



# Network Video Platform Analysis Report

## Bilibili's Company Research

Shuhua Lin<sup>1,\*</sup>

<sup>1</sup>School of Accounting, Shanghai Lixin University of Accounting and Finance, Shanghai, 201600, China

\*Corresponding author. Email: 15040920716@xs.hnit.edu.cn

**Abstract.** The development of the Internet era has provided conditions for the rise of online video platforms. The public is concerned about the future development trend and focus of these enterprises. Analyzing the enterprise's industry environment and the enterprise's current stage of development can help grasp the future direction and make suggestions for improvement. This paper selects Bilibili as the research object to analyze the company's current situation. Based on the Porter Five Forces, SWOT and other models, analyze the current industry status, opportunity and challenges of the company. Combine recent financial data to make forecasts for future developments and earnings. Explore the reasons behind Bilibili's negative profits in recent years in the video platform industry. And make relevant suggestions.

**Keywords:** The Internet video platform, Network community platform, Bilibili company analysis

## 1 Introduction

### 1.1 Establishment of Bilibili

Bilibili, is in the lead of youth cultural community in China, was created on 2009, and fans call affectionately as "Station B". Bilibili is an iconic brand of the young generation of China and a leading video community. It belongs to the video website, which processes digital content, the use of digital technology to process and integrate the application of pictures, text, video, audio and other information content.

At present, the site has 14 major sections of animation, drama, national creation, dance, games, music, technology, life, ghost animals, fashion, advertising, entertainment, television and film, and screening halls, seventy percent of the content comes from user-made or original videos, and there are currently more than 1 million active video creators.

At present, more than 150 million active users of Bilibili, Seventy-five percent of the users of Bilibili are not yet 24 years of age.

The feature of Bilibili is the comment function suspended above the video, which is called "bullet screen" by enthusiasts. This approach allows users to communicate

across time and space, creating a virtual co-viewing environment. Here, it's easier to share your mood when watching with each other [1].

## **1.2 Development**

In the beginning, Bilibili was just a simple drama porter website. At that time, the overall model of Bilibili was very simple, and most of the output of animation content was based on users or free output of translated subtitle groups.

Around 2010, the two-dimensional culture began to develop and expand continuously from a niche, user base with a very small number of cultures, perhaps because the development of the Internet means increased the level of Japanese animation culture input, or because the people with two-dimensional preferences gradually grew up to become an age group with a certain social discourse [2].

Paper can be organized as following sections. Section 2 is Industry analysis. Section 3 is Firm analysis. Section 4 is financial analysis. Section 5 is conclusion.

## **2 Industry Analysis**

### **2.1 Industry introduction**

Bilibili belongs to the "digital content service industry", and there are many video platforms in China that make a profit by purchasing film and television drama and variety show copyrights [3].

### **2.2 Porter's five forces**

#### **2.2.1 Bargaining power of suppliers.**

Bilibili's 2021 financial report data shows that mobile game business revenue accounts for 26.3% of total revenue, value-added services account for 35.8%, advertising accounts for 23.3%, and e-commerce and others account for 14.6%. Compared with the 2020 revenue structure, it is more fragmented, the revenue structure has become more diversified from single, and the bargaining power of suppliers has been reduced [3, 4].

#### **2.2.2 Bargaining power of customers.**

The finance report data shows that the average age of the core users of Bilibili is about 21.5 years old, most of them are school students and young people who have just graduated, and their spending power is moderately low. But the game and live broadcasting business mainly depend on high-paying users. As far as the bargaining space of consumers who pay for content is concerned, because there is not much official content with copyrights that Bilibili can obtain in China, it seems to be at a disadvantage [5, 6].

Bilibili considers shifting the purchasing power of consumers to the sale of user attention resources, but since Bilibili has few ads, users are accustomed to focusing on

content. They have a strong sensitivity to advertising. Consumer bargaining space is once again compressed.

### **2.2.3 Threat of new entrants.**

The video websites' barriers are high. The film and television works copyright and attract to user-made video content require huge cost investment. The accumulation of content requires long-term maintenance, only with a large enough user base, the richness of UGC (User Generated Content) content can meet the diverse needs of platform users. Potential entrants enter the difficulty [7].

In terms of financial strength, Bilibili is not the most prominent. However, in the depth of the two-dimensional culture, Bilibili is unique and has absolute competitiveness.

### **2.2.4 Threat of substitutes.**

From the overall market point of view, video websites can be divided into three categories, namely comprehensive, live broadcast, and short video [7]. The goal of Bilibili transformation is a comprehensive video website. But the user-generated content of Bilibili, as well as the mature small community that already has it, has increased the irreplaceability of the B station video platform [2].

The author think Bilibili should pay attention to the threat of the entire industry, such as the increasingly mature virtual reality technology, although the technology has not yet been commercially used on a large scale, its future development should not be underestimated. In the future, people's way of leisure and entertainment will change to experience the real life of their dreams in virtual reality, instead of watching videos on screen. Perhaps this is no small threat to the entire video platform industry.

### **2.2.5 Industry Rivalry.**

According to Blue Cat statistics, in 2019, among the comprehensive video websites, the first military group pattern of Tencent Video, iQiyi and Youku are relatively immobile, and the user penetration rate of Tencent Video has reached 45%. The penetration rate of the Bilibili is only 7%. However, the user fidelity of Bilibili ranks the highest. Since 2007, in addition to mobile gaming software, bilibili is the most used app per capita. Bilibili's 12-month retention rate is more than 80%, while other video platforms retain less than 60%.

In addition, video producers will continue to contribute user-generated videos to Bilibili. Other integrated video sites need to consume a lot of cost to buy film and television drama and variety show rights, while Bilibili's cost consumption is even smaller [8, 9].

### **3 Firm Analysis**

#### **3.1 SWOT analysis**

##### **3.1.1 Strengths.**

###### *3.1.1.1 Based on user needs.*

Think of users as people who are truly equal to the operator, to understand their behaviour, to respect and understand the individual behaviour of users, rather than simply treating users as part of big data.

Even in the process of later commercial development, Bilibili still adheres to the principle of "commercial income cannot damage the user's experience and dignity". In fact, fundamentally, the value of all Internet products comes from the value of users, and the commercial income lies in how many users the platform can convert the value of the user into commercial income.

Bilibili can well gather user value. The value of users includes a lot, from the data point of view, the user's stay time, access frequency, the user's inner recognition of the Bilibili brand, the user's emotional connection to other users on this platform, these are the revenue value of the B station. The platform side converts some of this into commercial value and promotes the healthy operation of this community.

###### *3.1.1.2 Content and relationship chains are combined.*

Different from the Tik Tok video platform, Tik Tok pays more attention to the content push of videos, emphasizing the frequent content recommendations brought by short videos. Bilibili emphasizes both the content and relationship chain of the video. As long as the creator masters one of the elements, he can build his own small circle of communication. The creator's channel will be able to gain a certain number of users. Youtube has done a great job of both. They provide creators with clear patterns and hardware support to help share better video content. It also provides video viewers with a "not interested" option to help establish a "circle of interest" within the platform.

The core of Bilibili is different from other video platforms in China, using video content as the carrier to attract users through obvious circles of relationship and video content in particular [10, 11].

###### *3.1.1.3 Video content is diverse.*

Bilibili provides a full range of video content to meet the diverse hobbies and preferences of users. They have also built a video community for high-quality, high-culture users.

###### *3.1.1.4 User loyalty is high and stickiness is large.*

According to Aurora big data survey data, in the subdivision industry application preference index, online video applications, Bilibili ranked first; According to the historical scoring data of The Bilibili of Qimai Data, the number of daily ratings exceeds 300,000, of which five-star praise accounts for more than 90%.

The main users are distributed in 93-00 years of users, of which 97 years users occupy an absolute dominant position. The rejuvenation of users is also one of the core advantages of Bilibili, and the user stickiness is larger, if it is properly operated, the impact of population ageing will be small [1,6].

### **3.1.2 Weaknesses.**

#### *3.1.2.1 The user perception feels threatened.*

With the surge in the number of users, more and more users pay attention to such high-quality video sites, and users are gradually ageing. It has brought about the problems of declining quality, leading wars, increasing advertising and marketing content, and so on [6].

#### *3.1.2.2 Platform users are restricted.*

Due to the Chinese mainland limiting the network area, the possibility of Bilibili being well known to foreign users is very low, and it will take a certain amount of time for the large platform to be internationalized to spread among users.

### **3.1.3 Opportunities.**

#### *3.1.3.1 Platform users are restricted.*

The interests of contemporary young people are becoming more and more extensive, and they need more self-expression and communication. So the platform community atmosphere is better [3, 4].

#### *3.1.3.2 The number of potential new users is huge.*

China's rapid development has attracted more and more foreign users to sign up for Bilibili. They use video platforms to communicate, understand the cultures of various countries, and disseminate information, which to a certain extent increases the opportunities for people around the world to understand each other. At present, it seems that the user demand is extremely large, and the prospects are very good.

### **3.1.4 Threats.**

The competition between video platforms is fierce, especially since 2017, short videos are hot, and products such as Tiktok are also contending. Although the coincidence between short videos and Bilibili users is not very high, it still has a certain impact on the Bilibili [1, 11].

## **3.2 Firm strategy**

To improve its competitiveness in the industry, Bilibili has begun to solve an important problem in the video platform industry, which is the copyright problem of various videos, films and television. Bilibili pioneered its original content, through

which it stabilized its production capacity as a video platform. (Table 1) Owning the copyright t product means that the company can start other derivative businesses and derivative products. This increases the differentiation of the Bilibili platform, giving it more autonomy in platform content [12].

**Table 1.** Intangible assets of Bilibili as of December 31, 2021. (RMB in thousands)

Intangible asset:	Gross carrying value	Accumulated amortization	Net carrying value
Licensed copyrights of content	5,567,213.00	(3,245,622.00)	2,321,591.00
License rights of mobile games	455,687.00	(229,559.00)	226,128.00
Intellectual property and others	1,674,232.00	(386,351.00)	1,287,881.00
Total	7,697,132.00	(3,861,532.00)	3,835,600.00

## 4 Financial Analysis

### 4.1 Income

According to the financial report, Bilibili achieved total revenue of 19.384 billion yuan in fiscal 2021, an increase of 61.54% year-on-year. At the same time, the adjusted net loss of Bilibili was 5.5 billion yuan, which was 1.1 times larger than the adjusted net loss of 2.6 billion yuan in 2020. Among the four major sectors, only the advertising business performed outstanding. Total revenue for the fourth quarter of 2021 was \$5.78 billion, and the advertising business increased 120% year-over-year. Growth in the gaming business continued to be sluggish, with the previously anticipated live streaming and value-added services, e-commerce and others all slowing down significantly. But on the earnings call, CEO Chen Rui and CFO Fan Xin are confident that they will achieve "narrowing losses in 2022 and breakeven in 2024." (Figure 1)

At present, the focus of Bilibili is to continuously increase the number of users, rather than to achieve break-even first. It is reasonable to predict that as a large video platform in China, as long as it maintains the healthy growth of users and gradually reduces costs and increases efficiency, it can achieve a narrowing of losses in 2022 and breakeven in 2024.

Bilibili's CEO Chen Rui also said at the meeting that the more important work in 2022 is to increase revenue. The focus shifted from user growth to increasing revenue, behind which was the change in the revenue structure of Bilibili is weak games, slowing growth of value-added services, declining e-commerce, and advertising soared against the trend. The weakness of the game has continued throughout 2021, and Bilibili has acquired very few games that own the rights, reducing the game agency and joint operation business sector of Bilibili, resulting in a lower supply of games than expected. It is worth mentioning that in 2021, among the four main oper-

ating revenues of Bilibili, live broadcasting and value-added service revenue accounted for the largest proportion, reaching 32.8%, advertising business ranked second, accounting for 27.5%, and the contribution of game business to total revenue continued to decline, only 22.4%, ranking third for the first time. Revenue in 2021 reached 4.52 billion yuan, an increase of 145% year-on-year. (Figure 2,3,4)

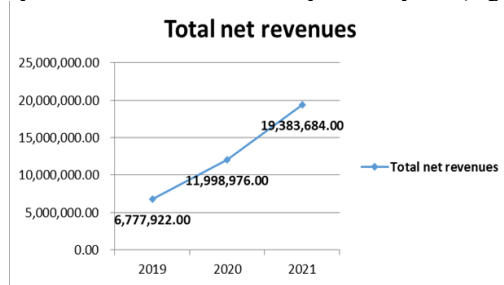


Fig. 1. Total net revenues of Bilibili from 2019 to 2021. (Amounts in thousands)

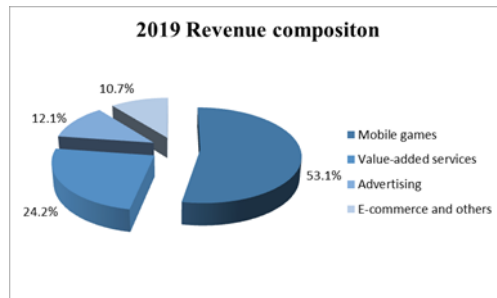


Fig. 2. Revenue composition of Bilibili in 2019.

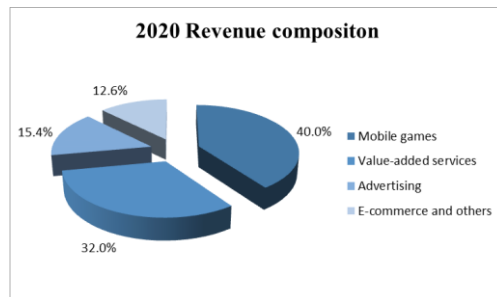


Fig. 3. Revenue composition of Bilibili in 2020.

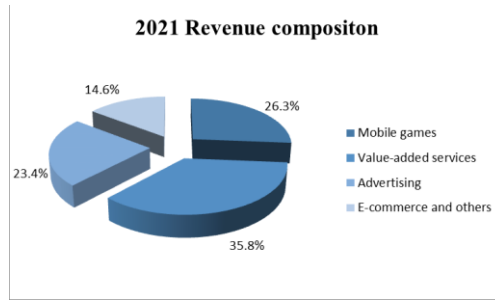


Fig. 4. Revenue composition of Bilibili in 2021.

## 4.2 Expenditure

Looking at the expenditure of Bilibili in 2021, the total operating expenses were 10.5 billion yuan, an increase of 75% year-on-year. There into, operating and sales expenses are the largest, accounting for 55%. This expenditure was \$1,762 million in Q4, up 73% year-on-year and the largest increase in the quarter. (Table 2) In 2020 and 2021, the user data of Bilibili performed well under the investment of high marketing costs. In the fourth quarter of 2021, the monthly active users of mobile terminal equipment reached 252 million. Simultaneously, the number of full members of Bilibili reached 145 million. In the past February, the monthly active users of Bilibili have exceeded 300 million.

For large expenditures, Bilibili management plans to actively manage operating expenses, reduce R&D expenses, focus on ROI, and control the number of personnel. The following question is how to ensure that the number of users continues to grow. When Internet traffic peaked, the cost of acquiring users was increasing, the competition was fierce, and after reducing marketing expenses, it was not easy for Bilibili to maintain the user growth rate of the past two years.

Another important expense is research and development costs. Bilibili's R&D expenses are mainly used for the personnel costs associated with developing new games, enhancing data capabilities, and optimizing new product features. If you plan to reduce this part of the expenditure, the first reduction will be the inefficient game research and development in recent years. One of the reasons is that Bilibili's current strength in independently developed games is not enough, and the other is that the game industry is more strictly regulated. Therefore, the next step is to cut game development is also the trend of the times.

However, the video platform has increased the cost of obtaining users, the competition is fierce, reducing the marketing expenses of Bilibili, and it is not easy to maintain the growth rate of users. Bilibili's biggest competitor is a short video platform, and short videos such as Tik Tok seize people's fragmented time and will get more users' average daily usage time.



**Table 2.** Operating expenses of Bilibili in 2020&2021. (RMB in thousands)

Operating expenses	Year	Q1	Q2	Q3	Q4
Sales and marketing expenses	2020	(605,957.00)	(675,092.00)	(1,190,354.00)	(1,020,688.00)
	2021	(1,000,059.00)	(1,399,950.00)	(1,633,269.00)	(1,761,605.00)
General and administrative expenses	2020	(171,377.00)	(208,411.00)	(253,475.00)	(342,819.00)
	2021	(388,531.00)	(435,945.00)	(474,910.00)	(538,120.00)
Research and development expenses	2020	(297,335.00)	(330,628.00)	(401,030.00)	(483,973.00)
	2021	(580,254.00)	(673,679.00)	(788,312.00)	(797,617.00)
Total operating expenses	2020	(1,074,669.00)	(1,214,131.00)	(1,844,859.00)	(1,847,480.00)
	2021	(1,968,844.00)	(2,509,544.00)	(2,896,491.00)	(3,097,342.00)

## 5 Conclusion

### 5.1 Unique Advantages

Bilibili's rapid rise in China depends on many aspects, and it is unique in the richness of video content. Grasping the diversified hobbies of the Chinese younger generation and the special psychological tendency of looking for similar types, a unique online video community has been constructed, providing a platform for young people's hobbies to discuss and communicate.

At the same time, it grasps the defects of the classic video platform to improve and actively expand its copyright products and related derivative products. And the development of e-commerce and other businesses, improve advertising presentation and other issues, to adapt to the corresponding customer preferences and requirements. Build a comprehensive supply system for young people's hobbies.

### 5.2 Future Improvements

#### 5.2.1 Lock in core needs and improve the rights of members.

According to the "Z Generation Circle Layer Consumption Report", the five major consumption circles of Z generation youth (16-24 years old) are: e-sports circle, two-dimensional circle, national wind circle, model play hand circle, and hardcore technology circle. Bilibili wants to attract more high-consumption users with more video content and high-quality video quality, and improve the overall purchase power of the platform. At the same time, we will continue to maintain the user stickiness

advantages of the Bilibili platform, accurately locate the needs of young users, and improve the purchasing power of these users.

### **5.2.2 Extend the game value chain and improve marginal benefits.**

Bilibili wants to attract more high-consumption users with more video content and high-quality video quality, and improve the overall purchase power of the platform. At the same time, we will continue to maintain the user stickiness advantages of the Bilibili platform, accurately locate the needs of young users, and improve the purchasing power of these users.

### **5.2.3 Deeply cultivate the field of pan-knowledge.**

At present, the de-qualification of content has become the main trend. In the pandemic, users' preference for serious content skyrocketed. People want to see abundant video content.

### **5.2.4 Improve platform rules to ensure community stickiness.**

Bilibili has good user stickiness, and the user's use time is also dominant. This shows that Bilibili has a unique advantage in terms of community culture. Although the future video content and form can be copied, the unique culture of Bilibili cannot be replaced.

### **5.2.5 Assist authors to increase income and stabilize platform product quality.**

Compared with other video websites, PUGC content created by up is the top priority of Station B, accounting for 85.5% of the total video playback on the platform. Bilibili's new creators mainly rely on platform diversion to gradually attract users. For creators who already have a large number of fans, the platform's traffic becomes unnecessary. So Bilibili must assist these creators to increase their revenue and ensure quantitative high-quality video content. Guarantee the attractiveness of the platform to users. Bilibili can build a platform for content creators and advertisers to achieve multi-party profits.

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