

USER FRIENDLY



Beyond genre: Anime's future in a connected world

Host: Rohith Nandagiri, Managing Director, Technology, Media, and Telecommunications, Deloitte Consulting LLP.

Guest: Gita Rebbapragada, COO, Crunchyroll
Stacy Hodgins, Principal, Strategy and Transformation, Technology, Media, and Telecommunications, Deloitte Consulting LLP

Rohith Nandagiri: Welcome to another episode of Deloitte's User Friendly, the podcast where we explore the intersection of people, technology, and the future of work. I am your host today, Rohith Nandagiri, managing director within Deloitte's Telecom, Media, and Entertainment sector. Today we're diving into the vibrant and ever-evolving world of anime. As this dynamic art form continues to capture the hearts and imaginations of audiences worldwide, we're here to explore what the future holds for anime.

From what was once hard to find, to becoming a driver of global pop culture with an international fandom, we'll unpack the trends shaping the next generation of anime. Joining me in this fascinating discussion are Gita Rebbapragada, chief operating officer of Crunchyroll, overseeing the company's global operations to drive growth in the anime streaming industry. And Stacy Hodgins, principal at Deloitte Consulting LLP, leading strategy for media and entertainment clients, advising industry leaders on growth and transformation.

These two bring a wealth of knowledge and insight into the anime industry. Gita, Stacy, welcome to the show.

Gita Rebbapragada: Thanks for having me.

Stacy Hodgins: Yeah, thanks for having us. Excited to be here.

Rohith Nandagiri: Excited to dive into this with both of you. Gita and Stacy, many listeners may be surprised that by some forecasts, the global anime market is set to

reach at least \$34 billion, and it is growing rapidly. Gita, as we've noted, anime is one of the fastest-growing entertainment categories. Based on what we have seen from your work, we know that Crunchyroll understands, celebrates, and activates through its complex storytelling and visual superlatives to energize its audiences. Can you speak to how this is driving growth? And how do you plan to continue this momentum?

Gita Rebbapragada: So, one thing I always like to start off with when we're talking about anime is just to define it for people because different people talk about it in different ways. To Crunchyroll, anime is animation that's either conceived or created in Japan and in the style of this 100-year tradition, which has a very distinct animation style but also a narrative style as well. People often think anime is a genre; it's actually a medium. And so within anime, there is really everything. There's romance, there's comedy, there's action. And there's genres that don't exist in non-anime entertainment mediums. For example, isekai, which is a genre around someone going into another universe. And I say that all in the context of growth because it really is a really rich canon of stories that applies and brings in a lot of different types of people.

And so one of the things that we're not surprised to see in the growth is that there's just an increasing diversity of fans within the fandom. As the storytelling gets more diverse, more stories are being told and more stories from territories. So what we have seen is that, during COVID, obviously, there was an explosion of discovery and also consumption. And there was a period of time where many people were wondering, OK, is this a one-time sort of acceleration? And for us, we have not seen that growth slow down. So the increase in demand that we saw in COVID—we have seen that continue over the years.

And what we have also seen is that anime so deeply resonates with Gen Z and Gen Alpha—all the things that they want out

of entertainment. And this is globally—not just in the US. This is globally, which is authenticity, new stories explored, surprises, community, identity. All of those things that they want not only in entertainment but just the brands that they consume and they wear and they buy. Anime kind of delivers that in droves.

And so what we are going to see, we believe, is continued growth because these younger audiences will get financial independence and continue to engage. And then what we're also seeing that's driving growth is really, in many of our territories, depending on when anime first came to those territories (which is very different in different countries). But in the US, for example, what we're seeing is because anime really came over in earnest to linear television in the '80s and really in the '90s, we're seeing now multigenerational viewing where people who grew up on it now have their own kids. And we're seeing that empirically. It's super gratifying to see when we go to a film. I mean, Demon Slayer: Kimetsu no Yaiba Infinity Castle is releasing this weekend in many of our territories. I just went to the premiere, and it was so gratifying to see how many parent-child combos we saw. And we've started to see that. And we're definitely seeing that in the data.

Rohith Nandagiri: You mentioned fandom and growth. I think that'll be a theme as we traverse the next few questions. Stacy, we'll start with you on this next question. In your view, how has the globalization of anime fandom influenced the industry? Are there any unique challenges or opportunities that have emerged as a result?

Stacy Hodgins: Yeah. Well, I think that, as Gita mentioned, anime is experiencing a ton of growth. And I think the anime fandom, it's historically a fairly young audience, but it's a growing audience, and their fandom is very, very strong. And so, for that reason, it makes it a very attractive audience to a lot of distributors. And I think we've been seeing that in the industry—a lot more are

investing in anime content and trying to bring it onto their platforms. And I think that we're also seeing entertainment categories converging around anime.

So anime has a lot of different facets around it. And fans love to express their fandom in person with merchandise, with all sorts of different expressions of that. And also engage a ton in other categories such as gaming, there's crossover with music, there's in-person live events. So, I think all of that is very attractive to the industry because you have a very strong fandom that really engages with the content and the medium and is very passionate and very loyal. So I definitely think we're seeing a lot more attention in the industry.

Rohith Nandagiri: And Gita, can you describe a little bit about how the vectors of the entertainment are converging? You talked a little bit earlier about the generational coming together. Are there other things in the entertainment industry that are converging that also assists in you all building that fandom?

Gita Rebbapragada: Yeah. I think that what we've seen for a while—although I think anime has many examples of this but you're seeing it all over—is just that the lines between entertainment mediums are kind of converging, or they're just at least becoming more gray. So, for example, you'll have an IP that—and maybe Demon Slayer is a good example of that, right—where you'll have an IP that's serialized, then the next installment of that story is best experienced in theaters. So then that next chapter will be in theaters. But then it goes back to serialization.

And then as we're seeing within Infinity Castle, the last parts of that are being made into a trilogy. And having watched the film just a couple days ago, I will say that is the best thing for the fan because the animation and the fight scenes are so stunning that that is the best experience for the fan. But then you have the songs from that particular show

being performed all over in music concerts. We brought LiSA, who is a big contributor to the music for the Demon Slayer franchise, to San Diego Comic-Con not too long ago.

Rohith Nandagiri: Mm.

Gita Rebbapragada: You see this in games, you see—and not necessarily about Demon Slayer, but you see an explosion in all types of gaming. It's not just mobile gaming. There's console games, there's mobile games, there's concerts around these IP, there's collectibles in different price points and at different levels of, I guess, like artistic sophistication. And so you are seeing just a lot of this blurring. And part of it is because it's just so easy to find. If you're a fan of Demon Slayer, or any IP, or any character, in this day and age, it's easy to find you, it's easy to find us. Everything's at your fingertips.

And so all of these communities around these amazing stories start to form with a lot of vibrancy. And when the story is good, and when it's different, and when it's got arcs that are really exciting, you see people converge around those moments. And they're not just converging. They may be talking about the show in their gaming channels. It's not necessarily in the traditional ways that we've seen them engage before.

Rohith Nandagiri: And Gita, based on that, you talked a lot about authenticity. With the globalization and the distribution strategies, have you found it challenging? Or maybe it's a prompt (almost) to gain more authenticity by interacting with your fans. Can you talk a little bit about your authenticity and how the global distribution strategy might impact that?

Gita Rebbapragada: I think that the single biggest way Crunchyroll maintains authenticity is that we don't insert ourselves into the creation process of a story. There are people ... I mean, this is a tradition that's been perfected over a hundred years. There are people that, that is what they do

best. And so our role is to just listen and be the connection point. We put the content on a bar of service, we do the events, and the music, and all of that, but what we also do is listen quite a bit, for better or for worse, to what people are saying and reacting to, and looking at the trends in all of our different territories. We bring that information back. So we're big on sharing information, insights, trends. The themes of how fans are engaging with our content—we're big on sharing that with the people who are actually making the content. We feel like that's really important for creators to get to know our audiences, and also for our audiences to have an influence on the stories that are being shaped.

And separately, we also have ... A lot of times we're listening and seeing, "OK, what stories do we think could resonate in this individual country?" That may not be on the radar of like a studio in Japan or partners in Japan. But if we can bring that to them and say, "Hey, these are some stories we think could be made into great anime." They'll take a look at it. They'll decide whether they can do it at the quality that they want or they're excited about it. But when it does get made, it's really compelling because it's kind of a win-win for us. That's an unsatisfying answer probably to the question, but creativity is creativity. And that is ... inserting ourselves into that process, I think, is not where we see we add value.

Rohith Nandagiri: And Stacy, to that valid point—and that makes a lot of sense, Gita—I think, Stacy, from your perspective and from the industry lens, I guess the question would be how are other industries handling this with respect to authenticity and meeting the fans and the creators where they want to be? What have you seen in the industry to maintain that authenticity in other spaces and other mediums?

Stacy Hodgins: When I think about it from the perspective of anime, before we kind of go to other categories, I think with anime, as Gita mentioned, it's sort of rooted back in an art form with a very, very long history and

rooted in Japan. And for that reason, I think there's a little bit more competition for that content among the distributors.

I think anime fans are somewhat particular, about what they'll, what they'll consider truly anime. And so as a result I think the content is very high value, very sought after. And there's some characteristics that I think the creators sort of have to preserve and to get the right content.

Rohith Nandagiri: Gita, how would you describe anime distribution as distinct from other video formats? And what are some of the biggest challenges that the industry is facing with regard to reaching fans and keeping them engaged?

Gita Rebbapragada: Well, I'm not sure there's fundamental differences between anime distribution and other types of content. I think at Crunchyroll, the anime fan is our sole focus. And so for us, we're not looking to have a handful of anime titles to complement our general entertainment slate offering; we're looking at having a slate of anime content. So for us, we have a slightly different take at distribution in the way we look at content because our slate looks very different. It's very diverse to reflect the diversity of the anime fans ourselves. But I think, listen, everyone has a challenge getting in front of people. There's so many options to spend your time. For us, with anime fans, a lot of time when they're not watching anime they're playing games.

And so, for us, we know that if we want to have someone engage with their favorite characters and stories that games has to play a role. So, for example, we now have a games vault offering; we've scaled that up to over 50 games. We have free-to-play games as well that we participated in. Crunchyroll subscribers can get benefits in those games. So gaming's a really important part of the way that we also reach and talk to anime fans.

Music's another one. When anime fans aren't gaming or [laughs] watching anime

fans, they're listening to the music. Openings and endings are like a big, big thing for anime fans. So we have music on our service, we do a lot with music in real life. So that's a big part of that. And so, for me, the challenge is also the opportunity, right? The diversity of offerings and ways you can spend your time is also the opportunity that when you fall in love with something, and you can be everything to someone, then they spend more time with you. And that's certainly what we're finding.

Stacy Hodgins: Yeah. And I think that your point on all of the other categories and all of the other ways that anime fans engage, I think as we're seeing fans in general across all content categories engage, they're consuming on multiple devices at the same time. So they might be watching and engaging on social or gaming on the side, etc., and I think that we're going to continue to see that. And I think Crunchyroll is unique in that, obviously, by only serving anime fans, with anime, they can hit on many of those categories and those other entertainment categories that some of the others that are pure play—like, video streamers—aren't today.

Rohith Nandagiri: And Gita, what role does cultural exchange play in the evolution of anime? We know about the history of it and we know where it started. How can creators leverage this to enhance their storytelling with respect to the cultural exchange from multinational areas of the world?

Gita Rebbapragada: Yeah. There are incredible stories coming from all over the world. I think that we've seen in droves all over in anime, outside of anime. And I think that our expertise and our hypotheses around what stories and which regions could be made into a good anime—because not every story can be told in anime. There is a specific narrative and elements to what makes a good story, a good anime story. And then also, when it is made into an anime, the person who wrote the story or manages that franchise it may not be told in the way that they would want, right? So, a lot has to come together to make that happen.

But we're certainly seeing that a story that originates in Korea can be a global phenomenon. We've seen that with Squid Games. But in anime, we've seen that with Solo Leveling, which is a Korean-based IP. But that's not unique to Korea that's all over the world. We just announced Ghost of Tsushima is going to be made into an anime. That's a really popular PlayStation game. So, I think it goes both ways. And there's just a lot more interplay between stories from all over the world and where and how they can be told.

The other thing is—and we hear this a lot from our fans, but we also see this in the research with Gen Z and Gen Alpha—part of authenticity is introducing someone to a new world. And anime does that a lot of times because the cultural context is quite different but the themes are pretty universal. And so that is really interesting, and is like an aperture-widening moment for some of these fans. We also see fans get super excited when anime takes place in another country. So there have been examples where an anime has taken place in Latin America. And the fans there just get so excited to see their home, or things that are familiar to them, represented in an anime too. So you just see a lot of the cultural lines blurring and the country lines blurring.

And that's actually, I think, one of the most gratifying things about being in this space is that you see so much connection between different types of people, whether it's different countries and languages or just cultural beliefs really united around a shared passion. And I love that. I love to see it, I love to experience it, and I love to see it come through the stories as well.

Stacy Hodgins: I was just going to add, I think the point you made on “uniting fans” ... I've had the opportunity and the privilege to engage with anime fans here in the US as well as in some other countries. And there's, obviously, localization to how they express their fandom, but I think there's also some really strong commonalities. And it's really great to see how anime pervades so many cultures around the world and in a very similar but also distinct way.

Rohith Nandagiri: Yeah. Stacy, on that note—and for Gita and for you, Stacy—what trends do you see shaping the future of anime? And how is Crunchyroll adapting to meet these changes? We talked about multigenerational viewing and nostalgia, gaming, social media. Where do you see the shaping of this, moving forward? Gita, I'll start with you, and then Stacy you can follow up.

Gita Rebbapragada: I think with any fandom that grows, with growth comes diversity. And so we will continue to see many more different types of fans. And gone are the days where you can even come close to considering anime fandom a monolith. That has been our mantra for a very long time, but I think others will also see that as well. There will continue to be anime fans where anime is a core part of their identity. There are going to be anime fans that fall in love with specific stories. And as there are more stories to fall in love with, they will command a greater share of their consumption but don't necessarily have that be a core part of their identity. You have people who are just pop culture enthusiasts, and as anime becomes part of the pop culture zeitgeist, more and more will be drawn into the fandom. And on and on and on.

It's a mini-universe. And there's many different types of people [who] have many different needs states that are being met. So we're very aware of this, we're excited about it, and it's a great opportunity for us. And obviously, the more types of people, the more types of needs, the more things we'll have to do to really personalize our entire experience for all of that diversity.

Stacy Hodgins: Yeah, I totally agree with all of that. I think the two things I'd add are, I think that we're just seeing such a revolution in general—not just in anime, but in broader entertainment—around technology and how people are consuming and engaging with content. How they're expressing their fandom. How capabilities like Generative AI are being used. And I feel like we're just scratching the surface on the applications of some of this technology.

And so I expect we're going to see quite a big sort of evolution of just how fans engage with content, how they express that fandom around characters and stories, and engage with one another on social platforms and elsewhere. And so I'm really excited to see the creativity among fans and among creators and how that evolves over the next several years.

Rohith Nandagiri: Yeah, that's great. On that note, Gita, a final question for you. Looking ahead, what is your vision for the future of anime's place in our pop culture? And what steps should the industry take to realize this vision?

Gita Rebbapragada: Yeah, my expectation, my hope, my dream... Many of us at Crunchyroll, we believe that anime will continue to grow. But we also see the connective power of these stories, all the things I've said. The ability to connect so many different types of people—open hearts and minds up to new worlds, new ways of thinking, new cultures. And so for us, we just think anime is going to continue to be a cultural force for the better. And we feel like it can be a real vehicle to unite people in a time where there's been, quite frankly, a lot of division. And so we see that that's our hope, and that's what we're pushing for.

And just to bring joy to—and connection—especially to younger people who are living in, again, a disconnected era. So that is my hope. That's what we're working towards, that's what we're hoping for. And, I do think you'll see anime continue to just be integrated into all the moments that create culture, whether it's films and games and fashion and music. You'll continue to see that influence grow and grow.

Rohith Nandagiri: That's a very positive, very fun message. Thanks, Gita, for that. And as we wrap up our discussion, it's evident that anime continues to evolve and captivate audiences worldwide. The insights shared by Gita and Stacy today underscore the importance of embracing technological advancements and fostering a global community of fans and creators. By staying ahead of emerging trends and nurturing cultural exchange, the anime industry can secure its place at the forefront of artistic innovation. Gita and Stacy, thank you for offering your valuable perspectives and sharing your experiences with us. Thank you for tuning in. And until next time, happy listening.

Explore more episodes of
User Friendly at:

userfriendly.deloitte.com

Deloitte.

This podcast is part of an ongoing series of interviews with executives. The executives' participation in this podcast is solely for educational purposes based on their knowledge of the subject and the views expressed by them are solely their own. This podcast should not be deemed or construed to be for the purpose of soliciting business for any of the companies mentioned, nor does Deloitte advocate or endorse the services or products provided by these companies.

This podcast contains general information only and Deloitte is not, by means of this podcast, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This podcast is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte shall not be responsible for any loss sustained by any person who relies on this podcast.

This podcast is produced by Deloitte. The views and opinions expressed by podcast speakers and guests are solely their own and do not reflect the opinions of Deloitte. This podcast provides general and educational information only and is not intended to constitute advice or services of any kind. For additional information about Deloitte, go to deloitte.com/us/about.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the "Deloitte" name in the United States, and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.