

# Research on the Business Model of Bilibili and Its Current Problems

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## ABSTRACT

In this paper, research has been done to analyze the business model of Bilibili and the reasons why it has developed rapidly in recent years. Through understanding the 4Ps and SWOT theory, we bring into understanding the business model and method of Bilibili. Bilibili is a high-quality original media sharing platform, which can be said to be the best original atmosphere video platform in China, so its customer relationship is to maintain high viscosity, high interaction, strong online community gathering. At the same time, there are offline activities to enhance user participation and community atmosphere stickiness. We believe that the key to a company's success is the rationality of target customer selection and business strategy and business model.

**Keywords:** Bilibili, business model, SWOT, 4Ps theory

## 1. INTRODUCTION

In its broadest sense, business model means the relations and connections between enterprises, departments of enterprises, enterprises and customers, enterprises and channels, etc. With the rapid development of the Internet, the new cultural model of video websites emphasizes more on a connection. The Internet enables consumers to participate in R & D and other brother Hu Sanjie, connecting the enterprise end and the client end.<sup>[15]</sup> It includes ten factors from value proposition, target customer segments, distribution channels, customer relationships, value configurations, to core capabilities, value chain, cos structure, revenue model and business name consumer.

In recent years, different kinds of media platforms have been developing rapidly, among which Bilibili is a representative. The data of Bilibili is very eye-catching. According to Bilibili's financial statement for Q3 2020, its revenue has reached 3.23 billion yuan, an increase of 74% year-on-year, far exceeding market expectations. The average monthly active users have increased by 54% year-on-year to 197 million, while that on mobile devices have increased by 61% year-on-year to 184

million. The average monthly number of premium users has increased by 89% year-on-year to 15 million, and the payment rate has increased to 7.6%. At the same time, gross profit margin also climbed from 18.9% to 23.6%, achieving continuous growth for six consecutive quarters.

By analyzing the business model of Bilibili from various aspects, we hope to get a general idea of its success on attracting audiences' attention. At the same time, we will also pay attention to the current problems on its operation and try to provide some suggestions for its future development.

## 2. LITERATURE REVIEW

ACG cultural minority is the foundation of Bilibili.<sup>[2]</sup> As previously an ACG content-oriented video platform, Bilibili has become a multicultural community covering more than 7000 circles of interest for young generations in China after years of rapid development by content generators and users.<sup>[1]</sup> Its development has caught the attention of both practitioners as well as scholars. There are many articles analyzing the business model, profit model, success and challenges of Bilibili.

The two characteristics of video platform are that

user roles can be converted to each other and create corresponding value for their own traffic.<sup>[6]</sup> This reflects the importance of innovating a new type of business. Both the discuss the situation of the competition in the streaming media market. To choose a correct business model is to gain market advantages in modern business markets. *Hu (2020)* concluded that Bilibili has its unique business model, profit model and community attributes. *Ting (2019)* paid attention to user involvement, and realize its sustainable development with the help of effective marketing strategies.

Many researches also focused on the innovative business model of Bilibili. For instance, *Wang (2020)* mentioned that Bilibili engages in commercialization by optimizing their business model, and it has successfully done so which covered a variety of cultural aspects. *Chen (2020)* mentioned that the new type of services and marketing strategies represent the innovative business model of Bilibili.

### 3. THEORETICAL BACKGROUND

#### 3.1. 4Ps Strategy

Professor Jerome McCarthy, an American marketing scholar, suggested it in the 1960s. In total marketing, it is defined as a set of outcome indicators (such as profit, brand, or customer equity) that can be measured from both financial and non-financial perspectives. Moreover, what is being measured extends beyond the enterprise itself, including its impact on social responsibility, law, ethics and the relevant community. The 4Ps apply to virtually all aspects of an enterprise. Only by thinking in these terms can managers be more closely aligned with the rest of the organization.

**Product:** ACG culture as a drainage product.<sup>[4]</sup> Pay attention to the function of development, require the Product to have a unique selling point, and put the Product function appeal in the first place.

**Price:** Formulate different Price strategies according to different market positioning. The pricing of products is based on the brand strategy of the enterprise, and the gold content of the brand is emphasized. Similarly, this high-quality paid content attracts young people to build learning communities.<sup>[7]</sup>

**Place:** Enterprises do not directly face consumers, but pay attention to the cultivation of dealers and the establishment of sales network.

**Promotion:** Enterprises focus on stimulating consumers by changing their sales behavior, and promote the increase of consumption in the short term. In a short period of time, advertising, public relations, direct effect, marketing and other information should be quickly conveyed to consumers, and "communication" activities should be established with consumers.

#### 3.2 SWOT Analysis

SWOT analysis includes S (strengths), W (weaknesses), O (opportunities), and T (threats). According to the complete concept of enterprise competitive strategy, strategy should be an organic combination between "what can be done" (i.e., strengths and weaknesses of the organization) and "what can be done" (i.e., opportunities and threats to the environment) of an enterprise.

### 4. ANALYSIS OF BILIBILI BUSINESS MODEL

#### 4.1. Strengths

a. Bilibili has no shortage of traffic and the ability to retain users.

b. Bilibili's two-dimensional culture is thick, the field is vertical, may be appropriate for two-dimensional culture IP product series sales, and the two-dimensional IP peripheral products roughly have about 500000 million market, as the two-dimensional largest community Bilibili in this respect is has its own advantages.

c. Bilibili still has Taobao in the electricity supplier system construction, the financial assistance Bilibili is not lack of flow, but also retain user ability.

d. The video content partition is rich and diversified, 70% of the content comes from user-made or original videos. The vibrant online community atmosphere has attracted a large number of users, which is also one of the diversity of content.<sup>[5]</sup>

Because there are many different types of video web site set up partitions, such as animation area game area living quarters beauty makeup area, etc. These draws up to consumers for the rich and colorful partition and can be enough to meet customer demand. The possibility that can't find to see the video type is small. The entire website platform diversity will not make b standing reputation gradually developed, also the standing development. B is different from other video website and the characteristics of various types of video can not only satisfy the consumers, also can meet the needs of the owners of the up. B station has to consider both sides and B station is one of the characteristics of great advantage.

#### B. Barrage culture

"Barrage culture" is an emerging youth culture, which is characterized by immediacy, participation, viewpoint and entertainment. In recent years, barrage subtitles have become a unique cultural practice for young people to express their views on live video, online dramas and variety shows. Young people not only reflect their comments on the program, plot and

guests in the barrage screen, but also express their feelings about the times and society.

The unique features of domestic video websites that integrate Japanese ACGN culture -- barrage culture. Through the barrage that can be set up in color, as well as the barrage civilization and the barrage language and rules, the new fashion form created by domestic video websites. The full name of B station is Bilibili barrage video website, which takes barrage as a major highlight of drainage. In Station B, users of different levels can issue different levels of barrage. At this time, a major feature of the industry appears: advanced barrage, with custom shape and size displayed on the screen. Such a trendy barrage culture attracts many users, which is also one of the advanced barrage internal advantages.

#### C. Answers are required for registration

At present b stand the new user registration account has no need to answer, the usual Bilibili to implement registered account must answer to pass to the successful way blocked some junior, filtering some inferior user, make the entire website network atmosphere more civilization. This also stand for later b word-of-mouth network civilization laid a good foundation.

#### D. 100 Top Up

This is set to encourage the hard work of up master in Bilibili.<sup>[8]</sup> Contribute in order to pass the number of fans, contribute quality, broadcast slot number, amount of composite selected in different area of the data of the one hundred big up the Lord, it stands as a media platform for users to reward and encouragement, one hundred big up maintaining is a lot of Bilibili stand up main goal, through the platform of encouragement, can make the internal video content better, in order to promote the development of b stand the quality of the product.

#### E. Membership purchase function

Because the original intention of Bilibili station is to be the platform of China's secondary animation network, so the ACGN culture-based member purchase function was launched. Different from other we-media platforms, Bilibili has set up a multi-self-operated online store for users to purchase handmade, peripheral, books, tickets, clothing and other commodities, which can greatly increase the income and capital of Bilibili. It is also one of the characteristics of Bilibili and one of its powerful internal advantages.

### 4.2. Weaknesses

a. Income and expenditure structure and single profit structure.<sup>[11]</sup>

Bilibili 's main revenue sources are game revenue and live revenue. Although the positioning is a video website, its biggest source of income comes from game

operation agents.<sup>[11]</sup> Due to the limitation of Bilibili tonality and user groups, the choice of games is more cautious. The games pushed by Bilibili are mainly anime and anime, which limits the type of users while enhancing the stickiness of fans. Live streaming is not the main business of Bilibili, which increases the risk to its revenue. Bilibili can't be compared with professional games and live streaming platforms either in terms of user group or service quality. These two businesses as major revenue sources also add to Bilibili 's revenue risk.

#### b. Membership Fees Less Cost Effective

Bilibili members are around 15 to 25 yuan a month, which is little different from the pricing on video apps like Tencent Video. In other paid video sites, members can enjoy high definition and go to advertising, enjoy sole broadcast content and most of the video, and watch the next week's content in advance, but Bilibili members can only enjoy less preferential treatment. Obviously, this low cost does not attract users to recharge membership, the same pricing and little large membership privileges are clearly mismatched.

#### c. Ad Placement Becomes A Problem

In order to position Bilibili at the beginning of its creation, the founders promised that they would not place sliced ads in Bilibili. This results in an inability to receive more advertising. Therefore, it is difficult for Bilibili to screen advertisements and to find suitable advertising content consistent with platform tonality. Bilibili also developed by uploader in their own content to add a wide range of soft but by uploader personal influence, and uploader number of fans limited, the number of people watching is limited, far less than by Bilibili own advertising push influence and purchasing power. In recent years, Bilibili advertising will be the problem to be solved urgently.

A. As the platform becomes more integrated, users' preferences, sources and original intentions will vary to some extent, which will lead to greater conflicts.

B. Stand by anime, now gradually from a single animation into comprehensive video network platform, which can lead to originally because anime factor b standing account registration old users love anime this plate on the road to development threatened by extrusion and scaling, and for later for the integration to a new user group is likely to produce conflict because of this, and for a long time no solution and the situation of both the parties.

### 4.3. Opportunities

a. Domestic copyright consciousness has been awakened, and Bilibili rode the first wind, with a large number of legitimate film and television.

b. Domestic animation market in the rapid development period, development potential is huge. And all kinds of comics, network novels market mature, with a large number of high-quality scripts, it is easy to adapt animation.

c. Quadratic element audience is wide, among which the first two groups of users after 85 and 95 have graduated from university and they are relatively not weak consumption power, and the post-00 and 05 grew up in the mobile Internet, copyright film and television atmosphere, have good consumption habits, whether live, membership or games, consumption barriers are very low.

d. At present, domestic PUGC platform Bilibili is a dominant, potential uploader are the best choice, easy to attract a large number of creators to live.

e. Bilibili is successfully breaking circles. The New Year epidemic brought a lot of growth, so that the process of breaking the circle greatly accelerated, completed the growth task ahead of schedule, for the future precipitation laid a good foundation.<sup>[9]</sup>

#### A. Sustainable fission of user groups

The user groups attracted by ACGN culture are mostly the new generation of young people born after 1995 and 2000. The communication among young people can spread the platform of B rapidly, thus enabling B to acquire new user groups. Such continuous growth and multiple users will be a great opportunity for the future development of Bilibili.

#### B. Promote domestic ACGN culture

While vigorously promoting and promoting domestic cartoons and cartoons, we can get more sponsorship and Copyrights so as to gain profits from them, which can also form internal driving force and power for the whole domestic ACGN cultural circle in the future development road.

### 4.4. Threats

a. Watermelon Video is currently the biggest challenger to Bilibili and is also the most direct competitor for Bilibili in the country. Because it is now a large user scale, want to further development must be from the sinking market to find, Bilibili how to fight their own unique way will be a problem.

b. Although Bilibili profitability is improving, but the loss is still expanding, although the current market is optimistic about Bilibili, but experienced Ruixing and new crown epidemic two events. The capital market is bound to start gradually cautious, the current Bilibili needs to race against time, in the next two years if the losses continue to grow, may make capital market impatient, and finally the stock price crash.

c. Revenue growth in Bilibili 's games business was anemic at 22 percent. Although Chen Rui claims Bilibili currently has 30 games in reserve, but in these games, can profit, become a hit are an unknown number. Bilibili 's game profits are basically supported by FGO and blue line two games, if not quickly find a third phenomenal game, Bilibili game business revenue will be down.

A. Competing with other domestic video websites for Copyrights of TV dramas, movies and TV dramas.

B. Cooperate with other domestic video networks based on ACGN culture.

For example, Station A, one of the competitors of Station B, has been plagued by the mutual threat between the two platforms for many years.

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## 5. DISCUSSION

Actually, Bilibili is most important source of revenue is mobile games, more than half of its total income, Bilibili station has developed only one game so far. But there are 32 exclusive games, and third-party cooperation issued as many as 740. The game industry is a typical head industry, often the best 5 per cent of them provide 95 per cent or more of their income, and Bilibili station naturally must also obey this kind of head effect. Among the many mobile games released at Bilibili station, first of all, it provided 58% of the game revenue. The second blue route offers about 10%, All the remaining more than 770 games add up to 32% of the revenue. The second largest revenue engine is live and value-added services, mainly from the reward of users watching live broadcast, charging up owners and selling members of the conference. This revenue also includes sales of new Bilibili comics and cat's ear, a screen audio

site that has contributed 1.64 billion, or 24 percent, to the year. The third largest source of revenue is advertising, Bilibili standing in the advertising business is quite restrained, compared with the traditional Aiyou Teng video platform advertising revenue composition, Bilibili station CEO Chen Rui has promised not to add a patch advertising for the play. The current advertising of Bilibili stations mainly includes brand advertising when opening the screen and information flow advertising in video recommendation. This behavior of using love to generate electricity certainly ensures the use experience of b station users, but also leads to the continued decline of advertising revenue in b stations. Finally, Bilibili station's fourth largest revenue source is e-commerce revenue, mainly concentrated in hand-run quadratic element products peripheral sales and third-party ticketing services, this part of the growth is very fast, from 75 million in 17 years to 720 million in 19 years, two years have almost doubled.

The healthy and active community ecology of Bilibili station has always been popular with many platforms, but even if other platforms spend more energy to imitate, build and operate, it is far less than the quality of b station community. At present, the best streaming media platform should be Netflix. At the beginning of netflix's establishment, it broke the traditional website model with an innovative sales model and established its own unique business model.<sup>[12]</sup> Perhaps this is the advantage of the people of the zera, as a new generation, well-educated, creative and expressive. Having such a user group is the basis for the gradual commercialization of Bilibili stations.

Bilibili attracts users by providing rich and diverse original content of professional users. From the point of view of content creation, Bilibili station has formed a closed-loop creative ecology. Creative ecology consists of users, up owners and video content.

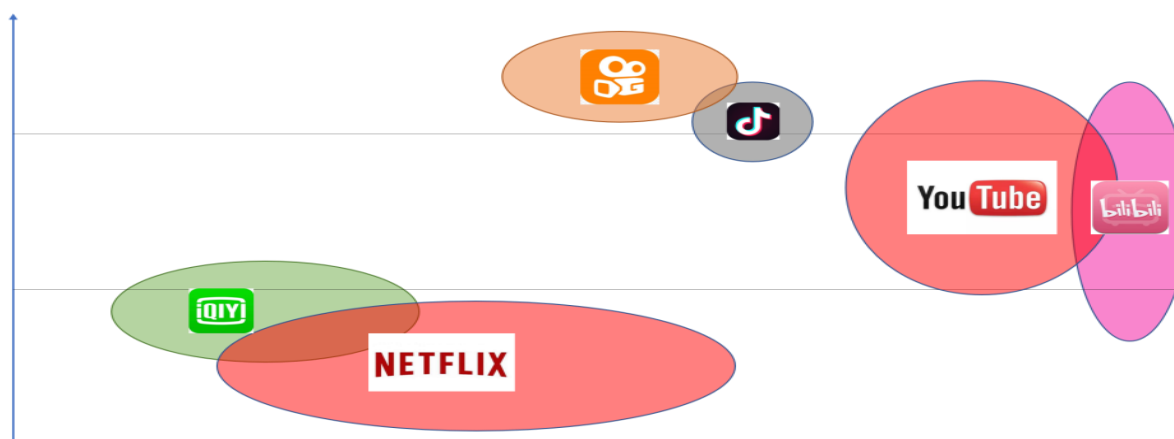


Figure 1 Content Production Mode

## 6. SUGGESTION

Although Bilibili is increasable popular in China, but as seen in the yearly financial report that there is still some issue that the website is facing, and the following suggestion can improve the problems.

(1)Bilibili should create more original and exclusive content<sup>[3]</sup>

Bilibili seldom produce original content to purchase, instead buying copyright of other video which can also be watched on other website. Although this consistent with the positioning and tonality of station Bilibili itself. However, throughout China's video websites, self-made content increasing trend has already proven it is value.<sup>[13]</sup> In order to ensure the competitive advantage of the platform, Bilibili needs to check the quality.<sup>[14]</sup> Bilibili should strictly review the submission of works.<sup>[10]</sup>

(2)Bilibili can give more value to customers who paid for special service.

Bilibili can provide certain discount to those ordering a long-tern membership (like offer additional

time). It can also give members more customize option since it is a bullet-screen website.

(3)Bilibili can presents video that satisfy all age grope.

In current situation, a great majority of Bilibili's content is facing teenagers. In order to enhance the market. One strategy is to make other content targeting other age group, like classic TV shows and movies.

(4)Bilibili should strengthen the connection with other website.

Other commercial websites can collaborate with Bilibili. (like Taobao Tianmo etc.) In order to present a win-win situation.

## 7. CONCLUSION

Bilibili location of accurate video community operation brings huge traffic and good community atmosphere, so that Bilibili has unlimited possibilities to realize. Bilibili buy copyright from film and television drama, comic book copyright business, obtain exclusive

agency right and live broadcast right from game producer, so as to build platform hard content and hard traffic; at the same time, encourage UP to publish original works and build platform soft content and soft traffic. By distributing the content to the audience users, the audience's reward and interaction bring economic and spiritual positive feedback to the UP and platform, thus forming a healthy ecological network closed loop.

Bilibili positioning in the youth community, Bilibili will have an overwhelming high-viscosity user base. Addition that Bilibili is a high-quality original video from the media sharing platform, Bilibili can be said to be the best domestic original atmosphere of video platform, so its customer relationship is to maintain users with high viscosity, high interaction, strong aggregation of online communities, while through offline activities to enhance user participation and optimize community atmosphere, enhance user stickiness. From these we can see that Bilibili value this customer relationship very much, and there are better ways to attract customers Long-term attention.

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