



# Apple in Japan

A market overview by Mobile Observations  
September 2010

## Contents

Market situation

Brand Perception

Observations

App Culture

The Competition

Future Prospects

イルクーツク

ペキン

大阪

成都

上海

7° 摂氏

追い風 66 キロ/時

対気速度 851 キロ

Back



## Apple Captured 72% of Japan Smartphone Market in 2009

April 23 (Bloomberg) -- Apple Inc. shipped 1.69 million iPhones in Japan in the fiscal year ended March 31, capturing the top share of the country's smartphone market, MM Research Institute Ltd. said.

The iPhone, offered by Japan's third-largest wireless carrier Softbank Corp., accounted for 72 percent of smartphones shipped in the country in the period, the Tokyo-based researcher said in a report yesterday. Taiwan's HTC Corp. was second with 11 percent, followed by Toshiba Corp. with 6.8 percent, it said.

Source: [www.businessweek.com](http://www.businessweek.com)

Apple iPhone 4

すべてを変えていきます。もう一度。

SoftBank

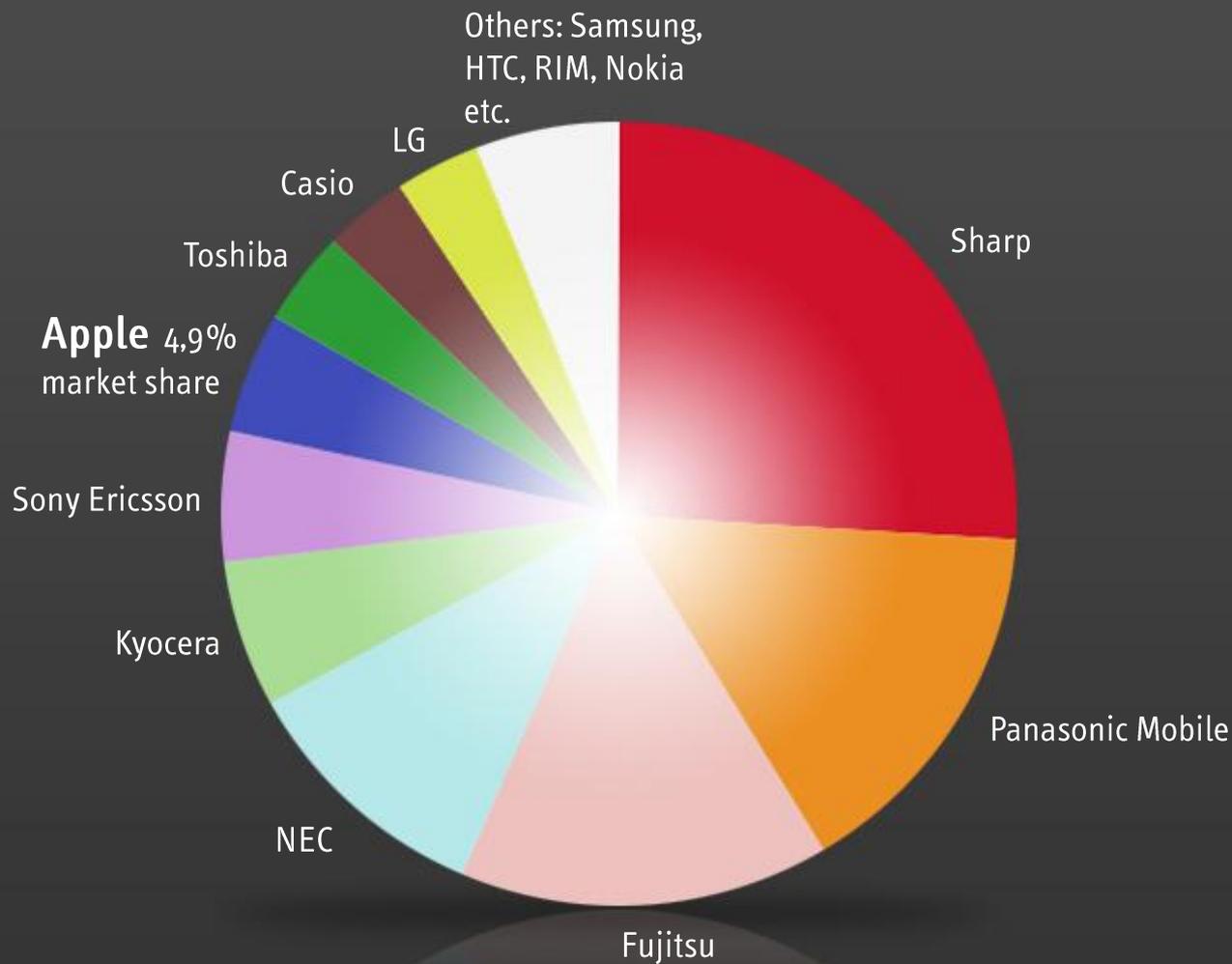
## A Matter of Definition

The definition of “smartphone” in Japan is vague at best. Japanese Wikipedia informs us that a smartphone is a phone running any of these operating systems; “Symbian OS, Windows Mobile, Windows Phone 7, iPhone OS, Android, BlackBerry OS, Palm OS and Palm WebOS”.

In other words, when talking about smartphones in Japan we are talking about operating systems designed outside Japan. The overwhelming majority of handsets are still made by domestic companies.

Source: Wikipedia

# 2009 Market Shares, Handset Manufacturers



Source: MM Research Institute Ltd. 2010.4.22



## Apple, An Envable Mindshare

Apple's mobile products have been around in Japan for quite some time; however it's reputation has been built with personal computers. Especially the iMac seems to have lasting appeal in creative circles and up-market shops. The iPhone was first released in July 2008, and Japan has been among the first countries to get the new versions even though the success of the iPhone 3G at first was modest. The iPad has been available since May 2010.

iPhones and iPads are sold through Apple stores in bigger cities, in stores of the exclusive carrier Softbank as well as in most general electronic stores, where carriers operate shop-in-shops. At least in July 2010 the 3G models of the iPad seemed to have a delivery time of a few weeks at least in Apple stores, while the wi-fi model was instantly available.

Especially the iPhone 3GS, which finally sported some, for Japanese users, crucial features such as emoticons, copy-pasting and video recording, was pushed into the national consciousness through a large advertising campaign by carrier Softbank, as well as very aggressive price competition against rival carriers. With the introduction of the iPhone4 the device itself and it's features are already known well enough, and I did not see an intensive advertising campaign this year like I saw for the 3GS in the summer of 2009.



# URA U CONOURSE

YAKITORI & SASHIMI

有楽コンコース

"I've used an AU keitai since I was student. I think AU has a good network all over Japan. The iPhone is a Softbank keitai and everybody says the Softbank network is poor. So I think it would be bad if I use for my business.

But I have never used an iPhone. I am not sure. I have a iPod touch, which is so nice. I can check my Gmail and Facebook. It is like small computer. I really wish the iPod touch had a camera, though."

Man, 29  
Artist agent, entrepreneur

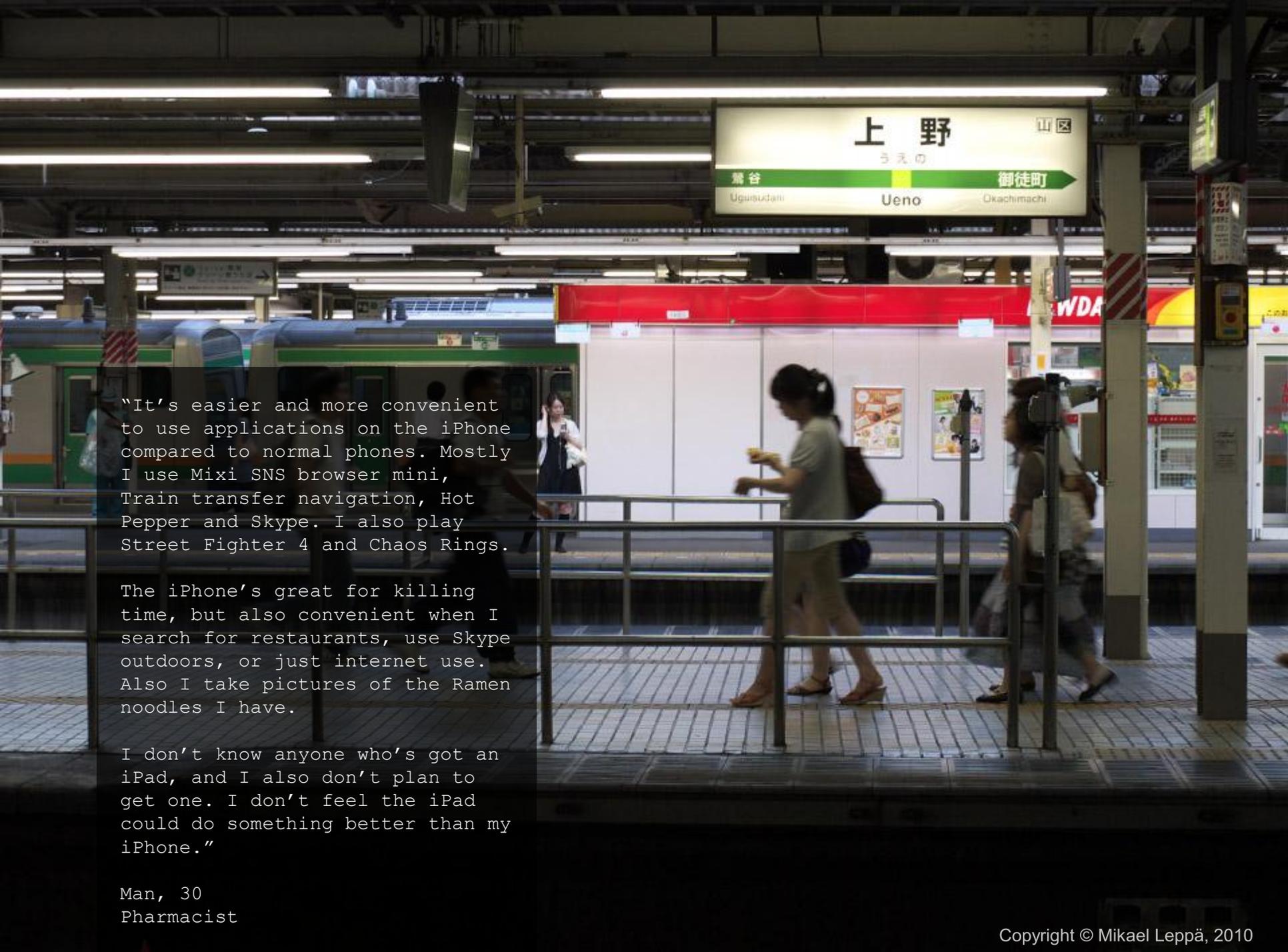
## Who Are the Consumers

The truth is that only a small part of the Japanese population has a potential need for all the features the iPhone and, in part the iPad, have to offer. The most potential users would be big city commuters, who enjoy digital entertainment during their commutes. While this amounts to millions of people, most Japanese still live outside the huge metropolitan areas concentrated around Tokyo and Osaka.

Observing commuters in slightly smaller cities like Sapporo, Sendai and Fukuoka, there are already less mobile digital entertainment consumed during commutes. The train and subway rides in these cities tend to be around 30 minutes or less, compared to the often 1-2 hour commutes of the largest cities. In small cities like Asahikawa public transport usage is much rarer, and people drive their own cars most of the time. This naturally is the case in the countryside as well.

Japanese consumers have been using heavily featured handsets for several years before the iPhone's arrival, and have been enjoying e-mail, e-books and mobile TV much longer than their western counterparts. The unique selling proposition of the iPhone and iPad is the completely new user experience and way of interaction they offer. However, someone heavily into communicating by e-mail and Twitter might actually still prefer a traditional 12 key keypad over a qwerty or touchscreen, as it incidentally is a very efficient interface for writing Japanese.





"It's easier and more convenient to use applications on the iPhone compared to normal phones. Mostly I use Mixi SNS browser mini, Train transfer navigation, Hot Pepper and Skype. I also play Street Fighter 4 and Chaos Rings.

The iPhone's great for killing time, but also convenient when I search for restaurants, use Skype outdoors, or just internet use. Also I take pictures of the Ramen noodles I have.

I don't know anyone who's got an iPad, and I also don't plan to get one. I don't feel the iPad could do something better than my iPhone."

Man, 30  
Pharmacist



## Some Mobile Observations

This summer I did not see a significant increase in iPhones used in public places compared to 2009. What was notable was the amount of iPhone4's in use compared to older models. This could be explained by mainly previous 3G and 3GS owners updating to the iPhone4, rather than large numbers people switching to the iPhone4 from domestic handsets.

The largest geographical concentration of iPhones was in Tokyo, as could be expected. In areas where people have less leisure time (as in long distance commuting) with their mobile devices iPhones grow scarce. Mostly people could be seen using iPhones while stationary. Locally made handsets, which usually feature the classic 12 key keypad, are more often being used also when walking or even when riding a bicycle.

iPads were still scarce on the streets, on trains and in cafes, but this can be to some degree be explained with it being available only for about two months during my observation period, and even then in a limited way (3G model). I spotted a few in use in Tokyo, all neatly cased. These were carried by suit-wearing business people in their 30's, rather than students or creative professional-types.

An observation speaking for the need of on the go computing was the use of ordinary laptops by business people traveling around by train during office hours, and using the time for work. Seeing this was a daily occurrence in Tokyo this year, when it was very rare just a year ago.

An aerial night view of a city skyline, likely Tokyo, featuring numerous illuminated skyscrapers and buildings. The lights create a vibrant, glowing effect against the dark sky. The buildings are densely packed, and the overall scene is a dense urban landscape.

" I got my iPhone 3G  
because the user  
interfaces of Japanese  
mobile phones are not cool  
at all.

These days I mostly use  
maps for navigating in  
Tokyo, mail and the  
calendar. It's really good  
when I have to visit  
different parts of town to  
see clients, and I can  
manage my daily schedule  
easily.

Woman, 29  
Graphic Designer

# Meeting the iPad

I attended an iPad presentation at the Apple flagship store in Tokyo's Ginza district. Locating their flagship store in Ginza, among several upscale department stores as well as fashion and luxury brand stores, is a clever branding move by Apple. No other electronics manufacturer has stores in this area, making Apple stand out among the competition as a premium brand.

Perhaps due to the high-end conservative feel of the location the presentation audience seemed to consist mostly of well off businessmen and retirees. A thing to note about the presentation contents was its emphasis on e-reader and note taking applications. The iPad was presented as a strong work and study tool, which probably reflects the perceived interests of the local audience. The other Tokyo Apple store in more youthful and vibrant Shibuya had more presentations on creative applications, according to their program. In the Ginza flagship store music and video capabilities on the iPad were not covered.

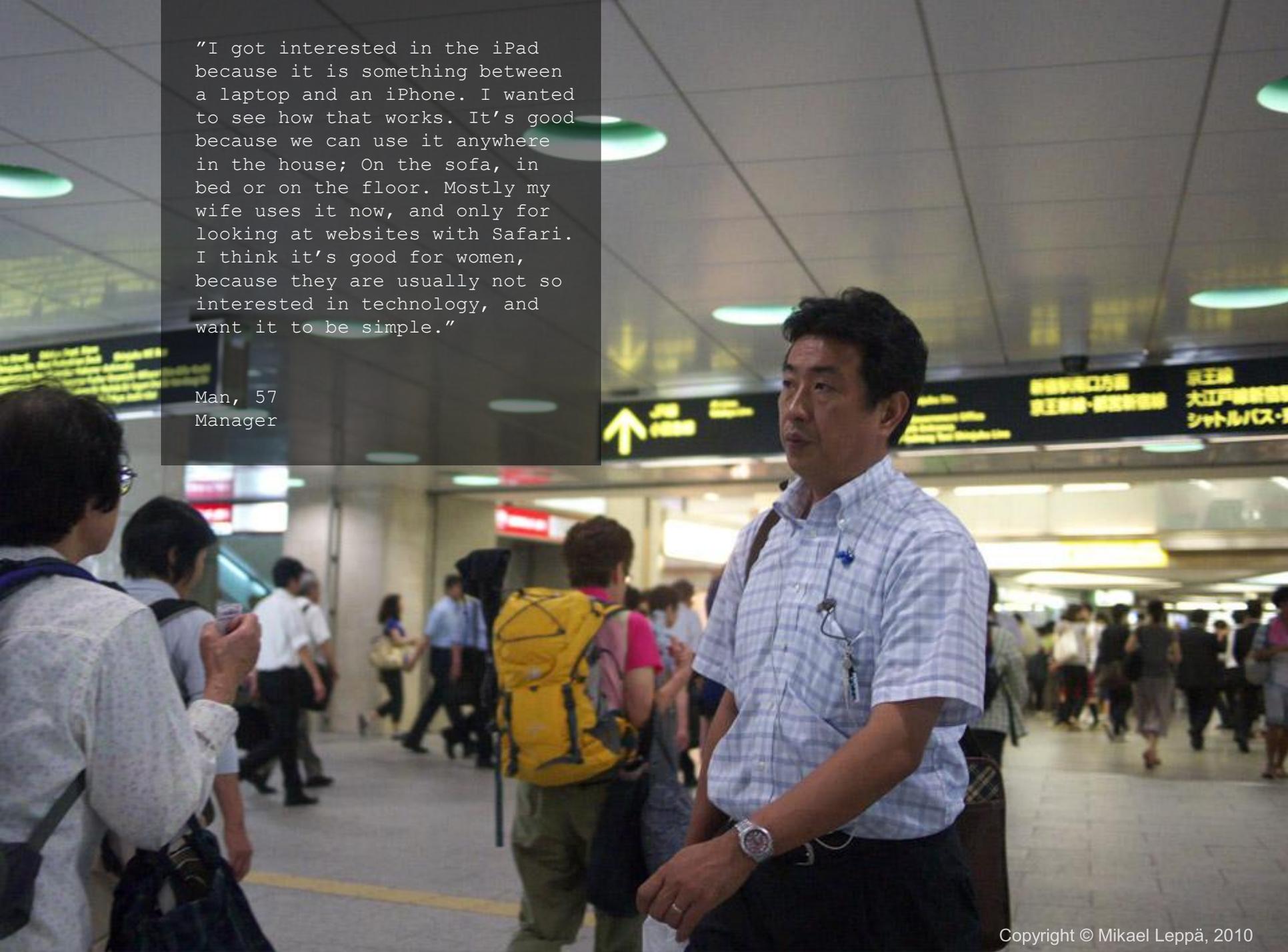
I did not have a chance to speak directly with any local iPad owner, but a friend told me her parents, both in their late fifties, had purchased one. This could be seen to support my observation of iPads being used mainly by business people in public, and having features appealing to more senior users emphasized.

Domestic mobile phones have been used as mobile music players, internet devices, TV sets and e-readers both for text and comics for several years already by youth and working age people. Trying to break into these established usage patterns with a much larger device might be a hopeless struggle for the iPad. Therefore it could be a wise move by Apple to target the significant senior user segment, who look for ease of use and uncomplicated devices.



"I got interested in the iPad because it is something between a laptop and an iPhone. I wanted to see how that works. It's good because we can use it anywhere in the house; On the sofa, in bed or on the floor. Mostly my wife uses it now, and only for looking at websites with Safari. I think it's good for women, because they are usually not so interested in technology, and want it to be simple."

Man, 57  
Manager



## The iPhone4 Antenna

Antennagate, which started unraveling a while before I left for Japan, didn't seem to have made much of an impact. The people I asked about it, all in their 20's and 30's, had heard there was an antenna problem on the iPhone4, but did not seem too concerned about it. This held true for both users of local handsets as well as iPhones.

One thing limiting the impact of the problem is that signal strength has always been an issue with the original Japanese 3G network. While it was the first 3G network in the world, it did not offer a really ideal mobile experience when introduced in 2001. Dropped calls and weak signals were common when entering large buildings, riding trains and especially subways, and when using the phone in more rural areas. Things have improved much since, and in recent years I've never had signal strength issues in Japan. However, an occasional dropped call with the iPhone4 is perhaps not seen as such a bad thing with this history in mind.

Positive features of the iPhone4 seem to outweigh the antenna problem, and perhaps the Japanese trend of decorating and personalizing your handset has helped lessen the impact as well. The iPhone case market is as brisk as ever, and a large majority of all iPhones seen in use sported some sort of case.

SoftBank

YAHOO  
BB

iPhone 4  
6/24  
発売

予約受付中

iPhone4 Coming on June 24<sup>th</sup>.

Taking advance orders now



" I have the 3GS with iOS4. I want to see web pages that look nice even on my phone, and I like the shape of the iPhone. I also like that there are no apps at first, and you can add what you need and want.

I use Twitter a lot on the phone, and check train schedules and train information live, so I can get around easily. Weather info is nice too. I think the camera is good, and I use it a lot.

Woman, 26  
Designer

## Is There An App For That?

Research done by MMD Labo, Inc. Shows that a large majority of Japanese iPhone users download 1-10 free apps and buy 0-5 apps for their device, with women being slightly more active app buyers and men downloading more free apps. Talking to local iPhone users the overall impression was that people are not very eager app explorers. Most use applications similar to those on domestic handsets; navigation and e-books, and a few used their iPhone for gaming.

Japanese phone users have by default used heavily featured domestic handsets for several years before switching to an iPhone. Applications like web browsers, games, e-readers and navigation apps have all been preinstalled and tied to the carriers service portfolio. In a way mobile content has been predetermined and spoon fed to consumers, and therefore the majority of Japanese iPhone users still haven't developed into heavy application downloaders. They seem pretty much content with the easily available offers, and don't have much interest or even incentive to explore apps.





## IMJ Mobile/Bottle Cube: Parking Lot Finder

A navigation application which contains the location of 36000 pay-by-the-hour parking lots, and once parked it will help you locate your car upon returning to it. The location data is superimposed on the camera image for an AR experience. The first 30 days are free, and afterwards subscriptions are 115 yen/30 days or 350 yen/100 days. For now there only seems to be an iPhone version available, but the makers have released Android apps previously, so one shouldn't be far off in the future.

## Tonchidot: Sekai Camera

This free AR application started making headlines in the summer of 2009, and this year it seemed to have become synonymous with AR technology. The app lets users "Air Tag" their surroundings, and see tags other people have left at the same location. A recently introduced feature has been location aware tweets. The app was originally available only for the iPhone, but now support for iPad and Android have been added.



# Kabernet: Manga News

News presented in comic form have been available online for some time, with the free apps for the iPhone and iPad being a recent additions. The news articles are drawn by a staff of over 100 artists, managing to cover a wide range of topics with updates added 10-15 times a day. The main target audiences are children and young adults, who are increasingly leaving traditional newspapers behind.

This service is not native to the iPhone and iPad ecosystem. It is freely available online at [newsmanga.com](http://newsmanga.com), and the two other major carriers DoCoMo and AU also have applications for their domestic handset models, with an Android app promised for this year.



# Dadako: Facemakr

Dadako is a studio run by three westerners in Tokyo. Having spent most of their history creating games, they got wider attention in 2009 with Facemakr. The app gives full control of your avatar creation with a UI natively designed for the iPhone/iPod Touch (230yen), and more recently a FacemakrHD for the iPad (350yen), Facemakr has found popularity among trend conscious netizens and designers. The created avatar can easily be added to SNS sites, Twitter and Gmail.

# Infocity: BB2C

Bringing the locally very popular 2channel internet forum in accessible form to the iPhone/iPod Touch, this free application is a must have for any 2channel user. 2channel is somewhat notorious for allowing users to post anonymously and allowing controversial topics as long as they don't outright break Japanese law. However, the forum structure and peer moderation foster good and sincere discussion often lacking in Japanese society, I've been told by fans of the forum.



# NEC Biglobe: Twipple

Created by a subsidiary of tech giant NEC, Twipple is one of the most popular Twitter applications in Japan, recently launched for the iPhone/iPad as well. The impact of Twitter in Japan cannot be underestimated. With a well entrenched tradition of writing quick mails instead of calling, Twitter seems like made for the Japanese social atmosphere. Some recent estimates state that at times around 20% of all tweets worldwide are currently in Japanese. By amount most tweets are still made via the web (20.7%) or via domestic handsets (10.7%).

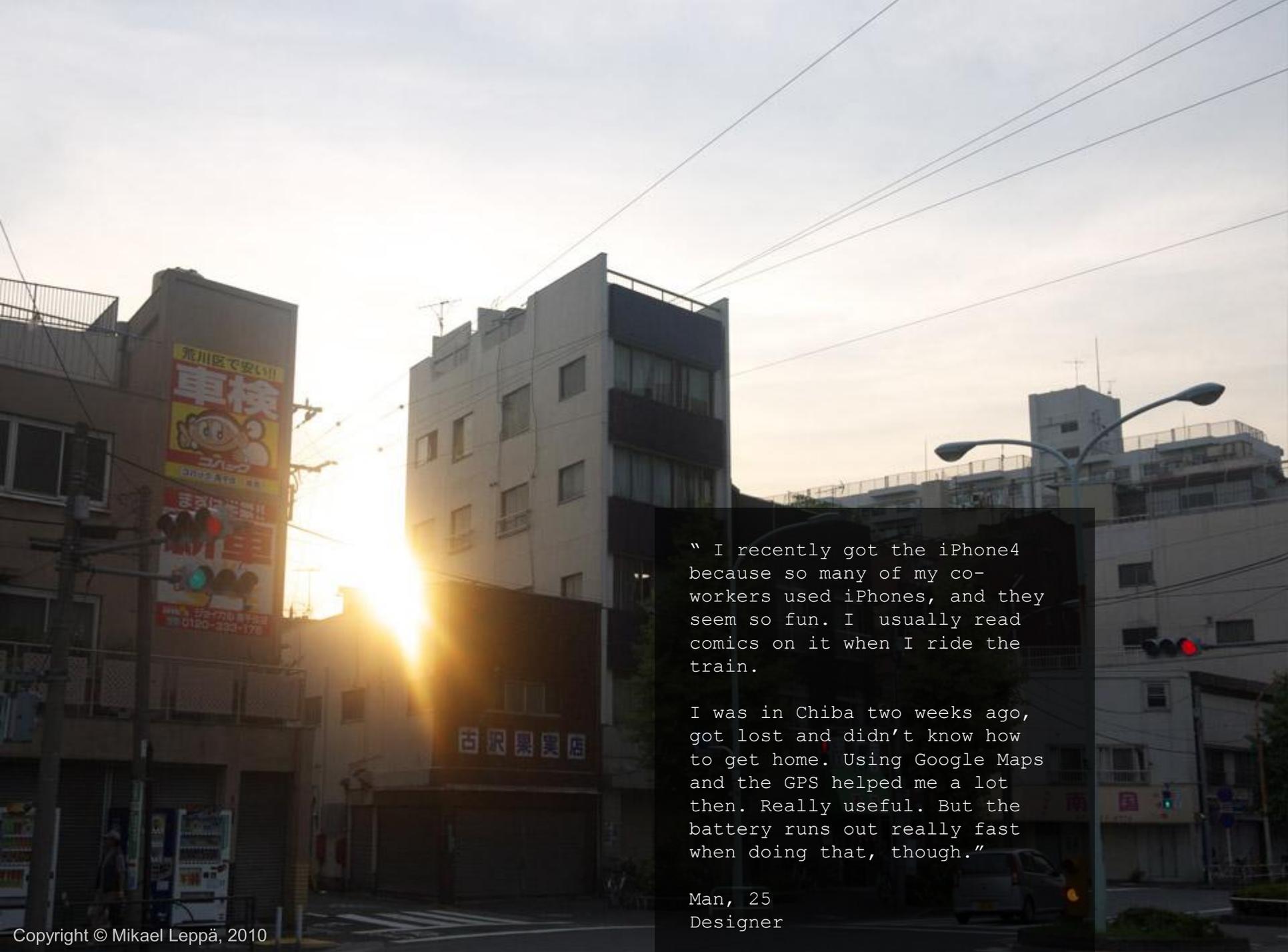


## The iDish

While the local application developing community might still be in its infancy compared to western counterparts, there is a strong tradition of using technology in creative, funny, and sometimes a bit absurd ways in Japan. Local blogger Shiinaneke became an instant web celebrity with his tongue-in-cheek iDish concept. In a country proudly obsessed with their unique national cuisine this was perhaps bound to happen sooner or later.



Source: <http://d.hatena.ne.jp/shiinaneke>



" I recently got the iPhone4 because so many of my co-workers used iPhones, and they seem so fun. I usually read comics on it when I ride the train.

I was in Chiba two weeks ago, got lost and didn't know how to get home. Using Google Maps and the GPS helped me a lot then. Really useful. But the battery runs out really fast when doing that, though."

Man, 25  
Designer

## There Will be Androids

The iPhone can be seen as having introduced a whole new form factor and a new must-have feature: The touch screen. However, local handset makers have been quick to catch on to these, and usually managed to include features Japanese consumers tend to take for granted, sometimes giving them a perceived edge in the eyes of the average consumer.

It could be argued that the iPhone's user experience is far superior compared to Japanese handsets, but as consumers have traditionally always paid most attention to hardware features and pre-loaded apps in handsets the impact of this is not as big as it could be. Many have also been accustomed to carriers introducing new handset lineups twice a year to follow the latest visual trends. In this field Android with its variety of handset manufacturers has a definitive edge over Apple.

Android handsets have started to become widely available via the two major Japanese carriers DoCoMo and AU, putting pressure on the iPhone and its exclusive carrier Softbank. Especially the Sony Ericsson Xperia X10 was marketed almost as heavily this summer as the iPhone 3GS was a year ago. By associating the Xperia with the term "Smartphone", the handset can actually get a significant edge over the iPhone in the minds of consumers, who read and hear about "smartphones" becoming popular abroad.

The iPad again faces competition from a wide variety of devices already having a solid track record among Japanese consumers. Consuming digital entertainment has long been handled on mobile phones and gaming devices. Business and studying applications also face a bit of an uphill climb against notebook and netbook PCs, and note taking devices like the Pamera. However, with only a short time in the market it is still too early to draw any far reaching conclusions.

即日発行!  
年会費 無料!  
入会金

1ポイント(1円)!

本日のお買い上げからたまる





" I bought an iPhone so I can read work mails and our advertisement drafts which come as attachments also at home, since I didn't use to have a computer. I also used it for surfing the web a lot at home. Now I've got a computer too, so I use the iPhone for e-mail and web surfing mostly if I'm out on town, and it's really handy for that.

I don't use applications much, but I found a good one which can connect the iPhone to a printer. I also use Google Maps for navigation, and the picture viewing is great! But actually I'm not sure if I'll update the iPhone. I might get a new computer instead. Mainly I just need phone and mail, and I don't want to pay a high flat rate for data if I don't use it."

Woman, 26  
Salesperson

## A Matter of Scale

The general feeling among Japanese iPhone users I spoke to was that they are happy with their device, but a bit averse to explore new applications and ways of use. Basically iPhones were used to do mainly the same things local handsets have been doing for years: E-mail, navigation, e-books and SNS. However, a web survey of iPhone users published in August showed over half of the respondents felt they don't get all possible benefits and efficiency out of their handset. The problem could actually lie in the lack of relevant domestic app content. Japanese consumers are in general well familiarized with mobile purchases and content downloading through the e-book and music industries, so the App Store business model should not be much of a hurdle, should the wanted apps exist there.

While Apple has captured an impressive market share for a foreign handset maker at 4.9% (Q1 2010), and created a lot of buzz in Japan, it is still a small player connected to the local number 3 carrier in the overall scale of things. If trying to see the market from a local developers perspective, the domestic handsets and their carrier-provided applications will continue to be the main interest within the foreseeable future. Developers looking for wider audiences might start concentrating on Android applications as well, as this OS currently is seeing strong support and marketing from the two largest Japanese carriers. As the iPhone is already established in Japan applications will naturally be made for it as well, but it might not ever develop into a true driving force behind innovation.

The iPhone as a platform is still hot and trendy in Japan, but with a culture of upgrading electronics almost as fast as the wardrobe, several strong domestic handset makers, and Android being introduced to the masses as the real "smartphone", this status is being actively challenged from many sides.





## A Big Market Exists

An opportunity for the iPhone is the recent talks of introducing SIM unlocking in some form in Japan. This is still far from reality, though, and while it could increase the overall amount of iPhones sold in Japan as also other carrier's clients could freely choose their handset, it would also probably be a loss for the current exclusive iPhone and iPad carrier: Softbank. As it is Softbank now gets a new subscription from anyone switching to an iPhone, while a government ordered SIM unlocking would let customers of rival carriers pick up iPhones at will and putting the hefty data fees into their pockets. Not surprisingly Softbank is the most opposed to this move of the three major carriers. Whether this change will become reality is still very uncertain, as a preliminary government report on the subject only mentioned a "recommendation" rather than an order.

As for the iPad, I see it having perhaps stronger competition in Japan compared to elsewhere in the world. This is not so much because of local competing devices, but rather because of strong existing mobile services covering many of the same fields the iPad is supposed to fill. People have consumed e-books, e-comics and music, updated their SNS profiles and handled mail, schedules and note taking on their domestic mobile phones for years before the iPad came to Japan.

To win over consumers on a large scale the iPad should present some very significant benefits over its much smaller and lighter competitors, and so far I don't think a nice user experience and graphics will be enough. Time will tell if there is some must-have use or application emerging for the iPad in Japan, but in the meantime it will probably sell well to the people interested in something new; only as long as it remains new, however. My bet for iPad success in Japan would be to make it into an easy casual computing and entertainment tool for seniors, rather than a creative and entertaining device for hip young people.

An aerial night view of a city skyline, likely Tokyo, with numerous skyscrapers illuminated against a dark sky. The lights from the buildings create a vibrant, glowing effect. The perspective is from a high vantage point, looking down and across the city.

## The Bottom Line

No one can dispute the fact that Apple managed to shake up and invigorate a large, insular, and hardware feature driven mobile market when it introduced the iPhone 3G to Japan in 2008. The new form factor and user experience won over crucial early adopters even though the handset lacked several features taken for granted by Japanese mobile users by then. However, technological catch-up by local handset makers and the recent heavy push in introducing Android devices poses a very real threat to the iPhone's enviable mindshare as a trendy and innovative mobile platform.

The iPad has benefitted from the positive mindshare the iPhone managed to create, but speaking to local consumers views on how needed this type of device were mixed. With a strong tradition of doing most of the things the iPad is supposed to be good at on their mobile phones, younger consumers might never warm up to it in large numbers. Seniors, who are a very significant demographic in Japan, could be seen embracing the iPad's ease of use, but the crucial question is how the device will be perceived publicly.

A big hurdle for Apple in Japan is the slow pace of local app developers embracing the iOS platform. A big reason is the relatively low market share of Apple mobile products, leading to few unique and innovative apps being developed. The creativity to create great apps and content is present in Japan, but for now Apple is not in a position to be able to offer it to customers in an exclusive way.



Thank you

[www.mobileobservations.com](http://www.mobileobservations.com)