009, online advertisements increased by 1.2% to 707 billion yen, with the internet surpassing newspapers as the No. 2 medium for ads, trailing only television's 1.7 trillion yen, according to data released on February 22 by Dentsu. In that year, reflecting the economic meltdown, total ad revenues plunged by 11.5%, including 12% for newspapers and 19% for magazines. But it is the fate of the rightwing* Sankei, *down from 2,191,587 to 1,846,591, which takes up most of Alford's analysis here. As he says, 2008 January-June sales (combined morning and afternoon) of Japan' smallest daily dropped 14.7 percent.*

Sankei Shimbun Tokyo Headquarters

Staring into the abyss, the Sankei *took the radical step last December of making their newspaper available free to anyone with an iPhone and, Alford speculates, "stopped playing oshigami." The results have been discouraging: revenue is down and he says some industry watchers believe the 76-year-old publication may have cut its own throat. Although still some way off, the collapse of one of Japan's Big Five newspapers would cause tremors in an industry that appeared, until recently, invincible.*

Why has the Sankei *taken such a hit? As Japan's smallest major daily newspaper it may be simply be the most vulnerable to the demographic, technological and economic forces sweeping the industry. But it is possible to at least speculate that it may also have fallen victim to the changing zeitgeist, it's conservative populism no longer in favor since the doomed regime of Abe Shinzo. Part of the Fuji-Sankei conglomerate, the newspaper was one of the staunchest mainstream supporters of former Prime Minister Abe Shinzo and his agenda, and championed a notorious nationalist high-school textbook (published by a company within the Fujisankei group) that attempted to whitewash Japan's colonial record in Asia. Its columnists included rightwing Tokyo governor Ishihara Shintaro and Komori Yoshihisa, a revisionist well known in Washington circles. Could its decline be part of the wider weakening of the conservative movement?*

While Japan ponders the possible demise of the Sankei, the implications of the looming industry crisis are already evident. Many of the big dailies have scaled back local reporting, relying instead on partnerships with regional newspapers – a tie-up between the Asahi *and the* Nigata Nippo *(which reportedly has 60 percent share of local readership) is typical of the recent industry trend. Another trend is the growth of free papers – event guides, small-town free-sheets, movies and TV information, restaurant guides and the like. The Japan Consumer Marketing Research Institute estimates that the country prints about 291 millions copies of free papers a year. Advertisers are increasingly opting for these publications, says the Institute, drawn by their sometimes "immense circulation numbers" and the "ability to blanket a geographical area with messages at low cost."*

So whither Japan's big newspapers? One way out could be to charge for online subscriptions, but most publications have found that readers just defect to free content elsewhere. In an effort to buck this trend, one of the global industry's biggest hitters, Rupert Murdoch, announced in May that he would end free access to the News International stable of titles, having previously done so with The Wall Street Journal. *"We are now in the midst of an epochal debate over the value of content and it is clear to many newspapers that the current model is malfunctioning," said the News Corp. chairman and CEO. As Alford explains here, the Nikkei intends to launch one of the most elaborate subscription-based online services anywhere next year. All eyes will be on the venture, but whatever happens, the old model is dead.* ***DMN***

Omens from the shrinking Japanese newspaper business

Peter Alford

Something very odd happened to Sankei Shimbun*'s circulation recently -- close to 15 per cent of it disappeared.*

The decline of *Sankei*, the smallest of Japan's five national daily newspapers, has been sudden, steep and not well explained.

The underlying reasons might be ominous for the Japanese industry generally, or a salutary warning to the others not to go where *Sankei* has gone, and most likely a combination of both.

Newspaper executives around the world often marvel at the Japanese market. The country's newspaper sales and penetration are, without a doubt, extraordinary -- almost 51.5 million average daily sales to the end of last year.

And until the end of last year, general newspaper circulation held remarkably steady, losing less than 1.5 per cent in a decade. In just the six months to September, US newspaper publishers lost 10.6 per cent of unit sales.

But the *Sankei* January-to-June combined morning and afternoon sales dropped 14.7 per cent on the same period in 2008. The other four national dailies slipped between 0.15 per cent (*Nihon Keizai Shimbun*, the business newspaper popularly known as *Nikkei*) and 2.33 per cent (*Mainichi*), which is also rumoured to be struggling.

Sankei managers did an unusual thing last December. They made their Y=100 ($1.23) cover price newspaper available free to anyone

with an iPhone and are widely believed to have done something equally rash: stopped playing oshigami (pushing papers to distributors), the industry's dirty and not-so-little secret.

Sankei reportedly has been forced to abandon traditional circulation padding at the same time as it grapples with the new threat of digital media leaching away the economic value of its products.

Sasaki Toshinao, IT writer and former staffer at *Mainichi Shimbun* (almost 5.1 million daily sales in the June half-year) believes Sankei's difficulties are the edge of a blade menacing the industry.

Sasaki's diagnosis is less immediately drastic than suggested by his book title, *2011 Newspaper, TV Extinction*, but still inescapable in the long run, he believes.

As in other Western markets, demography, economic woes and the online challenge are making their marks on the traditional Japanese newspaper market.

"Currently Japanese newspapers are mainly read by middle-aged and older age groups, and subscription should not decline dramatically as long as those groups remain the central layer of society," says Sasaki.

"However, newspapers' share of nationwide advertising revenue is sharply decreasing, from Y=1 trillion ($12.35 billion at today's value) in 2007 to the Y=600 billion expected this year.

"That's the direct blow to newspaper finances, rather than the subscription numbers."

Gradually the ageing but still numerous generations who take the big dailies and NHK (the Japan Broadcasting Corporation) as their principal information sources are being edged aside by the post-1980s, post-bubble cohorts -- fewer, generally less well-off, inveterate IT-adopters, much less tethered to authorized news.

According to the most recent Japan Newspaper Publishers Association (NSK) readership survey, morning papers were read daily by 86 per cent of people aged 60-plus, 54 per cent of 30 to 40-year-olds, and 34 per cent of 20 to 30s. NSK finds that although 73 per cent of daily news consumers read newspapers, 69 per cent, a big overlap, access online news by mobile phones, the most common internet device in Japan.

Kanayama Tsutomo, a media studies professor at Ritsumeikan University, observes even among his students -- youngsters aimed for big-city establishment news and information careers -- daily newspaper reading becomes less common and information is sourced indiscriminately. "Students will give the same weight to facts that come from a newspaper or their phones."

Decline is evident even aboard the great media galleons. Circulations would "decline little by little, not quickly, but there is no way of stopping it", *Asahi Shimbun* chief executive Akayama Kotaro recently told the *Financial Times*.

And yet *Asahi* in the June half-year had 11.39 million combined daily sales. *Yomiuri Shimbun*, the world's biggest-selling daily, claimed more than 10 million morning sales and another 3.7 million in the afternoon.

(*The Australian*, which has its Tokyo news bureau at *Yomiuri*'s Otemachi headquarters, sold 134,100 copies Monday-to-Friday in the most recent circulation period while *The Times of London*, another *Yomiuri* tenant, managed 588,471 daily.)

Nagoya's *Chunichi Shimbun* (which also publishes *Tokyo Shimbun*) circulates more than 3.3 million, two other regionals claim one million-plus daily sales and 12 more have 500,000-plus.

Combined with an overall market penetration of 612 sales per 1000 adults, according to a new World Association of Newspapers and News Publishers survey, Japan still brings tears of envy to the eyes of media executives elsewhere in the world.

However, critics such as journalist Kuroyabu Tetsuya, an industry specialist who has crusaded for years against *oshigami*, allege the circulations are a facade, puffed at least 20 per cent by Japanese publishers' practice of obliging distribution companies to buy newspapers far in excess of their orders from customers.

Up to the bursting of Japan's bubble in the early 1990s, says Kuroyabu, distributors copped oshigami because they shared revenue from *chirashi* (advertising inserts), based on the number of newspapers they took.

Publishers allegedly paid distributors other incentives and subsidies to keep up circulations and thus advertising rates.

But as the economy slumped and direct-mail advertising spread, chirashi diminished and distributors grew less willing to accept surplus deliveries.

As the smallest national daily, *Sankei* was most vulnerable to distributors' push-back and finally gave up last year, according to industry talk, though it's hard to get any authoritative confirmation that oshigami even operates.

"I can see no other reason," says Kuroyabu of the abrupt circulation decline. "*Sankei* just could not keep doing oshigami, otherwise their distribution network would collapse and then they would lose everything."

The largest part of *Sankei*'s circulation slide happened from January this year; at the end of last year, average morning circulation stood at 2.13 million newspapers (plus 627,515 afternoon copies) and at June 30 it was 1.847 million (plus 566,811).

Sankei's public relations people declined to discuss this phenomenon with media, though its circulation department did confirm the rot continued into the second half -- average morning sales in October had fallen to 1.704 million, a further 7.7 per cent decline.

Established in Osaka 76 years ago, *Sankei Shimbun* formed the base of the Fujisankei Communications Group, which, as with the other four national dailies, is twinned with a television network.

Fujisankei also has among its extensive stable of media-related businesses a Central League baseball franchise, although the Yakult Swallows have nothing like the pedigree or brand-power of *Yomiuri*'s Giants, who reputedly claim one of every two Japanese pro ball followers.

Sankei stands at the conservative-nationalist end of the Japanese ideological spectrum among the national newspapers but, on the other hand, Fuji TV's programming is generally considered the most switched-on of the commercial networks.

While the other four continue developing proprietary websites *Sankei* joined with Microsoft Japan with portal *MSN Sankei News*, competing directly against Yahoo News, the dominant online news presence.

But 12 months ago, while other newspaper executives were pondering how to monetize their online content, *Sankei* startled them by launching an iPhone application that downloaded the whole newspaper for free.

Almost immediately the *Sankei* downloader became the top Japanese iPhone app, and today still ranks a respectable No 14. But as paid circulation drooped alarmingly, the industry speculated that, in the words of *Facta* magazine, "possibly Sankei has put a noose around its own neck".

Sankei Digital people tell analysts the venture is a work in progress they want to evolve into a revenue-earning platform. But certainly none of the other big publishers is following suit.

Instead, they're intently watching Nikkei's planned launch early next year of a full-scale, multi-service, multi-delivery mode, subscription-paid digital shimbun.

Word from the company's towering new Tokyo HQ suggests this project represents the Nikkei transition strategy, the most ambitious attempt anywhere to migrate online a major print-based news operation.

Customer management, until now the province of the distribution companies, will be taken in-house. Nikkei thinks it sees the future and it involves stacks of unsold newspapers or free apps.

Peter Alford's article was first published in The Australian *newspaper on December 14, 2009. Peter Alford is* The Australian*'s Tokyo correspondent. David McNeill writes for* The Independent, The Irish Times *and* The Chronicle of Higher Education. *An* Asia-Pacific Journal *coordinator, he prepared this introduction for the Journal.*

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