



**公正取引委員会**  
Japan Fair Trade Commission



# **Market Study Report on Connected TV and Video On-demand Service, etc. Sector (Summary)**

**March 2024**  
**Japan Fair Trade Commission**

## Purpose of This Study

- In recent years, while the viewing time of TV broadcasting has decreased by 30-40% in about 10 years, **the usage rate of Video On-demand Services (VOD) has increased rapidly** mainly among young people from 17.4% (FY 2019) to 52.0% (FY 2021), **during the covid-19 pandemic**.
- **“Connected TV” (including Smart TV and Streaming Device) has spread** as a device for using VOD, etc. The usage rate of Smart TV has increased from 18.0% (2016) to 32.7% (2021), and that of Streaming device has increased from 8.9% (2016) to 33.7% (2023).
- Under this circumstance, **there is a concern that dominant power of Amazon and Google** which provide TVOS, the fundamental software to operate Connected TV functions, **has been increasing**.
- If VOD providers **unfairly be excluded** or **suffer disadvantages**, there might be a concern that **streaming of various and high-quality content will be harmed** and it will cause **a loss for consumers**.

The JFTC conducted **the Market Study on Connected TV and VOD, etc.**

## Methods of This Study

### Questionnaire Survey for Consumers

Period: Jul. 10th, 2023  
Subjects: VOD, etc. users  
Subjects number: 4,000

### Questionnaire Survey for Enterprises

Subjects : VOD providers  
Subjects number : 26  
Respondents : 22 (response rate 84.6%)

### Voluntary Interview

Interviews, etc. for related enterprises : 43  
Written surveys for Amazon and Google  
Interviews on Government Agencies : 1

## International Cooperation

The JFTC exchanged opinions with the Korea Fair Trade Commission and Competition Commission of India



Content

VOD

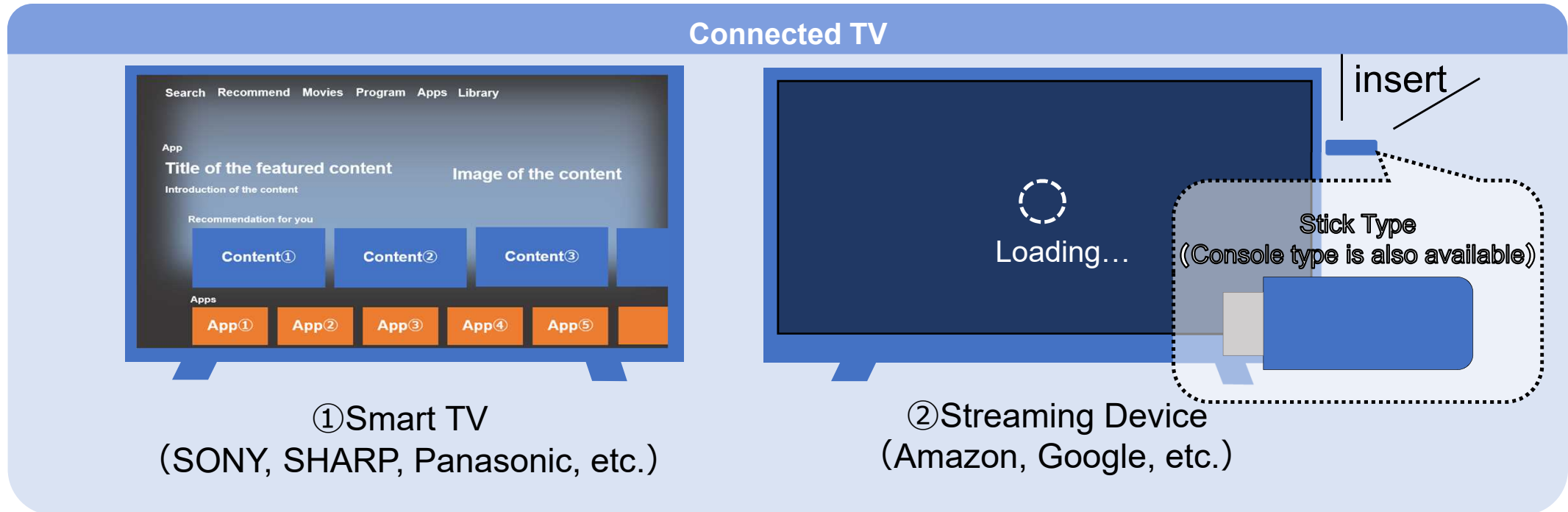
TVOS

Device

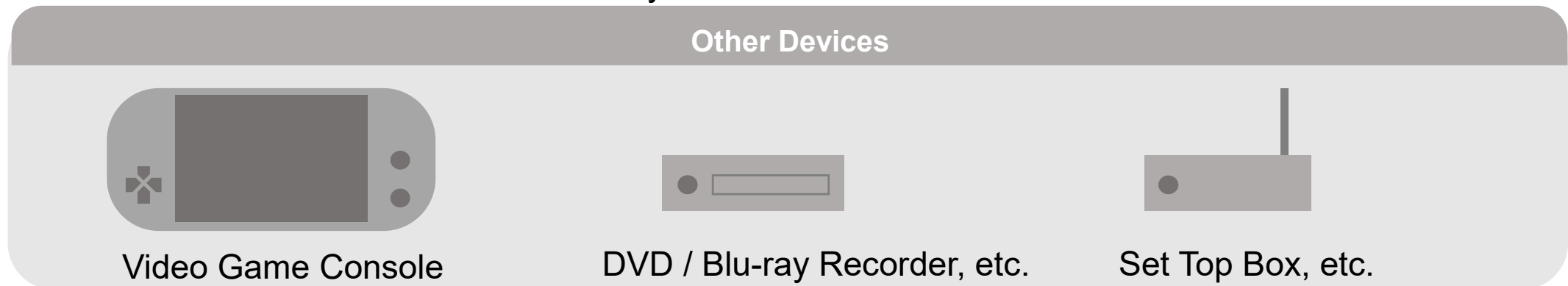
Evaluation of Competitive Situation	Although it cannot be said the market is easy to be an oligopoly, in the case of <b>specific enterprises become to hold monopoly or oligopoly positions</b> through business integration, etc., <b>the bargaining power of those enterprises may increase than now.</b>		
Issues around the Content Fee, etc.	①Content Fee	<div>Views from the AMA</div> <ul style="list-style-type: none"><li>Major enterprises may <b>have Superior Bargaining Position.</b></li><li>It will be <b>a problem</b> under the AMA in the case of setting <b>a remarkably low price unilaterally</b> and unjustly causing disadvantages.</li></ul>	<div>Preferable Action from the Competition Policy</div> <ul style="list-style-type: none"><li>Holding <b>sufficient negotiations</b> on <b>price setting.</b></li><li><b>Providing information</b> regarding the <b>viewing conditions of users.</b></li></ul>
	②Distribution of Advertisement Revenue on YouTube		
	③Sharing of Viewing Data, etc.		
Other Issues	①Setting of remarkably Low Usage Fee	<ul style="list-style-type: none"><li>It will be <b>a problem</b> under the AMA in the case of possibility of making it <b>difficult to continue business activities.</b></li></ul>	<ul style="list-style-type: none"><li><b>Informing</b> the changes <b>beforehand</b> and <b>having sufficient discussions.</b></li><li>Setting an adequate <b>grace period</b> to <b>have sufficient discussions</b> beforehand.</li></ul>
	②Combination of VOD and other Services	<ul style="list-style-type: none"><li>It will be a <b>problem</b> under the AMA in the case of <b>Decrease on Competitors' Transaction Opportunities</b> or <b>Competitors Exclusion.</b></li></ul>	
	③Change of Services and Rules, etc.		
Evaluation of Competitive Situation	There is a probability that <b>influence of Amazon and Google on TVOS market will increase</b> in the future, as those 2 companies <b>hold majority of the market share</b> and <b>oligopoly situation seems to be maintained easily once it has proceeded.</b>		
Exclusion of Competitors through Self-preferencing (Exclusion of Competing VOD Providers)	①Ranking and Recommendation, etc.	<div>Views from the AMA</div> <ul style="list-style-type: none"><li>It will be <b>a problem</b> under the AMA in the case of <b>Decrease on Competitors' Transaction Opportunities</b> or <b>Exclusion of Competitors.</b></li></ul>	<div>Preferable Action from the Competition Policy</div> <ul style="list-style-type: none"><li><b>Disclosing the criteria</b> of app layout order, etc. <b>as much as possible</b> and applying <b>the same conditions</b> on itself and others.</li><li><b>Setting Fire Wall</b> between divisions inside the company.</li></ul>
	②App Layout Order and Pre-installation		
	③Limitation on Use of Competing Services		
	④Collection and Use of Data		
	⑤Installation of Button on Remote Controller		
Conducts Unjustly Cause Disadvantages	①Collection of Charge on In-app Advertisement (Include Change of Policy by Amazon)	<ul style="list-style-type: none"><li>Amazon and Google may <b>have Superior Bargaining Position.</b></li><li>It will be <b>a problem</b> under the AMA in the case of forcing <b>unilateral and disadvantageous changes or demands,</b> and unjustly causing disadvantages.</li></ul>	<ul style="list-style-type: none"><li>Setting an adequate <b>grace period</b> to <b>have sufficient discussions</b> beforehand.</li><li><b>Allowing selection</b> of payment system and <b>redirection</b> to third parties' payment system.</li></ul>
	②Demand for Development of New Functions, etc.		
	③Demand for Usage of Payment System		

In this study, “**Connected TV**” is defined as below devices.

- ① **Smart TV** (TV equipped with the function of connecting to the Internet)
- ② **Streaming Device** (Device enables to use VOD mainly on TV screen)







Devices, which can use VOD through TV but are not manufactured for using VOD mainly, are **excluded** as “**Other Devices**” in this study.



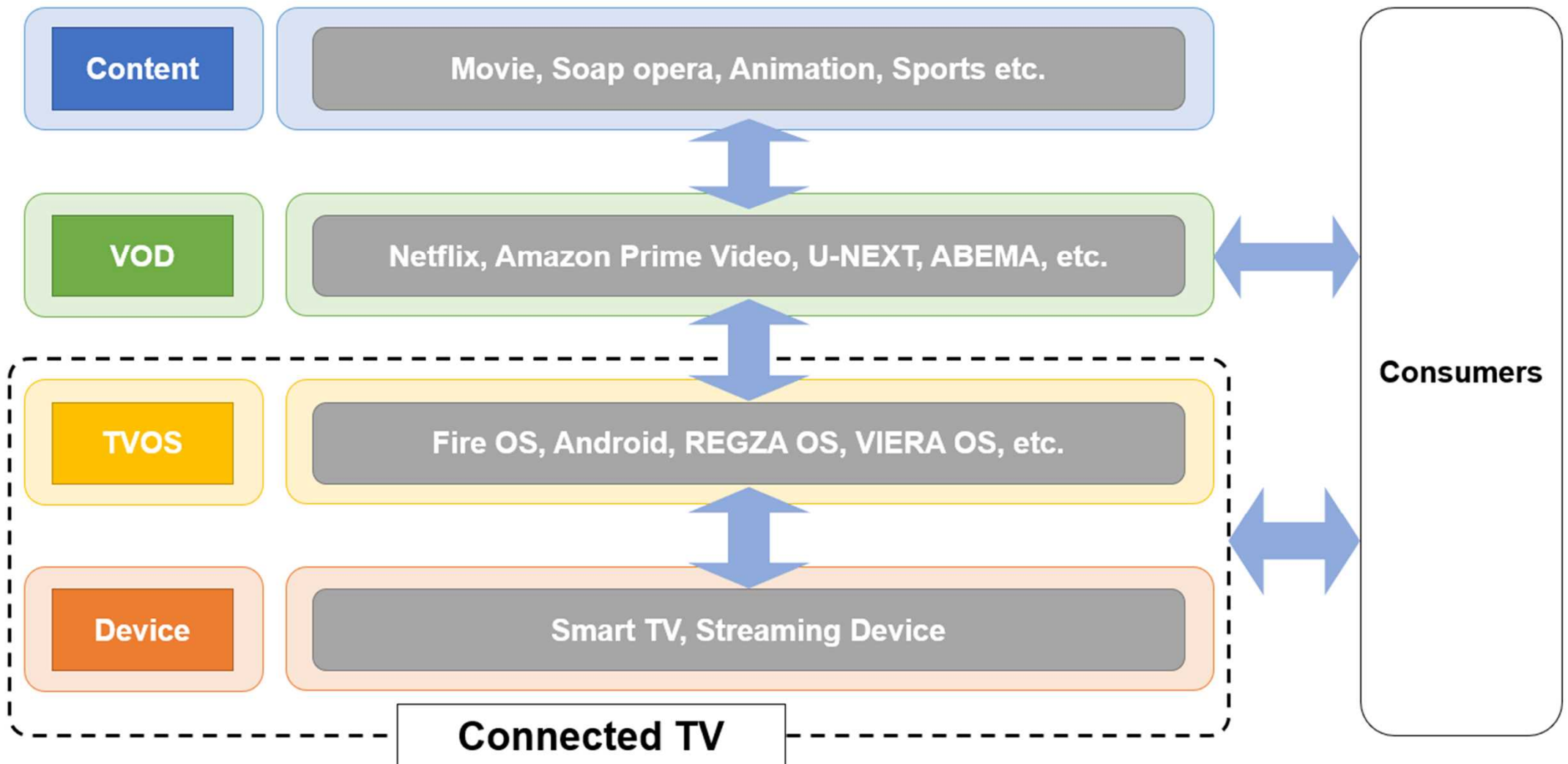
- **TVOS, basis of supplying information and services** to users and making it possible to smoothly carry out various processes such as connecting to the Internet and watching VOD on TV, is loaded on Connected TV.

OS	Device	Device Maker	Product / Brand
Android (Google)	Smart TV	SONY, SHARP, etc.	BRAVIA, AQUOS, etc.
	Streaming Device	Google, etc.	Chromecast, etc.
Fire OS (Amazon)	Smart TV	Funai Denki	FUNAI/fire TV
	Streaming Device	Amazon	Fire TV Stick
REGZA OS (TVS REGZA)	Smart TV	TVS REGZA	REGZA
tvOS (Apple)	Streaming Device	Apple	Apple TV
VIDAA OS (Hisense)	Smart TV	Hisense	Hisense
Viera OS (Panasonic)	Smart TV	Panasonic	Viera
webOS (LG electronics)	Smart TV	LG electronics	LG

- VOD is a service that video content **selected by service providers** are listed in a catalog style, and enables users to watch video content they want to through the Internet.
- **SVOD**, **TVOD** and **EST** are provided as **Paid** VOD, and **AVOD** is provided as **Free** VOD.

	Paid VOD			Free VOD
	SVOD (Subscription Video On Demand)	TVOD (Transactional Video On Demand)	EST (Electric Sell-Through)	AVOD (Advertising Video On Demand)
Overview	 <p>Unlimited streaming in a contract period by paying subscription fee (<b>Subscription</b>)</p>	 <p>Limited period watching by paying per video content (<b>Rental</b>)</p>	 <p>Unlimited period watching by downloading, etc. video content onto devices (<b>Purchase</b>)</p>	 <p>Free watching in exchange for advertisements played during video content (<b>Advertisement</b>)</p>
Subscription Period	Monthly or Yearly	Pay-as-you-go	Pay-as-you-go	—
Usage Fee	few hundred yen ~approx. 2,000 yen (per month)	few hundred yen (per one content)	approx. 1,000 yen ~ (per one content)	—
Major VOD	Amazon Prime Video, Netflix, Disney+, etc.	Amazon Prime Video, Hulu, U-NEXT, etc.	Amazon Prime Video, DMM, etc.	TVer, ABEMA, etc.

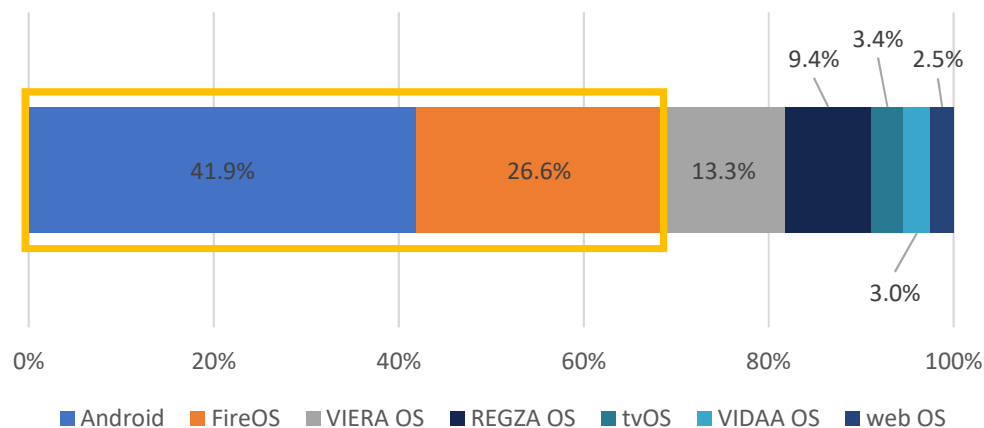
When consumers use VOD through Connected TV, **the Layer Structure** is formed as below.



O S	Market Share
<b>Fire OS</b>	<b>40-50%</b>
<b>Android (ATV/GTV)</b>	<b>20-30%</b>
OS of A	10-20%
OS of B	5-10%
Others	5-10%
Total	100%

Regarding the Japanese TVOS market share, according to the reports from enterprises, the top 2 OS, **Fire OS** (Amazon) and **Android** (Google) hold approx. **60-80%** of the market share in total.

( Calculated by the JFTC based on the reports from enterprises on the number of shipments in 2022 in terms of this study. )



Regarding the situation of TVOS used by consumers, according to the Questionnaire Survey for Consumers, the top 2 OS, **Android** and **Fire OS** hold approx. **70%** (68.5%) of the market share in total.



## Whole VOD

Service	Market Share
Netflix	20-30%
Amazon Prime Video	10-20%
U-NEXT	10-20%
DAZN	5-10%
Others	30-40%
Total	100%

## Each VOD

### SVOD

Service	Market Share
Netflix	20-30%
Amazon Prime Video	10-20%
U-NEXT	10-20%
DAZN	5-10%
Hulu	5-10%
Others	20-30%
Total	100%

### TVOD

Service	Market Share
ABEMA	20-30%
Amazon Prime Video	20-30%
U-NEXT	20-30%
DMM	5-10%
Hulu	5-10%
Others	10-20%
Total	100%

### EST

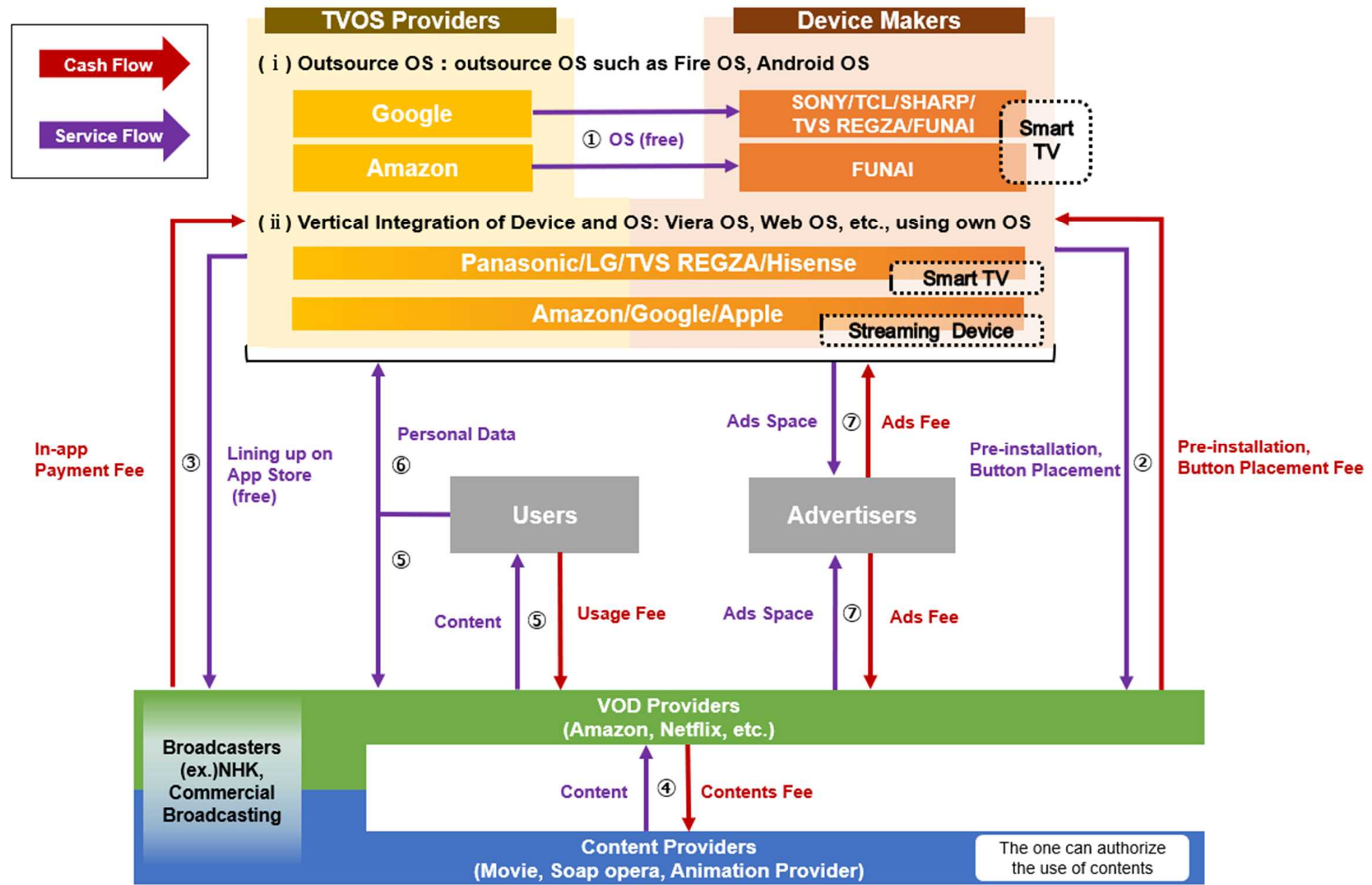
Service	Market Share
Amazon Prime Video	40-50%
DMM	20-30%
J:COM	5-10%
YouTube Movies, etc.	5-10%
Others	5-10%
Total	100%

### AVOD

Service	Market Share
ABEMA	70-80%
TVer (※)	20-30%
Others	0-5%
Total	100%

※Excluding the advertisement space which TVer is not involved in selling the advertisement.

# Overview of the Main Trades in Connected TV Related Sector

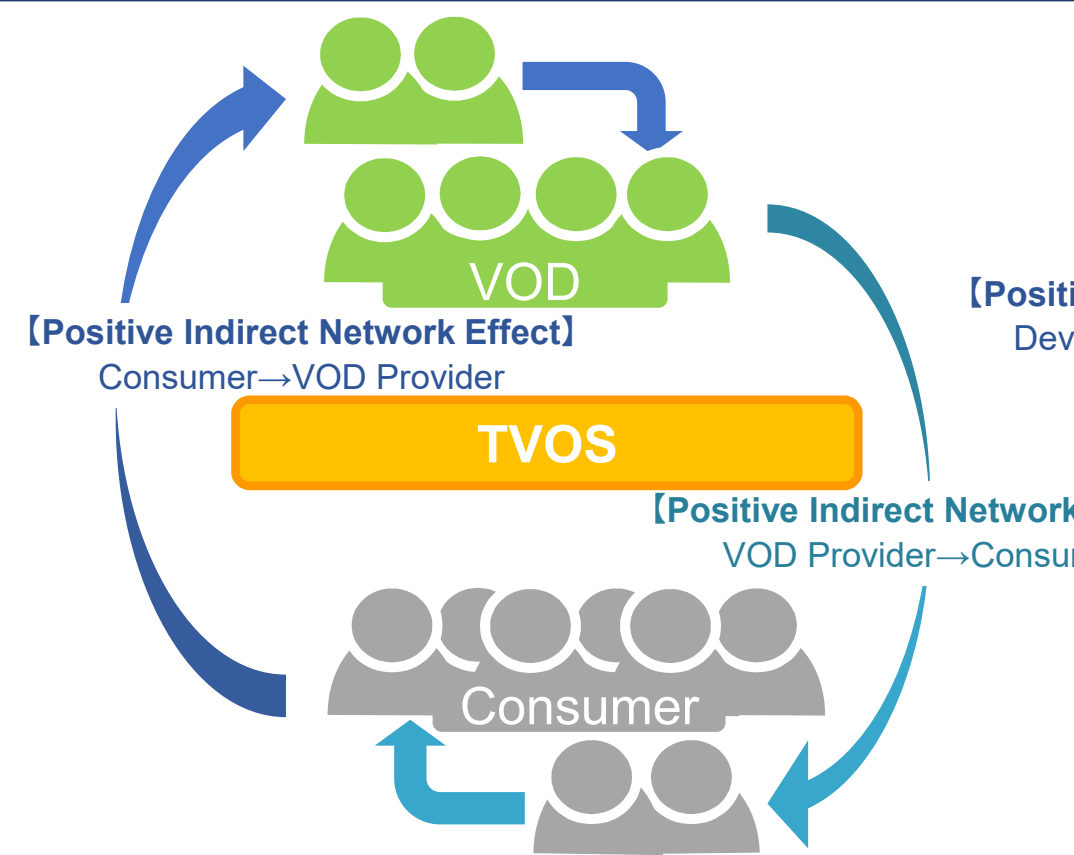


## Indirect Network Effect

The effect that when there are multiple participant groups belonging to the same network, **an additional participant in one group increases the benefits of the participants in the other group**

<Between Consumers and VOD providers>

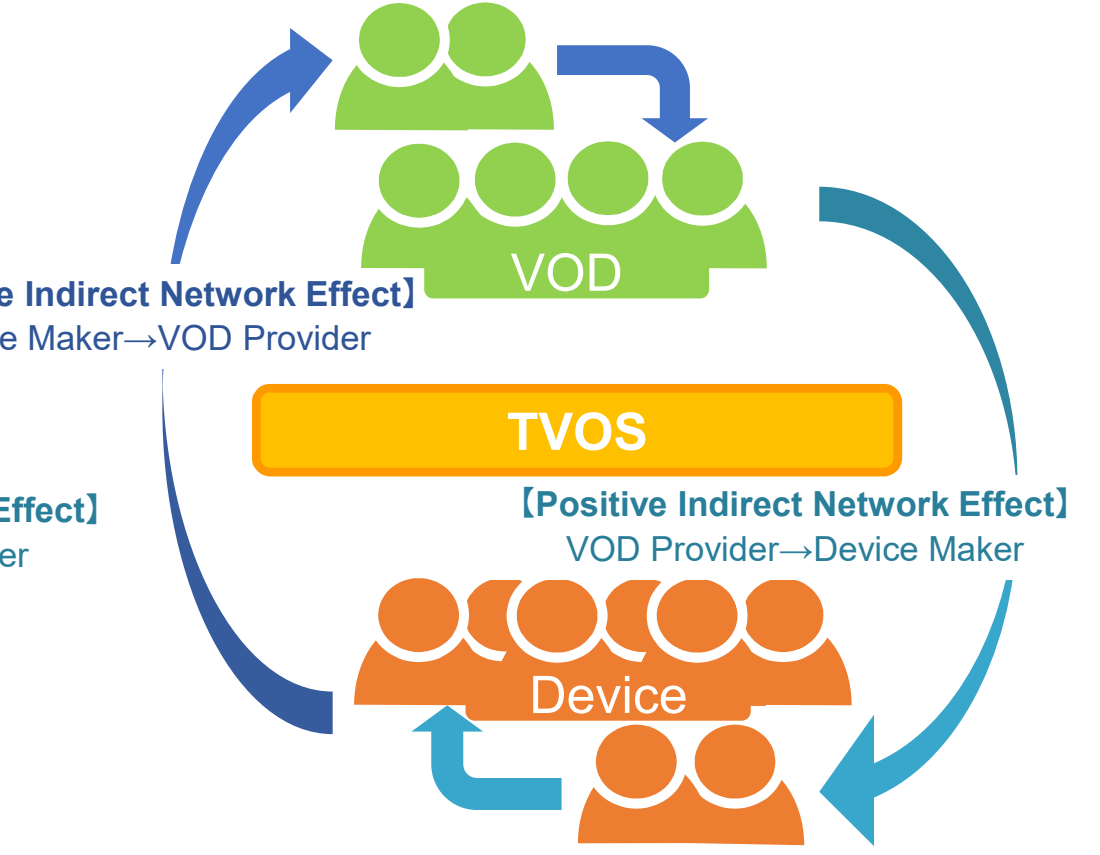
TVOS used by many consumers is attractive for VOD providers  
⇒ **The number of VOD providers use the TVOS will increase**



TVOS used by many VOD providers is attractive for consumers  
⇒ **The number of consumers use the TVOS will increase**

<Between Device Makers and VOD providers>

TVOS used by many device makers is attractive for VOD providers  
⇒ **The number of VOD providers use the TVOS will increase**



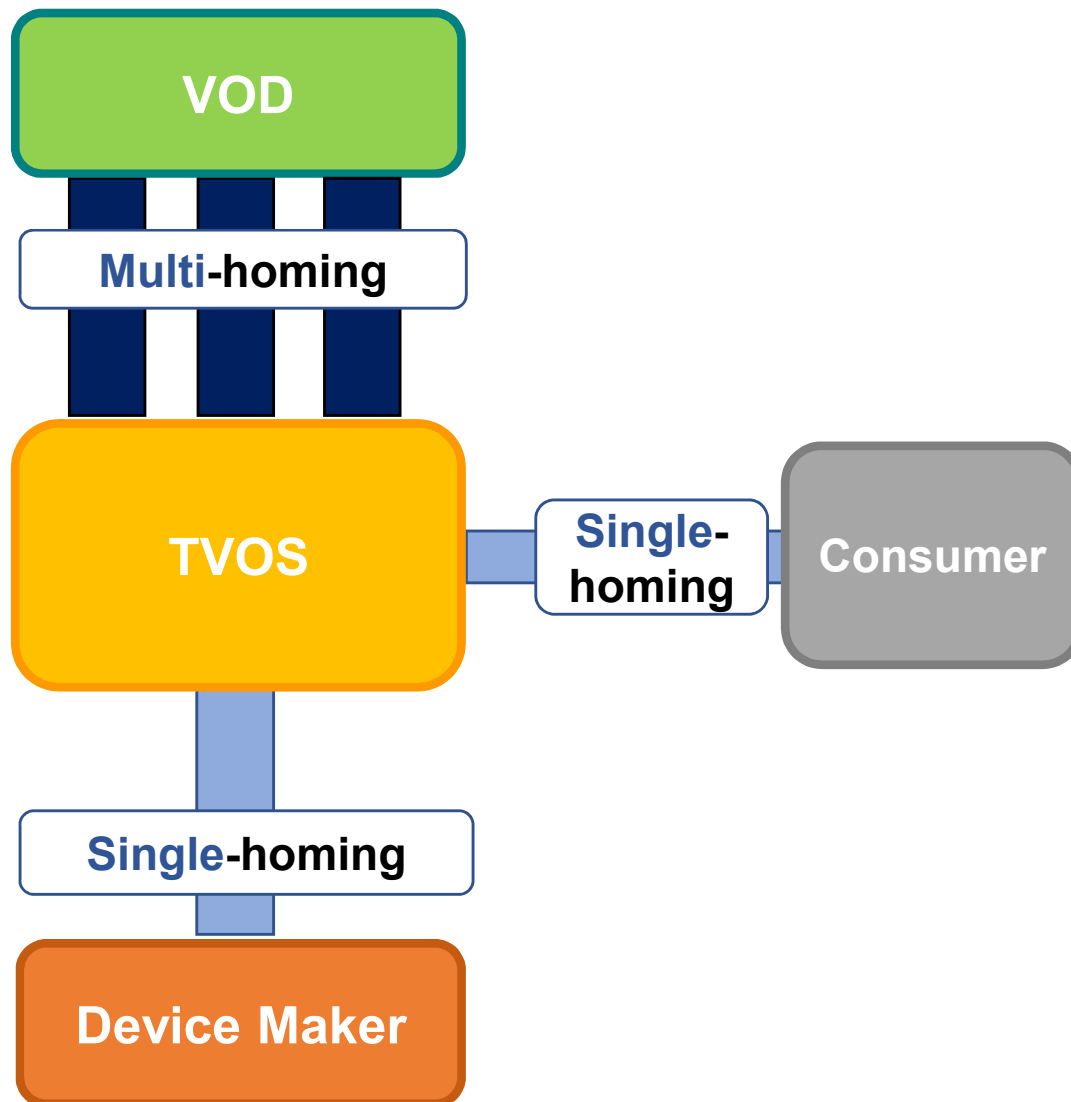
TVOS used by many VOD providers is attractive for device makers  
⇒ **The number of device makers use the TVOS will increase**

Generally, **positive indirect network effect** may work mutually both between **consumers and VOD providers**, and **device makers and VOD providers**.

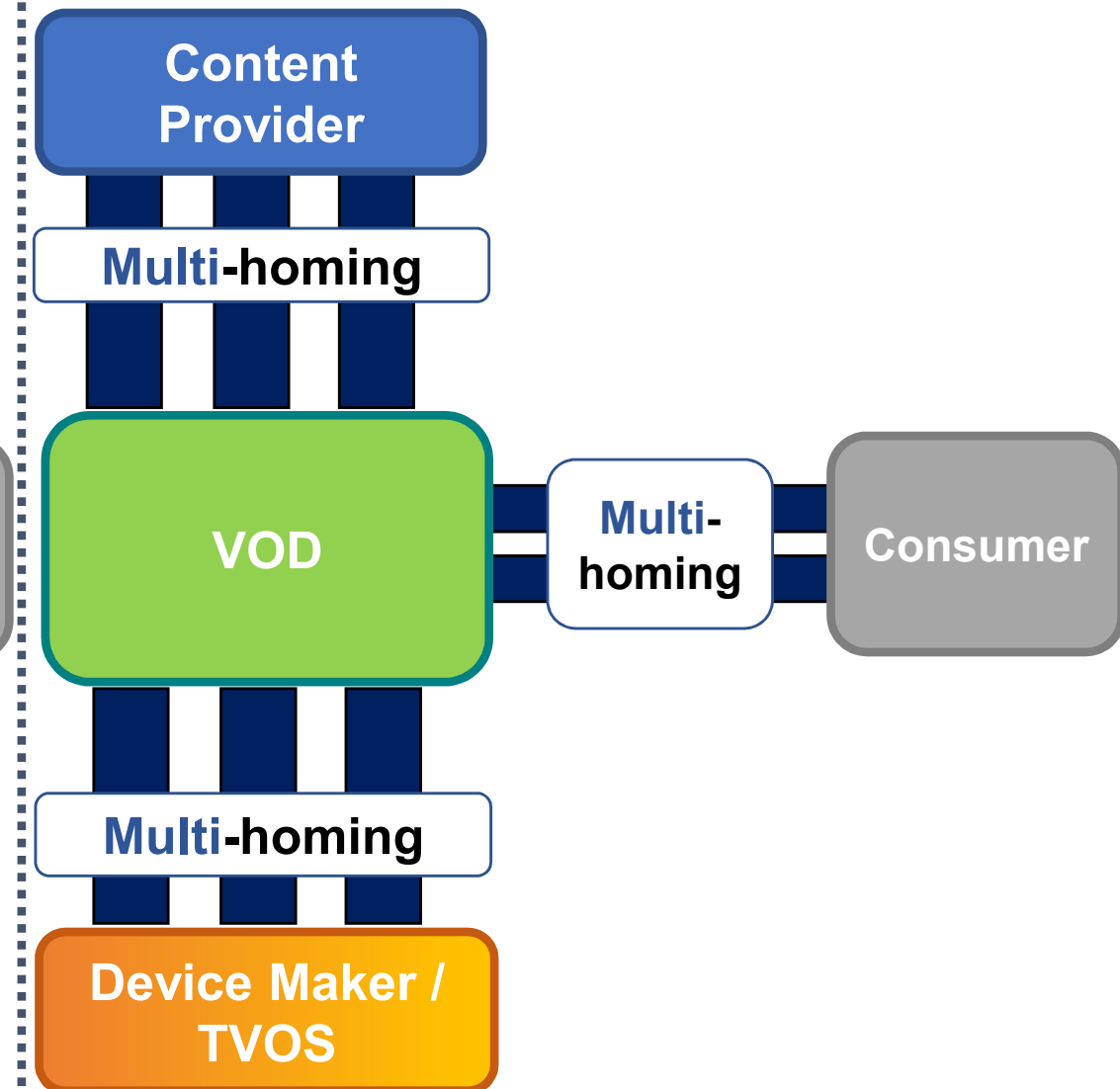
## Single-homing/Multi-homing

Situation that one user uses **one** platform/Situation that one user uses **several** platforms

<Connected TV/TVOS>



<VOD>



## Economic Analysis on SVOD Based on Questionnaire Survey for Consumers

## Analysis① : Usage Situation on SVOD Market

The result of the analysis on the usage situation of SVOD shows that **the increase of the number and rate of users are relatively high** regarding SVOD which hold high market share such as Amazon Prime Video or Netflix.

The result only reflects specific period and can not necessarily show the general tendency. However, we can see that **the SVOD which already holds high market share tends to gain more users.**

Usage Situation of each SVOD

	Continue	Not Using	New	Cancel	Rise/Fall
Amazon Prime Video	1,163	748	285	20	265(18.3%)
Disney+	160	2,005	59	29	30(13.7%)
Netflix	487	1,552	161	36	129(19.9%)
U-NEXT ・ Paravi	148	2,005	67	46	21 (9.8%)
DAZN	118	2,103	31	24	7 (4.7%)

## Analysis② : Tendency on Usage of SVOD Users

Based on the economic analysis on cancellation or new subscription of SVOD, the tendency that **cancellation and new subscription less likely to happen** when **the users are older**, or that the SVOD which provides certain types of content is less or more likely to be cancelled.

Tendency of the Users Cancelled or Subscribed SVOD in the Last 3 Months

	Cancelled in the Last 3 Months	Newly Subscribed in the Last 3 Months
Age	Less likely to happen when the users are older.	Less likely to happen when the users are older.
Animation Content	Less likely to happen when the users like animation content.	Less likely to happen even though the users like animation content.
Sports Content	Likely to happen even though the users like sports content.	Likely to happen when the users like sports content.
Music Content	Likely to happen even though the users like music content.	Likely to happen when the users like music content.
Education Content	Likely to happen even though the users like education content.	Likely to happen when the users like education content.

# Assessment of Competitive Situation of Connected TV / TVOS

## Competitive Pressure from Existing Enterprises

- While Amazon holds **40-50%** and Google holds **20-30%** of the market share, there are also other enterprises, etc., which hold **10-20%** of the share.

AS of this moment, competitive pressure is working among existing TVOS to some extent but **that of TVOS providers vertically integrated is comparatively small.**

## Competitive Pressure from Adjacent Market

### Smartphone

- **The screen size** of Smartphone is far smaller than that of TV. Additionally, PC and Tablet usually do not have as a large screen as TV does.
- Except for Desktop PC, these devices have the feature of **mobile devices** that can be used in any place.
- **About half** of consumers using both TV and Smartphone use devices depending on the situation and it can be assumed that they **use** these devices **depending on** places and content.

### PC · Tablet

### Video Game Console

- Users mainly using Video Game Console is just **11.5%** of the whole, and it is **mainly used for playing video games.**
- Because of **the necessity of a monitor** and Video Game Console is relatively expensive, switching to Video Game Console is hard to happen.

Each of these devices may not be regarded as an alternative of Connected TV, and it **cannot be said that enough competitive pressure is working.**

## Market Entry

- The number of enterprises, which develop and operate TVOS for their own TV devices is **limited.**
- Appropriate amount of **technological and personnel cost**, and **huge amount of investment** will be needed to develop and maintain TVOS.

It **cannot be assessed that market entry is active** in TVOS sector.

## Competitive Pressure from Users

### Consumer

- Generally, **few** consumers use several Connected TV **in parallel.**
- While Smart TV is comparatively expensive and their switching cost is high, **Streaming Device is comparatively reasonable** and its switching cost is relatively low.

### VOD Provider

- **Need to support every major TVOS** as much as possible in order to reach a large number of consumers.
- **The use of TVOS is indispensable** for providing VOD through Connected TV.
- They are considered to be inferior to major TVOS providers **in terms of bargaining power.**

Although there is a possibility that **competitive pressure will arise to some extent**, it **cannot be said** that competitive pressure from users **is working enough.**

While **Amazon and Google** hold **majority of the market share**, as **indirect network effect** is working, the TVOS market is considered **easy to stay oligopoly once it has proceeded** and the influence on the market of these two companies **may be enhanced** in the future.



# Assessment of Competitive Situation of VOD

## Competitive Pressure from Existing Enterprises

- Even Netflix, the one holds the highest market share, holds just **20-30%** of the share, and other enterprises that hold **10-20%** of the share such as Amazon Prime Video or U-NEXT, etc. exist.

It can be assumed that **competitive pressure is working to some extent** among existing VOD.

## Competitive Pressure from Adjacent Market

### Video Sharing Service

- YouTube is **viewed by the users the most to watch video content**, and niconico is also viewed to some extent.

### TV Broadcasting

- Although the viewing time of TV Broadcasting is decreasing gradually, **it still exceeds that of VOD**.

### DVD/Blu-ray

- Although the usage rate of DVD/Blue-ray is decreasing year by year, **it exceeds that of VOD** especially in Rental and Purchase.

### Movie Theater

- Due to the covid-19 pandemic, the grossing of movies decrease sharply once but **it is now recovering**.

Each of them is a competitive way to watch video content, and it can be assumed that **competitive pressure is working to some extent**.

## Market Entry

- **Large amount of cost** is required to **procure various content** meeting consumers' needs and to **develop and maintain the system** related to video streaming.
- However, it will be **relatively easy** to procure content or develop apps, etc. if the enterprise is running related businesses and have certain degree of business scale.

**Entry pressure is working to some extent** in VOD sector.

## Competitive Pressure form Users

- According to the Questionnaire Survey for Consumers, most of (82.7%) consumers **have never switched** VOD (SVOD).

However,

- Assuming from many (57%) consumers answered that they have never switched services with "no reason", there is a possibility that users **may switch to other VOD** if they have **positive reasons to do so**.
- As the cost of VOD (SVOD) is about 1,000-2,000 yen/month, **switching cost is comparatively low** and it is relatively easy to switch VOD.
- Certain degree of users are using several VOD in parallel and **tendency of multi-homing** can be seen.

There is a possibility that competitive pressure from users **is working to some extent**.

Although it cannot be said VOD market is easy to be an oligopoly, in case that specific enterprises become to hold monopoly or oligopoly positions through business integration, etc., **the bargaining power** of the enterprises **may increase than now**.

①Conducts Related to Ranking or Recommendation

Main Comment from VOD Providers



• In many cases, when searching (including voice searching) content on TVOS, the **search results of the content related to the services provided by the TVOS provider are shown as the top results.**

• It is **unfair** that the services provided by the TVOS provider are **prioritized** regarding the way of showing their own VOD content or display in an advertisement space.

Main Explanation by Major TVOS Providers

(A : Amazon G : Google)



• Each displayed content is decided **based on the Algorism** and the factor of it is **relation to the searching, popularity, or our commercial benefit and agreement on contract.** (A)

• We never prioritize our own VOD. The display of search results is designed to **consider wide range of parameter** and provide the **most related content** for users. (G)

Concern

**Prioritizing the display of content provided on own VOD, etc. by controlling Ranking, Recommendation or the result of content research.**

②Conducts Related to App Layout Order or Pre-installation

Main Comment from VOD Providers



• Based on the Algorism, etc. of TVOS providers, they **place their own VOD apps on advantageous position of the home screen, and place third parties' apps on disadvantageous position of it.**

• VOD apps provided by the TVOS providers are **pre-installed, so they can be used immediately.**

Main Explanation by Major TVOS Providers



• **Users can change** the layout of apps **freely.** There are some cases that we **place the apps on specific position based on the agreement** with VOD providers, etc.

While we pre-install our own app in view of users' convenience, users can **pre-install other apps during the default setting and download other apps through app stores.** (A)

• App installation and layout are based on user experiences. Also, **users can decide freely** at last on app installation and layout order. (G)

Concern

**Prioritizing the display of own VOD, etc. apps by controlling the layout order of VOD, etc. apps on TV or pre-installing own apps.**



③Conducts Related to the Restriction of Providing Competing Services

**Main Comment from VOD Providers**

Because of the reason that our service is **competing with the TVOS provider’s business model**, the **function of content purchasing in our apps is rejected** on their TVOS .

**Main Explanation by Major TVOS Providers**

- It is **possible to buy content** in VOD app on Fire OS. (A)
- We **do not restrict** users to purchase in-app content. (G)

**Concern**

Restricting the providing of VOD, which compete with their own VOD.

④Conducts Related to Data Collection and Use

**Main Comment from VOD Providers**

We feel it unfair that only TVOS providers can refer to the **information of purchase history linked to TVOS ID or number of users coming from Ranking, etc.**, and it can be considered that they may **use those information to attract users to their own VOD**.

**Main Explanation by Major TVOS Providers**

- We gather **information based on the agreement** with users, and using those data on **service improvement, user authentication and maintenance and improvement of security, etc.** (A)
- We **do not use** the user account information of ATV/GTV for attracting users to our own VOD **without their agreement**. (G)

**Concern**

Gathering the data such as purchase history or viewing data of each VOD content on Connected TV widely and cross-sectionally, and **use those data only for their own VOD, etc.**

⑤Conducts related to the installation of buttons on a remote controller

**Main Comment from VOD Providers**

- **TVOS providers**, which also making devices, **require us to pay huge amount of money** to install buttons on a remote controller.
- Between device makers, in order to install TVOS, they require to **install the buttons of their own VOD or not to install any button that they do not allow**.

**Main Explanation by Major TVOS Providers**

- We **do not order them not to install third parties’ buttons** on a remote controller. We **negotiate with them honestly and sign a contract based on the agreement**. (A)
- As we are not OEM, those comments do not apply to us. Also, we **do not ask OEM** to install the buttons of third parties’ apps. (G)

**Concern**

**Making it impossible for other VOD providers to install buttons on a remote controller by setting a remarkably high price for installation of the buttons or restricting the sorts of buttons** on other device makers.

## Views from the AMA

It will be a problem under the AMA (private monopolization, interference with the competitors' transaction, etc.) in the case of major TVOS providers **diminishing the transaction opportunities** of other VOD providers or **excluding those providers** by interfering the transactions between those providers and consumers through **self-preferencing**.

Especially, as TVOS layer **tends to stay oligopoly once it has proceeded**, the effect of **excluding** other providers through the conducts mentioned before (①～⑤) may **be enhanced in case that the oligopoly of Amazon and Google goes further**.

## Preferable Action from the Competition Policy

It is preferable to work on the efforts below, in terms of **respecting the diversity** of various VOD and **maintaining the environment** that we can enjoy **high-quality content**.

- **Disclosing the criteria** of Ranking, Recommendation, results of content searching, the app layout order on a home screen or the installation of the buttons on a remote controller to use apps as much as possible, and also applying **the same condition** to competing apps provided by other VOD providers.
- **Setting Fire Wall** between internal divisions, etc. **when collecting the data** of other VOD, etc. in order to **make sure that those data is not used** for their own VOD, etc.

## ①-1 Conducts Related to the Collection of Charge on In-app Advertisement

### Main Comment from VOD Providers

- Certain degree of the advertisement revenue on AVOD is collected as a charge outside of Japan, and **we are afraid that the change of the terms and conditions to start the collection of the charge will be took place in Japan, too.**

### Main Explanation by Major TVOS Providers

- Regarding the advertisement on Fire TV, we **have changed and published the terms and conditions targeting all over the world** based on the universal idea of **making better experiences on Fire TV.** (A)
- We do not oblige VOD providers to distribute revenue of instream advertisement. (G)

## ①-2 Change of terms and Conditions Related to the Charge Collection by Amazon

### Main Comment from VOD Providers

- The **change of the terms and conditions was took place unilaterally** without any notification, and it is **unreasonable** as we do not serve the benefit that meet **the 30% of advertisement revenue**, which is stipulated in the policy.
- This type of charge collection on advertisement revenue has **huge effects** as it may extend to the apps on Smartphone.

### Main Explanation by Amazon

- The new policy will be applied only to the developers that meet **certain criteria** and **get contact from us.**
- 30% of profit-sharing ratio **is as same rate as that of other enterprises** abroad.
- We **briefly explained** the new policy to **some developers.**

### Concern

**Unilaterally changing and carrying out the terms and conditions** against ad-supported VOD (AVOD or ad-supported SVOD) providers that **collects remarkably high charge on in-app advertisement, etc.** or causes them a cost to deal with it

## ② Conducts Related to the Requirement for Development of New Functions

### Main Comment from VOD Providers

• We are asked to develop and revise the apps which had no merit in a short term due to the specification changes, etc. In addition, although we are given certain period of time, they informed us unilaterally that our apps will not be able to be used on TVOS if we do not address the changes.

### Main Explanation by Major TVOS Providers

- While we usually do not require them additional development tasks, we inform them one month (more than that when man-hour is needed) beforehand if it happens. (A)
- Except the emergency situations, we **provide** preview from several developers and **β version** of releasing AOSP and make an explanation at least **few months beforehand**. (G)

### Concern

Unilaterally forcing VOD providers to develop or address the new functions related to VOD apps, **which do not have a (or have just few) merit** for them, in a limited period.

## ③ Conducts Related to the Requirement for Using Payment System

### Main Comment from VOD Providers

- Although User Experiences are different between Smartphone and TV, it is unreasonable that **we cannot choose individually whether we will use the payment system** on Smartphone apps and TV apps or not.
- The number of user registration through Smart TV has **decreased remarkably** after we are obliged to use the payment system provided by TVOS provider. We assume that it is because **the way of account registration is complicated**.

### Main Explanation by Major TVOS Providers

- The comment do not apply to us as we do not provide OS for Smartphone. (A)
- It is **technologically possible for developers to configure payment systems** different from Smartphone. However, they **have to build and maintain the system by themselves** to link the purchase through the other payment system with user account in order to distinguish whether the user have rights or not. (G)

### Concern

Unilaterally **forcing** VOD providers **to use its own payment system** as a method of users' in-app payment on their apps.

## Views from the AMA

It will be a problem under the AMA (abuse of dominant position) in the case of major TVOS providers, which have a superior bargaining position against VOD providers, using that position and unfairly causing disadvantages compared to normal business practices through the conducts mentioned before (①～③).

- Major TVOS providers may have superior bargaining position against transaction counterparties, VOD providers, as transactions with major TVOS providers are important and necessary for VOD providers in terms of business management and also there is only few possibility of changing business partners.
- The probability of major TVOS providers having a superior bargaining position will increase in case that the influence of major TVOS providers in the market increases in the future, as TVOS layer is the market that oligopoly is easy to be maintained once it has proceeded.

## Preferable Action from the Competition Policy

It is preferable to work on the efforts below, in terms of changing the transaction details affecting VOD providers' revenue or operation of payment systems, etc.

- Having sufficient discussions beforehand and explaining clearly the calculation basis of the charge rate when starting a collection of new charge, etc.
- Setting a grace period of time in order not to put an excessive burden in case that system updates, etc. are needed due to the collection of charge.
- Making it possible for VOD providers to choose individually between TV and Smartphone on whether using the payment system provided by the TVOS provider or not, and in case of not adopting the payment system of TVOS providers, making it possible for users to pay through Smartphone, etc. by displaying a QR code, etc. of content purchasing pages on a TV screen.
- Informing the changes and explaining the reasons of them in case of changing transaction details or rules, and setting a grace period of time before applying them.
- When receiving reasonable comments on changes, taking them into account as much as possible and having sufficient discussions.



## ①Setting of Content Fee

### Main Comment from Content Providers

- At the moment, we are able to **negotiate** with VOD providers **for contract amount or whether providing content or not**.
- In the future, **as a result of the selection of VOD, we are afraid** that strong VOD providers that survived the competition **will force us to lower the price of the content**.

### Main Explanation by VOD Providers

- We **negotiate well** with content providers for license fees of broadcasting (**Unit price is on an upward tendency.**).
- The market is basically **a sellers' market of content providers** and VOD providers do not have initiatives.

## ②Distribution of Advertisement Revenue, etc. on YouTube

### Main Comment from Content Providers, etc.

- **Unit price of advertisement on YouTube is very low**.
- Although we think that **the distribution of the advertisement revenue on YouTube is unfavorable to us**, we regard it as a price for using **great analytics provided** by Google.
- **We cannot consider whether the fee we get is reasonable or not as the whole advertisement revenue of YouTube is undisclosed**.

### Main Explanation by Google

- The distribution of advertisement revenue that YouTube receive reflects the **huge cost of operating** YouTube. It also reflects **the indirect value that creators will receive** through YouTube (including marketing and promotion).
- We understand that the distribution rate of advertisement revenue on YouTube **is as same rate as that of other similar services**. This distribution of revenue is applied globally including Japan and has never been changed since it was introduced.

### Concern

- Although it **cannot be evaluated** that content providers **are forced to lower the price** remarkably, in case that specific VOD providers hold high market share in the future, **the bargaining power of those providers may increase**.
- Regarding **YouTube**, some enterprises point out that **distribution of advertisement revenue is insufficient or unfair**.

## ③ Sharing of Viewing Data, etc.

### Main Comment from Content Providers



- We want to know the exact number of subscribers and views in Japan, as **we cannot judge the price is suitable for the content because viewing data is not provided** in terms of flat contract.
- In terms of flat contract, **we cannot verify whether the content price was reasonable or not as the basic data of contract fee is undisclosed**. If the information is provided, we will be able to negotiate for better conditions when renewing the contract or providing the next content.

### Main Explanation by VOD Providers



- In the case of the flat contract, **we do not provide the data** unless we stipulate in the contract because **viewing time of the content or the number of subscribers are trade secrets**.
- While we basically do not provide the data beyond the contract, we provide it **when content providers ask for it for the purpose of utilizing it on making content, etc.**

### Concern

**Not disclosing or disclosing only a limited part of the data** related to users' viewing conditions (**views, viewing time, etc.**) which can be a **basis of content fee**, to content providers.

## Views from the AMA

It will be a problem under the AMA (abuse of dominant position), in the case of having a **superior bargaining position**, using that position and **unfairly causing disadvantages** compared to normal business practices by **unilaterally setting a remarkably low price** in terms of the setting content fee (①・② mentioned before).

In light of the points below, **major VOD providers that have a certain extent of share may have a superior bargaining position against transaction counterparties, content providers.**

- As content providers are **required to address every major VOD** that hold certain degree of share in order to **reach as many consumers as possible** and it is **virtually difficult to switch to the other providers**, the **necessity to deal with those VOD providers is high** and **possibility of changing business clients is not high**.
- In terms of business management, **transactions** with major VOD providers **are especially necessary and important**.

## Preferable Action from the Competition Policy

Regarding the setting of content fee, it is **preferable to work on the efforts below.**

- In terms of preventing the violation of the AMA, setting **content fee** through **sufficient negotiations** with content providers.
- When renewing the contract or signing the contract of series content or similar ones, VOD providers will **provide the data, to the extent necessary for appropriate negotiations for content fee, related to users' viewing conditions, etc.** of the content in terms of not only revenue share contract but also **flat contract**.



## ① Setting of VOD Usage Fee

### Main Comment from VOD Providers

• One VOD's monthly fee seems **impossible to run a business** with that price. We think it is an **unwholesome competition** to get users with **a too low price**.

### Main Explanation by VOD Providers

• As the fee of membership, which includes VOD as a benefit, reflects both **the value we providing to users** and **the cost to provide the benefit**, the usage fee is decided based on these points of view.

#### Concern

**Setting the price, which is remarkably lower than the cost to provide the service, continuously as a usage fee of VOD.**

## ② Combination of VOD and Other Services

### Main Comment from Content Providers

• One VOD is **getting users** by providing **other services**, and we think it cannot be regarded as a fair competitive measure.

### Main Explanation by VOD Providers

• Our SVOD is not an independent VOD and provided as a part of benefits for a membership. However, it is possible to use the service without the membership on some Connected TV.

#### Concern

**Providing VOD service combined with other powerful services**

## ③ Change of Services and Rules, etc.

### Main Comment from Content Providers

- Although it is not denied in the contract and not breaking it, one VOD provider **started a new pricing plan without any contact beforehand** and we noticed the start of the plan after being pointed out by a third party just before the beginning of it.
- Regarding **YouTube**, we are having a trouble in current situation that they **unilaterally change the terms and conditions** because it is not easy to follow the changes **due to the various adjustment cost**.

### Main Explanation by VOD Providers, etc.

- In terms of changing the plans, we **inform the changes beforehand**, handle inquiries and **hold discussions with content providers on both financial and values aspects** based on the details of the changes.
- We generally inform **about one month beforehand** regarding **the crucial changes** of the services or terms of use, **which can impair the use** of YouTube.

### Concern

- **The Explanations or discussions beforehand are insufficient** even though **the change on business model of VOD may cause interference on content providers' business operation**, such as **decline of revenue**, etc. resulting from the reduction of advertisers due to the conflict of interest between them.
- **The Explanations or discussions beforehand are insufficient** even though **the change of rules or transaction details** related to VOD, such as **introducing new functions on VOD**, will **cause content providers a cost** for coordination with stock holders, etc.

## Views from the AMA

- It will **be a problem under the AMA (unjust low price sales, etc.)** in case that it may **make it difficult for other VOD providers to do businesses** by setting VOD usage fee remarkably lower than the cost of providing the services, (① mentioned before), .
- Regarding the combination offer of VOD and other services (② mentioned before), it will **be a problem under the AMA (tying, etc.)** in case that **the influential enterprise in other markets diminishes the transaction opportunities** of other VOD providers or **excludes** them by **forcing transaction counterparties to purchase its own VOD tying to the other services**.

## Preferable Action from the Competition Policy

Regarding the change of services and rules, etc. (③ mentioned before), it is **preferable to work on the efforts below** in terms of **improving the fairness and transparency of transactions and securing the fair competitive environment**, taking into account that it may cause content providers additional work or cost.

- **Informing** related enterprises of **the changes beforehand** and **explaining sufficiently** by handling inquiries appropriately, etc. after **presenting** the details of changes and **the basis** of their needs.
- Setting **sufficient grace period** from the notification of the details of the changes to application of the changes.
- When receiving reasonable comments on the details of the changes from related enterprises, **taking those comments into account as much as possible** and **having sufficient discussions** with them.

In terms of maintaining the environment that consumers can watch various and high-quality video content, by securing the fair competitive environment on the distribution of content through VOD, etc., the JFTC will proceed the actions below.

1. The JFTC will inform the details of this report to TVOS providers and related parties in Connected TV related sector, including VOD providers, keep proactively **engaging in cooperation and collaboration with relevant agencies** and seek to secure competitive environment.
2. The JFTC will **keep monitoring competitive situation in Connected TV related sector**, including the situation of **application of the new Amazon's policy on collecting the charge**.
3. The JFTC will strictly and appropriately respond to concrete cases involving TVOS providers or VOD providers that become problematic under the AMA **by utilizing the knowledge gained through the Market Study**.
4. As foreign competition authorities are heavily interested in and have concern on the business activities of global digital platforms, **the JFTC will exchange opinions with them at various levels**, and make use of opportunities offered by the Organization for Economic Cooperation and Development (OECD), the International Competition Network (ICN), etc. to **promote continuous collaboration with relevant overseas authorities** and seek to develop competitive environment while proactively sharing opinions and knowledges from the Market Study.