

Investigation of Process Economy Types Suitable for Acquiring Animation Production Funds

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Abstract

Animation studios sometimes offer process economies as returns when they solicit production costs. Based on the hypothesis that “the type of preferred process economy differs depending on the genre of animation,” this study surveyed whether awareness of process economies are suitable as crowdfunding returns. The mean values and standard deviations of the survey revealed that the working view and intermediate products — such as production sites, scenes, backstories, rejected illustrations, and doodles — were favorable for all genres. Negative information — such as “creator conflicts”, “busy schedules,” and “complaints about work” Likewise, private information such as “creators' faces,” “life advice,” and “meals” were unfavorable for all genres. The information compatible with each genre differed.

Keywords: Process Economy, Crowdfunding, Animation Production, Attitude Survey

1 Introduction

In this study, we attempt to select a suitable process economy type for each genre when applying crowdfunding to the animation production of medium-sized or smaller animation production companies wishing to expand their profits using the production committee method. This section describes the current situation in the animation production industry, production methods, and issues.

1.1 Current State of the Animation Production Industry

The “production committee method,” which is a production method in the animation market, has a high probability of success in terms of profitability, owing to the dispersion of risk, as many companies finance each other. Fukuhara (2018) states that the production committee method is currently the mainstream financing method in the market because it easily attracts companies as investors or as sources of fund raising owing to its low risk [1]. However, animation “production companies” cannot enter the framework of this production committee because of a lack of funds. For this reason, production companies are often “in the position of receiving funds.” This makes it difficult for producers to hear their opinions and for them to seize the initiative in both animation production and the animation market. Although major animation production companies are currently taking the lead in exploring various production methods, medium-sized and smaller production companies will continue to be forced to produce from a weaker position.

The market size of the animation production industry in 2021 increased every year until 2019, when it reached a record high, but which experienced a decline from 2020 onwards, reaching

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249.582 billion yen in 2021 — 5.2% less than the 263.3 billion yen in the previous year. This is the first time since records began in 2000 that there has been a decline for two consecutive years [2]. While major subcontractors with their own copyrights increased their profits by licensing revenues from online distribution, medium-sized and smaller production companies — which are less likely to have their own copyrights — experienced lower profits and losses owing to a decrease in the number of productions, resulting in a widening gap between the two.

The production committee method, widely used in the animation industry, is a system in which many companies jointly invest in production and advertising costs and receive dividends from profits after a program is broadcast in proportion to their investment ratio. Investing companies utilize their respective business fields and conduct business using the window concessions they obtain through their investments. A portion of the profit is paid to the production committee as a copyright royalty fee, and the total copyright royalty fees from other invested companies are returned to the invested companies in proportion to their investment ratio [3].

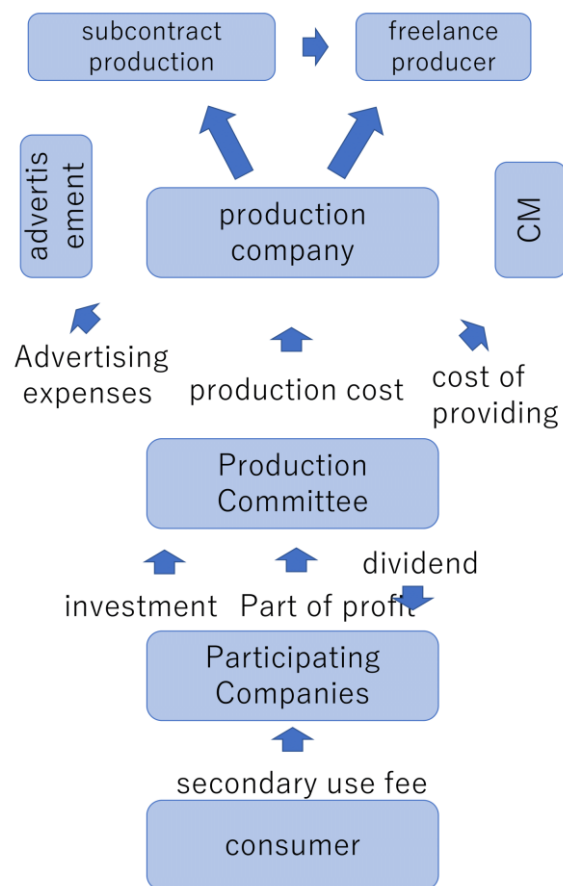


Figure 1: Production Company Financing and Production Committee Structure (prepared by the author based on [1]).

This production committee system was profitable for animation production companies until the late 2000s. However, according to Fukuhara (2018), it has become difficult to generate profits from DVDs and BRs because of factors such as the recent decline in demand for video software, the spread of video distribution services, and the rise in production costs and

commoditization owing to the improved quality of animation works [1]. Hasegawa (2022) states that, in the case of emerging production companies and lower-middle-ranking production companies that lack track records and brand power, it is not always possible for executive producers to accept an increase in production costs, making it difficult to provide sufficient compensation to production companies [3]. Currently, animation production companies are polarized into two groups: large companies with a proven track record and brand power, and mid-tier or smaller companies without such a track record and brand power. When the production committee system was profitable, a large amount of money was returned to the production committee, and a large amount of production fees could be paid to the production companies; however, when it is difficult to make a profit, only the minimum production fee is paid, and the increase in production fees required due to technological improvements has led to a decrease in profits and losses.

Against this background, medium-sized and smaller production companies must expand their profits while utilizing production committees.

1.2 Financing through the Process Economy

In recent years, attention has been focused on an asset called the “process economy”. Ohara (2021) states that in the age of commoditization, consumer purchasing behavior tends to change from an output economy to a process economy [4]. The process economy differs from a conventional business in which consumers are charged for output — that is, a piece of music or a work of art — and is a business in which consumers are charged for the process of creating a piece of music or a work of art by disclosing the production background and production process. Kiya (2022) states that it is important to shift from the value of the finished product to that of sharing the production process. Improving process value rather than product value is expected to improve the brand power of a product and can even de-commoditize it [5].

Purchase-type crowdfunding is a system in which supporters and support groups invest money in a proposed project and receive goods or services. While sharing the project process (such as production), fans can donate funds and receive a return commensurate with their contributions.

This crowdfunding-based animation production committee method is similar to that of a regular production committee, in which a production committee is set up to raise approximately 300 million yen from investors. In addition, a crowdfunding site was established to solicit funds from fans. The funds raised are used for production, advertising, and other expenses.

Funds raised through crowdfunding will then be added to those raised through the regular production committee method. That is, a production company receives a larger amount of funds than it normally receives. This reduces the number of concerns that a production company is exposed to as a result of a shortage of funds, as has been the case in recent years with the production committee system.

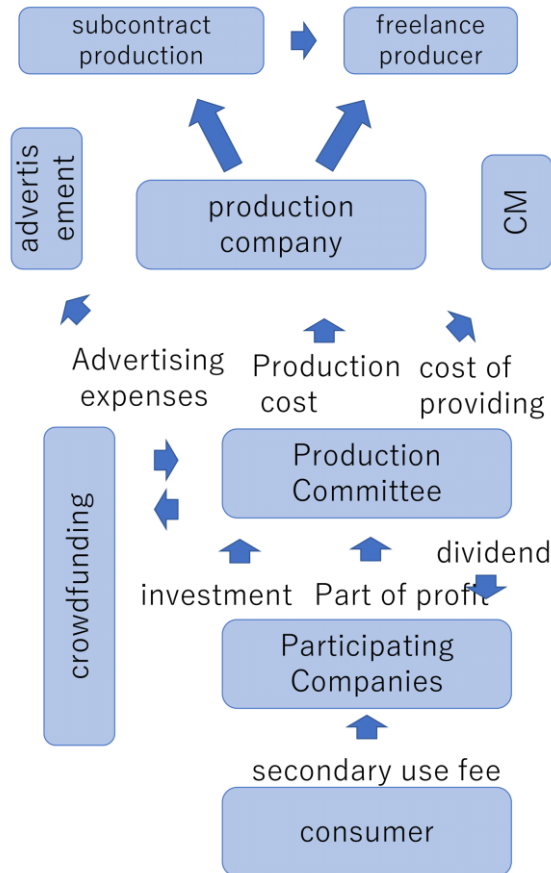


Figure 2: Crowdfunding-utilizing production committee method (prepared by the author based on [1]).

Among the several successful examples of crowdfunding-based production committees, "Dropkick on My Devil!" succeeded in raising 115.96 million yen, far exceeding the target amount of 30 million yen using purchase-type crowdfunding [6]. The second, third, and fourth seasons were partially funded through crowdfunding. In return, the value of the investment is converted into funds by including naming rights to the title, the right to appear in the work, and other aspects related to the animation production process. Despite the high price of 2.2 million yen for title naming rights, investors are showing up for other high-value returns — such as the 220,000-yen subtitle naming rights and the 330,000-yen mob participation course.

1.3 Problem and Issues

The production committee system has been facing difficulties in raising funds because goods such as DVDs and BRs are no longer sold because of commoditization and video distribution services, with production companies subsequently suffering from losses and decreased profits. Production companies' positions are expected to be further jeopardized because they will not be able to own copyrights, in addition to a decrease in income if this situation continues. Under these circumstances, animation production using a process

economy is beginning to achieve success. However, the success factors have not yet been clearly defined.

2 Research Objectives and Goals

We believe that if mid-sized and smaller animation production companies raise funds through crowdfunding and gain influence on the production committee, they will be able to reflect on their passion for their work and improve their working environment, leading to the revitalization of related markets. In this study, we would like to clarify the findings that contribute to fundraising through “purchase-type crowdfunding” with process economy as a return. Specifically, we formulated the following three hypotheses and confirmed whether they were correct through an attitude survey:

Hypothesis 1: There are differences in the process favored by different animation genres.

There is a wide variety of animation genres. For example, "Blade of Oni no Kensetsu," can be categorized into the battle and action genres. In the sports and battle genres, we predicted that overcoming difficulties would be popular and that obstacles in the production process might be favored. If there is a difference in the processes favored by each animation genre, it will be possible to raise funds efficiently by adapting the process economy of the favored genre when raising funds.

Hypothesis 2: There are popular and unpopular processes present across all genres.

There are processes that have little to do with the production process, as well as those which, conversely, have a great deal to do with the production process. In this case, processes that have little to do with production are less popular, whereas those with strong relationships with the production are more popular.

Hypothesis 3: There is a genre that is consistently popular.

We hypothesized that there would be a stable and popular production process with a small range of popularity or unpopularity across all age groups, genders, and preferred genres. If this is correct, the process can be adopted as a standard for process economies.

Furthermore, if the above hypothesis is correct, we will clarify the types of differences that arise depending on the genre. A questionnaire was administered to test these hypotheses. The survey was conducted using a Google form created by the authors [7]. The target population was the anime fan community, in which the author participates. This community has about 100 participants, most of whom are males in their 20s and 30s. The remainder of this paper is organized as follows.

1) Gender: Selective (male/female/other)

2) Age: Descriptive

3) Name of favorite anime (descriptive)

4) Genres of the above anime (multiple choice)

① Battle/Action ② Sports/Spocon ③ Suspense ④ Science Fiction ⑤ Fantasy ⑥ Gag/Comedy ⑦ Romance/Love Comedy ⑧ Daily life /Lovable ⑨ History/War ⑩ History/Military ⑪ War/Military ⑫ Kids

5) Demand for the above animation process economies

The respondents were asked to rate the programs on a 5-point scale, with 5 representing “definitely want to see them,” 3 representing “not interested,” and 1 representing “don't want to see them at all.”

① Technical production scenes ② Explanations of production ③ Trial-and-error scenes ④

Collaboration among producers ⑤ Conflicts among producers ⑥ Interaction between producers and related parties ⑦ Retakes ⑧ Busy work situations ⑨ Behind-the-scenes stories ⑩ Missing illustrations ⑪ Faces of producers ⑫ Work sites ⑬ Interviews ⑭ Chatting ⑮ Complaining about work ⑯ Doodles ⑰ Rest/relaxation ⑱ Life advice ⑲ Others Talking about their works ⑳ Eating

Questionnaires were tabulated and the mean and standard deviation were calculated. Process economies with relatively high standard deviations were divided into genres, their mean values were tabulated, and their trends were discussed.

3 Research Results

The awareness survey received 61 responses. Figure 1 shows the mean values of the responses. The error bars indicate the standard deviation and the dashed line indicates the median. A median of 3 indicates “not interested,” while a median of 2 indicates “somewhat unwilling,” and a median of 1 indicates “not at all unwilling.”

Referring to Figure 4, “work situations and intermediate products” such as production sites, scenes, backstories, lost illustrations, and doodles have a high mean value — around 4 (somewhat want to see) — even after taking standard deviation into consideration, indicating a favorable impression across all genres. In contrast, negative information — such as conflicts between creators, busyness, and complaints about work — as well as private information — such as the creator's face, life advice, and meals — have mean values around the median and large standard deviations, indicating that there are differences in the favored and unfavored genres. The mean values of the above six items were tabulated for each genre, and the results are shown in Table 1.

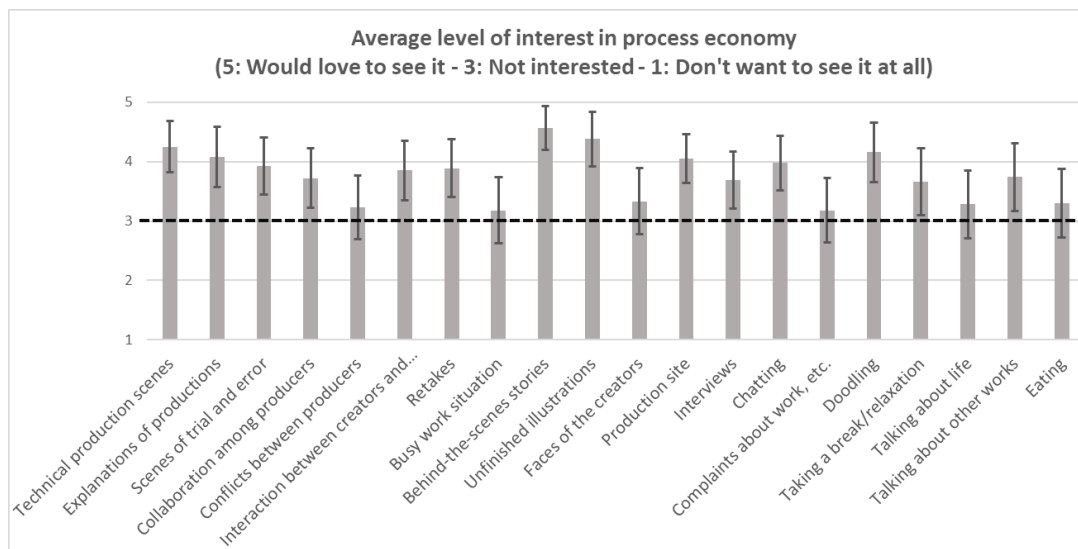


Figure 3: Mean aggregate results for the level of interest in process economy (Bars: mean values; error bars: standard deviations; dashed lines: median values)

Table 1: Mean Process Economy Interest Levels by Genre
(Bolded squares are above 3.40 or below 3.00)

Genre	Number of	Conflicts	Busy situation	Complaints	Faces of	Counseling	Meals
Battle/Action	38	3.29	3.21	3.18	3.37	3.21	3.42
Sports/Spocon	9	3.56	3.44	3.11	3.44	3.22	3.00
Suspense	5	2.80	3.20	2.80	2.40	2.60	3.40
Science Fiction	26	3.19	3.00	3.04	3.19	2.92	3.46
Fantasy	17	3.00	3.12	3.53	3.24	3.12	3.24
Gag/Comedy	18	3.33	3.28	3.39	3.17	3.33	2.94
Romance/Love Comedy	14	3.14	3.36	3.29	3.43	3.21	3.36
Daily Life/Ho-mo	19	3.53	3.37	3.37	3.42	3.42	3.37
Horror	2	3.00	4.50	3.00	3.00	2.00	4.00
History/War	9	2.67	3.00	3.11	3.22	2.78	3.11
War/Military	9	3.00	3.56	3.11	3.44	3.11	3.67
Kids	4	3.00	3.50	3.00	3.00	3.50	3.25

The items in Table 1 that show particularly significant differences are listed below. However, items for which the number of samples was less than nine were disregarded to ensure analytical reliability.

- (1) “Sports/Spocon” tended to have high demand for “Conflicts among creators, busy situations, and creators' faces.” It can be inferred that this is because much of the content of sports-related animation works concerns overcoming conflict and growing up with friends.
- (2) In the “Science Fiction” category, there was low demand for “life advice” and high demand for “meals,” presumably because many science fiction fans enjoy deviations from reality.
- (3) “Fantasy” showed a high demand for “Complaints about work,” suggesting that, unlike SF, many people can empathize with complaints about work, perhaps because many people are dissatisfied with reality (as is a tendency of the genre).
- (4) “Gag/Comedy” tended to have a low demand for “Eating scenes.”
- (5) In the “Romance/Love Comedy” category, the demand for “the creator's face” tended to be high.
- (6) “Daily life/Loveable” tended to have high demand for “Conflicts between creators,” “creator's face,” and “life advice.” This can be inferred to be because they are similar to fantasies, and that many people who are dissatisfied with reality can empathize with them.
- (7) In the “History/war” category, there was a tendency for low demand for “Conflicts between creators” and “life counseling.”
- (8) In the “War/Military” genre, there was a high demand for “busy situations,” “the creator's face,” and “meals.”

While some of the above can be easily inferred from the characteristics of the genre (e.g., (1) and part of (6)), there was also a tendency for unexpected results (e.g., (2), (3), (5), and part of (6)). There were also some trends that were neither common nor unexpected from the characteristics of the genre and were difficult to guess (e.g., (4), (7), and (8)).

4 Conclusions and Future Issues

In this study, we conducted a survey on the attitudes of animation production companies, and especially those in the mid-tier and below, so as to address the problem of insufficient funding and which results in their inability to be included in the production committee framework and

ability to take the initiative. As described in Section 3, we extracted data on demand for all genres, as well as data on demand that fluctuates from genre to genre. Although some genres could not be shown as a clear trend due to the insufficient amount of data in the scope of this study, it can be said that hypothesis 1, "There is a difference in the process preferred by animation genres," was correct. Hypothesis 2, "There are processes of popularity and unpopularity throughout all genres," was also correct. Hypothesis 3, "There are genres with stable popularity," was unclear because the number of data was small, and the standard deviation tended to vary.

The results of this study can be considered as a factor that makes it easier for mid-sized and smaller animation production companies to choose to use crowdfunding, as well as a factor that helps them raise stable funds when they use crowdfunding.

The success or failure of Hypothesis 3, "There are genres that are consistently popular," will be verified by conducting additional surveys to increase the number of questionnaires. In addition, the suspense, frustration, and children genres, which were excluded from the study for reliability reasons due to the small amount of data, will be investigated so as to analyze the factors that determine whether there is demand for these genres.

Acknowledgement

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