Internet AD

Growth Strategy

Our "Client First Principle" Has Not Changed Since Our Founding

Yasuo Okamoto

Executive Vice President, Head of Internet Advertising Headquarters

The internet advertising industry now accounts for roughly half of CyberAgent's total sales.

We spoke with Yasuo Okamoto, Executive Vice President, and Head of Internet Advertising Headquarters, who has long led the business, which boast the largest market share in Japan, about CyberAgent's strategies for continued growth and the strengths of the company.

Maximizing Advertising Effectiveness for Clients

——CyberAgent holds the top market share in Japan for Internet advertising transaction volume, but what competitive advantages have made this possible?

It all comes down to the systematic implementation of our strategy to "maximize advertising effectiveness'' for clients.
While our advertising business has grown in line with market growth, we have been committed to effective advertising since the early days of the internet, and have continued to improve the structure and technology required to achieve it.
The biggest difference between traditional mass advertising and internet advertising is the fact that we can quantitatively visualize advertising effectiveness.
We have a long history of improving our clients' sales and profits through meticulous processes designed to optimize advertising budgets, such as product-specific targeting, the provision of creatives with high advertising effectiveness, bidding adjustments, and more.
This is why we have been able to capture a large share of the market, and it has contributed to recognition and trust from clients.

——What are some of the ways you are maximizing advertising effectiveness?

We do this by improving operational and technological capabilities. The early days of internet advertising were dominated by "pure advertising," where ad space was reserved and purchased in advance, but gradually, "programmatic advertising," which allows bidding for each ad impression or per click, became widespread and now accounts for approximately 80% of internet advertising.
In response to the proliferation of search services, CyberAgent founded CA Search Inc. in 2003, a search advertising company. In 2008, we founded CA Advance Inc., an advertising operating company, and in 2016, we built AI Lab, a facility dedicated to AI research. I'm proud to say that through efforts such as these, we've done everything we could to contribute to the goal of "maximizing advertising effectiveness."

Aiming for Sustainable Growth Through Adaptability to Change

——Internet advertising is said to be heavily influenced by the external environment, such as business sentiment, but what is your view on this?

We've faced various environmental changes, such as the global financial crisis of 2008 and rapid market shifts caused by the emergence of smartphones; however, I believe that "change is what makes the difference."
Without being bound by past practices or preconceived notions of how things should be done, we put tremendous thought into minimizing downsides and into the process of all employees working as one to implement the solution. We are able to grow significantly both as an organization and as individuals.
This previous experience has taught us to view crisis as an opportunity, and even when economic conditions worsened after 2020 due to the COVID pandemic, we were still able to achieve revenue growth that outpaced market growth by shifting to new business areas where there was client demand.
Going forward, as the mainstay of business shifts from the physical world to the internet, we want to remain our clients' most valuable partner by using our ability to respond to change, and we hope to reshape the history of the advertising industry itself.

Yasuo Okamoto

**Executive Vice President,
Head of Internet Advertising Headquarters**

Apr. 2013 Joined CyberAgent, Inc.
May 2003 President, CA Search Inc.
Apr. 2007 Director of Internet Advertising Headquarters, CyberAgent, Inc.
Dec. 2008 President, CyberAgent, Inc.
Dec. 2020 Executive Officer and Vice President, CyberAgent, Inc. (current position)

The Goal of Training Is the Success of Clients' Businesses

Noriko Kawai

Executive Officer, Sales Director of Internet Advertising Headquarters

With the number of executives and employees in internet advertising increasing by 419 over the previous year to 2,381*, human resource development is becoming increasingly important.

We spoke with Noriko Kawai, Executive Officer and Sales Director of Internet Advertising Headquarters , about the company's approach to training programs and specific initiatives.

*Total number of executives and employees in the internet advertising business (As of the end of September, 2023)

Fostering a "Client-First" Culture Through Training Programs

——What are your priorities when it comes to human resource development?

We have prepared several programs in the internet advertising business that are geared to each member's stage of development. The concept of "understanding our advertising clients to help their businesses grow" is the topmost priority in all programs.

Each program is designed from the client's perspective, including "market forecast" and "the best account strategy to increase client sales", and the evaluation criteria for the outputs are aligned with this. The "client comes first" culture has been a core value for us since our inception, and we have built it into our training programs. The fact that many employees can work autonomously towards the business strategy of "maximizing the effectiveness of client advertising" is the result of a training program that simultaneously disseminates the strategy and fosters culture.

Continuing to Provide Opportunities Through Diverse Training Programs

——What kinds of training programs do you provide?

From onboarding training to developing the capabilities of new members to leadership training for executives, our training programs systematically cover every stage an employee goes through and are administered according to effectiveness and situation.
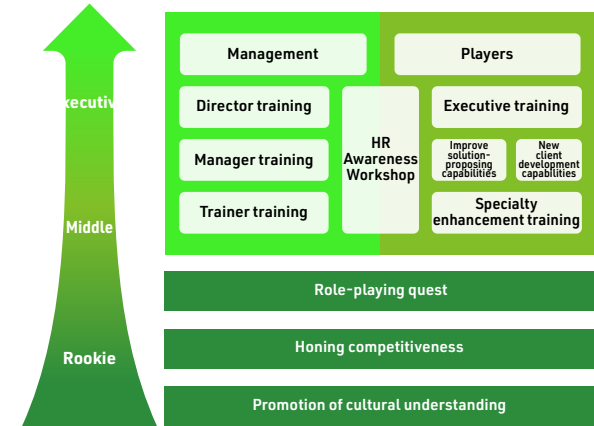
Specifically, "CYBIRTH," an orientation program for new hires to deepen their understanding of our culture, and "Generations," which trains new hires to become full-fledged account planners over six months, are core programs we focus on. For key members and veterans, we offer the "HEROES" program, which is designed to increase the number of new client acquisition specialists. Through these various programs, we strive to maximize our organizational performance.

—— Was it difficult to create a training scheme for the internet advertising business, which has undergone significant changes in technology and organizational scale?

In line with changes in digital advertising, the knowledge and skills required for staff involved have changed on a daily basis. As our business has grown, so has our organizational scale, making it necessary to consider training programs optimized for each employee.

It took many years of trial and error, but the fundamentals of the programs have become well-established in recent years. We have made excellent progress, especially during the COVID pandemic, when working from home was introduced as a new way of working.

Overview of Training Projects

	Management		Players
Executive	Director training	HR Awareness Workshop	Executive training
Middle	Manager training		Improve solution-proposing capabilities / New client development capabilities
Rookie	Trainer training		Specialty enhancement training

Role-playing quest

Honing competitiveness

Promotion of cultural understanding

A major factor, in my opinion, was the urgent need to rebuild the training program as a mechanism for understanding work conditions and managing motivation to ensure that work efficiency is not compromised when employees work remotely.

——How much time does the leadership devote to training?

It is not an exaggeration to say that they devote half their time to training. Yasuo Okamoto, one of CyberAgent's top executives, has always told the leaders to "watch for signs of

hidden talent in members and give them opportunities." I think it is a good example of our commitment to human growth in the organization.

Female Managers Account for 28.8% of Internet Advertising Business [1]

——What are your thoughts on promoting and developing female executives?

Of the 1,075[2] executives and employees in our internet advertising business, 41.3% are women, an even higher percentage than the 32.3% of engineers in our subsidiaries, which itself is quite high.
Since we have many clients that sell women's products, diversity in our organization is essential.
As a result of our decades-long focus on women's empowerment and executive development, our ratio of female managers is 28.8%, which is very high compared to Japan's overall ratio of 12.7%.[3]
We have also implemented a follow-up system after being selected for executive positions, including the "WE PROJECT," a cross-organizational talent maximization measure aimed at strengthening ties and building relationships among managers.
It is critical that we strengthen our organizational capabilities to prepare for future difficulties in meeting client expectations and solving business problems. Calculating backward from the projected growth of the internet advertising market, we believe that we will need two to three times as many top players and leaders as we currently have.

We will continue striving to create an environment in which everyone can maximize their potential in any situation, and we aim to create an organization that can produce incredible results.

*1: Percentage of female employees in management positions at CyberAgent (Internet Advertising Headquarters) (as of June 30, 2023)
*2: Number of employees in the internet advertising business at CyberAgent (Internet Advertising Headquarters) (as of June 30, 2023)
*3: Percentage of women in managerial positions equivalent to section managers or higher at companies (MHLW, "FY2022 Basic Survey of Gender Equality in Employment Management," published in July 2023)

Noriko Kawai

Executive Officer, Sales Director of Internet Advertising Headquarters

Apr. 2014 Joined CyberAgent, Inc.
Oct. 2017 Corporate Officer, CyberAgent, Inc.
Mar. 2019 Maternity/childcare leave
Apr. 2020 Returned to the Internet Advertising Headquarters as Director of Sales
Oct. 2022 Executive Officer, CyberAgent (current position)

A Sense of Crisis Inspires Creation of New Advertising Business

Takahito Naito

Managing Executive Officer, Head of AI Business Unit

Armed with advanced technological and creative capabilities, the internet advertising business has been pioneering the advertising industry.

Takahito Naito, Managing Executive Officer and Head of AI Business Unit, has been engaged in maximizing advertising effectiveness by adopting cutting-edge technology and maintaining a forward-looking perspective.

We spoke with him about what led to using AI technology, future development plans, and the potential for entering new fields.

Plunging into the Research and Development of AI Technology After Reaching the Limit of Human Effort

——AI has been in the news almost every day in the last year or so. I believe you were among the first advertising agencies to start researching and developing AI technology, but what was the chain of events or background that led to this?

We first conceived the idea in our internet advertising business around 2014, and then in 2016, we launched "AI Lab" as an R&D organization tasked with conducting R&D on a wide range of AI technologies related to digital marketing.
By 2019, we had established an AI Business Unit dedicated to developing internet advertising businesses with AI technology and creating new AI-related businesses.
Internet advertising differs from mass advertising, such as TV and newspapers, in that advertising messages can be personalized to suit the target. In particular, programmatic advertising requires the production of a broad spectrum of advertising creatives in a short timeframe and rapidly implementing creative work to maintain advertising effectiveness.
This massive and ever-increasing workload places a heavy staffing burden on agencies that produce digital advertising. We also felt a sense of urgency to find new ways to be creative and generate value. Using generative AI would be critical to resolving these issues while also providing a competitive advantage in the future.

Since then, we've used AI technology to accomplish various tasks, including effective ad delivery based on machine learning, support for creating ad creatives such as text, banners, and videos, and automatic data analysis.
We are proud of the highly effective advertising of the "Kiwami Prediction Series" (ad products using generative AI) that has resulted from these efforts, and we are confident that we are helping our clients maximize the effectiveness of their advertising.

Kiwami Prediction AI
Uses AI to create highly effective adcreatives.
Preliminary results*1 show 2.6 times greater advertising effectiveness.

Kiwami Prediction TD
Uses AI to automatically generate ad text that matches searches.
Preliminary results*2 show 2.3 times greater advertising effectiveness.

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——AI Lab also seems to be strengthening industry-academia collaboration with universities and academic institutions.

To date, we have collaborated with numerous universities and institutions in Japan and abroad (Osaka University, Yale University, Tokyo Institute of Technology, University of Tokyo, etc.) in a variety of research areas, and we have implemented around 30 projects based on industry-academia collaboration with major research laboratories.
We have conducted joint research with top researchers, including Professor Hiroshi Ishiguro of Osaka University, a world leader in robotics research; Professor Manabu Okumura of Tokyo Institute of Technology, who leads research in natural language processing and has published several books; and Professor Takehito Kojima of Tokyo University, one of the world's leading researchers in market design research in economics.
AI Lab, which aims to create business value through AI technology while also contributing to academia, has submitted and presented numerous papers at world-renowned international conferences in a wide range of academic and research fields. Approximately 50 papers are peer-reviewed and accepted annually, with a high acceptance rate of about 45% in 2022.

*1 Ad effectiveness win rate when comparing creatives made using the "conventional production process" versus those created using the "Kiwami Prediction AI production process."
*2 Increase in search keyword quality score when comparing creatives made using the "conventional production process" versus those created using the "Kiwami Prediction AI production process."
*3 Thundermark CapitalCapital " AI Research Ranking 2022. "

CyberAgent has also been ranked among the Top 100 Global Companies Leading in AI Research in 2022*, placed 4th in Japan and 49th in the world.

Since 2016, CyberAgent has also prioritized the recruitment and training of highly specialized personnel, including the appointing a researcher a recruiter. We hope to contribute not only to business expansion but also to Japan's technological advancement.

New Advertising Business Created Together with Partners

——Given the various changes that digital advertising has undergone, what changes do you expect to see in the future?

Major global media sites like Google and Facebook are primary destinations for advertisements today, but I believe similar global platforms will not emerge in the future.

Instead, we believe that a number of "local platforms" will emerge, on which each company that owns so-called first-party data, such as purchasing data and behavioral data on e-commerce sites and apps, will build their own advertising business.

In recent years, regulations governing the use of third-party data to protect personal information have become more stringent, making it more difficult to obtain cookies (recorded data from websites visited) and IDFAs (identifiers for advertisers used on iOS devices) that can be used for advertising.

This has raised expectations for using the "proprietary data held by companies" I mentioned earlier.

When the Banking Act was revised in May 2021, it greatly broadened the scope of banking business, allowing banks to enter the advertising business.

This has helped CyberAgent quickly form partnerships with major Japanese companies, especially in the finance, retail, mobility, and telecommunications sectors, and we are working to create new advertising businesses.

We have now signed collaboration agreements with companies that have a strong affinity with our advertising business, and we are working hard to develop these partnerships into actual businesses.

In addition to our distribution network, which boasts top performance in the internet advertising industry, we intend to create new businesses for our clients and turn the business into a sustainable growth industry by leveraging our track record in operating digital advertising, developing technologies for the ad distribution infrastructure, and conducting research and development of AI technology.

Future Opportunities of Generative AI and LLMs

——The AI lab developed and released an LLM (Large Language Model) early in the internet advertising business, but what is your view on the future possibilities of generative AI and LLM?

We are currently using generative AI and LLM in-house to generate ad text for our "Kiwami Prediction AI" and "Kiwami Prediction TD," but we have also begun to apply them to services beyond advertising and to improve internal operations and boost work efficiency.

We plan to work with other companies to develop "industry-specific LLMs" by having the technology learn unique industry-specific data, and we also plan to launch a business to support other companies' use of LLM.

In the rapidly changing internet industry, we will continue to shape the future of internet advertising by leveraging technology and creativity while incorporating technological innovations.

*Thundermark Capital, "AI Research Ranking 2022" (May 2022)

Takahito Naito

Managing Executive Officer, Head of AI Business Unit

Apr. 2001 Joined CyberAgent, Inc.
Apr. 2008 Head of Internet Advertising Headquarters, CyberAgent, Inc.
Oct. 2014 Head of Ad Tech Division (currently AI Business Unit), CyberAgent, Inc.
Dec. 2010 Director, CyberAgent, Inc.
Oct. 2020 Managing Executive Officer, CyberAgent, Inc. (current position)

Kiwami AI Odaiba Studio opened in September 2023. Equipped with state-of-the-art facilities, including three of Japan's largest LED walls, various scanning systems, including 4D scanning, and a BOLT motion control camera, the studio pursues advertising effectiveness and image quality while utilizing AI and CG technologies.