

The Influential Factors on Brand Equity: A Case Study on Bilibili

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Abstract. Despite China's booming market for online video platforms, the goal of this research study is to look into the variables that caused Bilibili, one of the country's leading social video platforms, to experience repeated losses. Despite the fact that the user bases and market earnings of online video companies have been increasing year after year, Bilibili has been losing money from 2020 to 2022. Already published studies have examined this issue from a range of perspectives, including commercial profit models and Bilibili's income and spending structure. These studies may no longer be able to fully explain Bilibili's current losses, given that the company's revenue structure has changed significantly. This article seeks to close this gap by utilizing brand equity and brand loyalty as a framework to study the aspects influencing Bilibili's losses. The study will examine changes in brand loyalty among Gen Z consumers using data from 2020 to 2023. According to the findings, the loss of a distinct brand image and an inconsistent brand strategy led to a decrease in brand loyalty. The conclusions of this study will not only help Bilibili make strategic changes but will also help to comprehend Generation Z's use and consumption patterns on social media platforms.

Keywords: Bilibili, Brand Image, Brand Loyalty, Generation Z.

1. Introduction

1.1. Research Background

In the digital age, social video-sharing websites are essential. They are such effective means of communication, entertainment, and education. Online video platforms' user bases have been growing steadily in recent years, and the market revenue they generate cannot be disregarded. According to the China Network Audiovisual Development Research Report in 2023, there were 1.04 billion network audiovisual users in 2022, and the pan-network audiovisual sector had a market value of 727.44 billion yuan, up 4.4 percent from 2021 [1]. Online social video platforms must adopt the appropriate strategic model in order to conduct company operations and generate profits in this enormous industry. However, according to Bilibili, one of the biggest video sharing platforms in China, from its annual report disclosed in 2022, there has been a loss year by year from 2020 to 2022 [2]. Its losses were 3 million yuan in 2020, 6 million yuan in 2021, and up to 7 million yuan in 2022.

The investigation into the recurring financial losses experienced by Bilibili has emerged as a focal point of scholarly research. Bai and Shen conducted an analysis and examination of countermeasures inside the commercial profit model and subculture of Bilibili [3]. Hu has conducted a study on the pricing of membership as well as the revenue and expenditure structure of Bilibili based on the profit model [4].

1.2. Research Gap

Although there are many studies on this question, most of them are from 2021 or even older, and the results of past studies cannot fully explain Bilibili's current losses. According to the financial report released in 2022, value-added services (members, live pay) in 2022 increased by 26% compared with last year, which means that the problem of low-cost performance of members and the single revenue and expenditure structure has been solved [2]. It is worth noting that in 2022, Bilibili's revenue from games accounted for only 22.9% of the total revenue, while the revenue contribution of games in 2020 was once as high as 40% [2]. This shift has never happened before. Therefore, under such a strategic change, it is necessary to re-analyze the causes of Bilibili's loss. What factors have

led to Bilibili's losses? After analyzing the question, the results of this study will not only provide the basis for Bilibili to insist on the strategic adjustment but also explore the factors that affect the use and consumption motivation of Gen Z consumers on social media.

1.3. Fill The Gap

This study aims to address the above-mentioned research issues by utilizing Bilibili as a case study and integrating pertinent data spanning from 2020 to 2023. The analysis will be conducted through the lens of brand equity and brand loyalty, with the objective of identifying the factors influencing the fluctuations in brand loyalty among Gen Z consumers. Furthermore, the study will elucidate the magnitude of these factors' impact. Simultaneously, drawing upon the aforementioned rationales, this study will proffer efficacious recommendations for the strategic realignment of Bilibili, thereby facilitating its enhanced progress.

2. Case Description

Bilibili was founded on June 26, 2009, as the video-sharing site Mikufans. On January 24, 2010, Mikufans changed its name to "Bilibili." In its early stages, Bilibili was an ACG (animation, comics, and games) content creation and sharing video website. From its birth in 2009 to 2011, Bilibili was just a niche online community with no means to make money. The situation improved after several rounds of funding. After a certain amount of economic accumulation, Bilibili attracted a large number of audience members through the purchase of various well-known legitimate animes. By this time, Bilibili's main audience was still ACG fans. The anime district, or Kichiku district (which comes from the Japanese word Kichiku, a sub-culture of ACG), is most prosperous.

In 2014, Rui Chen officially joined the Bilibili team as a partner. Bilibili also gradually became standardized and began to pay attention to copyright and original content. Bilibili has also gradually grown from the platform website dominated by handling videos to the current video website, where most of the videos in the station are self-made original content, and continues to "break the circle," becoming one of the video platforms that more and more young people and even people of different ages are familiar with. With the listing of Bilibili on the National Association of Securities Dealers Automated Quotations (NASDAQ) in the United States on March 28, 2018, it means that Bilibili is beginning a commercial model. Till now, Bilibili's section has included technology, dance, music, variety shows, knowledge, and more. The content people search for on Bilibili is not limited to anime-related but serves a variety of purposes (searching for learning materials, learning about news, and so on).

Bilibili also defines its target group as Generation Z consumers on its website. These changes reflect Bilibili's gradual development into a comprehensive video platform, rather than being limited to the past animation and anime derivative creation of video platforms. However, Bilibili's road to commercialization does not seem to be smooth sailing, with losses of 3 million yuan in 2020, 6 million yuan in 2021, and up to 7 million yuan in 2022. There are losses resulting from force majeure (the cause of COVID); there is no denying that. This is despite the fact that Bilibili has made numerous strategic changes, such as allowing the company to advertise on Bilibili or, as mentioned above, making changes in the way it makes money (making the game less of a part of the revenue). Bilibili executives, in their financial reports, are still straightforward in explaining that "we have generated huge losses and may continue to suffer losses in the future [2]." It reflects its lack of confidence in its profitability, even though the policy of COVID is gradually softening.

3. Analysis on Problem

3.1. Problems of The Unique Brand Image

The comprehensive evolution of Bilibili as a video platform is resulting in a loss of its distinctive brand identity. As a consequence, it exerts a detrimental influence on consumer loyalty towards the

brand and leads to a decrease in profitability. According to the official website of Bilibili, the company currently positions itself as a prominent brand and a prominent video community catering to the younger demographic in China. It encompasses a wide range of content categories, including but not limited to lifestyle, gaming, entertainment, animation, technology, and knowledge. The presence of such a wide range of content on Bilibili indicates that the platform positions itself as a comprehensive video platform.

However, according to the perspectives of numerous Bilibili users and scholars, there is a prevailing tendency to regard Bilibili as the foremost Anime, Comic, and Game (ACG) fan community in China rather than perceiving it as a multifaceted video site akin to Tiktok. In his research, Zhen characterizes Bilibili as a heterotopia inhabited by fans of ACG [5]. Hence, should Bilibili opt to undermine its ACG segments as part of its business plan, it will inevitably have a detrimental effect on the prevailing brand perception among individuals, thereby compromising Bilibili's brand equity. In the study conducted by Obga and Tan, it was found that a favorable brand image has the potential to effectively enhance brand loyalty [6]. The metamorphosis of Bilibili has resulted in a blurring of its brand identity within the customer psyche. A brand image that lacks specificity fails to cultivate brand loyalty or generate any favorable impact.

3.2. Problems on The Inconsistency

Unmatched brand strategy and brand awareness can lead to a disconnect between the brand's image and the audience's perception, leading to the instability of user groups. As mentioned before, the original target consumer of Bilibili mainly came from ACG fans. This could also reflect on its name, "Bilibili," which comes from the anime *A Certain Scientific Railgun*. Its mascot, "2233," is also two anime girls [7]. For the old users of Bilibili, the brand image that focuses on the ACG field has long been deeply rooted in people's hearts. Even for a user who has just used Bilibili for a while, under the influence of such a brand name and mascot, it is easy to connect Bilibili with keywords such as anime and games. Such a brand association is undoubtedly a great benefit for the early Bilibili (the main users are ACG fans), which can quickly establish consumers' awareness of the brand. And this brand recognition is something other Chinese video platforms (Tiktok, Kuaishou, and even XiaoHongshu) do not have. There is no doubt that this can be counted as a competitive advantage for Bilibili. Thanks to the early use of Bilibili as a communication platform for many game enthusiasts, games developed by Bilibili itself or games from other manufacturers represented by Bilibili can be easily accepted by players. Nevertheless, Bilibili is trying to erase the unique brand image that the company has established in the minds of users (focusing on the ACG field) bit by bit, as mentioned before. From an income standpoint, live-related content appears to have contributed the lion's share of Bilibili's revenue in 2022.

However, according to the China Network Audiovisual Development Research Report, in the field of live broadcasting, Tiktok and Huya Live broadcasting alone occupies nearly 60% of the market share, and Bilibili's live broadcasting even appears in the form of other companies in its statistical chart, which shows that Bilibili's status in the field of live broadcasting is not high even after the transformation [1]. The considerable gains may come from the huge market of live streaming rather than the outstanding achievements of Bilibili. Under such circumstances, it is difficult for us to agree that the customers attracted by Bilibili on the live streaming terminal have strong brand loyalty. In other areas, Chinese consumers seem to have other options, such as the Tiktok and Kuaishou to watch a short video or the Himalayan to listen to the relevant books.

Therefore, it seems that the only thing that makes Bilibili stand out is the copyright of a large number of anime and the sharing of original long videos. Therefore, under such a strategy, Bilibili will stabilize the losing game group and gain the less loyal live-streaming users. As a result, the user base is highly unstable.

4. Suggestions

4.1. Suggestions on The Uniqueness of Brand Image

The strategic adjustment of Bilibili should not sacrifice the unique brand image that has worked hard to build and should give sufficient attention to the audience groups in the ACG division rather than selectively giving up the interests of some loyal users. This article argues that it is not a contradiction to become a comprehensive video platform without losing one's competitive advantage (a huge ACG fan base). Take Coca-Cola as an example. It has maintained its competitive advantage through product differentiation and strong marketing strategies. The unique formula of their beverage is difficult to imitate, providing a competitive edge. Additionally, their effective marketing campaigns have helped them retain a strong brand image and customer loyalty as they expand their business [8].

However, in the case of Bilibili, the fatal problem does not only come from the game. There are also unsolvable problems on the animation side, which is one of the reasons why this paper emphasizes that the game side cannot be abandoned. In fact, on the anime side, the Bilibili audience is full of discontent; due to the censorship mechanism in mainland China, the anime on Bilibili will be slower than in other regions, and if it involves violence and gore, the anime will not even be shown in mainland China [9]. For anime fans in mainland China, it is difficult to accept that they cannot receive the plot updates for the first time due to this time difference. If they see anime fans in other regions talking happily about the plot trend on the forum at this time, the psychological gap will become even bigger. In other words, among the original users (ACG fans) of Bilibili, anime fans are dissatisfied with Bilibili, but Bilibili cannot do anything to improve it. If it offends the group of game players again at this time, the brand loyalty of its initial fans will undoubtedly be greatly affected.

In the previous analysis, this paper also discussed that the user group Bilibili acquired through its strategic transformation was not stable. It's not a good idea to abandon the loyal consumer base and spend various resources to attract new users. Therefore, the idea of Bilibili's transformation to a comprehensive platform should first focus on consolidating its basic user group (ACG) fans and then gradually expand outward.

For the next work of Bilibili, this paper believes that it should quickly find the types of games that the current game players love and polish and strive to win back this part of the loyal customer base, rather than simply pointing out in the financial report that Bilibili lacks satisfactory games in 2022 and has spent a lot of money on demobilizing related personnel [2]. Reformulating the relevant strategy seems to be what Bilibili needs to consider.

4.2. Suggestions on the Need between Brand Image and Brand Strategy

Reformulating the business strategy could also help match the brand image and brand strategy. Bilibili's strategy should focus on the original ACG community and bring it to the entire Generation Z community. For the ACG fan group, as described in the previous section, efforts should be made to avoid harming the interests of this segment of the group. At the same time, expand toward Generation Z.

The key to extension is a large number of excellent video creators. For instance, it could embrace more user-generated content. The spiritual enjoyment brought by these high-quality content to the audience and the copyright income at the platform level are immeasurable. Generation Z values authenticity and creativity [10]. That is, to improve the creative incentive of the video uploader so that they are more motivated to create. These incentive activities are used to drive the updating power of original videos so as to attract more Generation Z consumers. Then, quality screening is carried out on these video producers, and those with high traffic in various segments are selected to accurately deliver content suitable for advertising so as to attract users to buy advertisers' products. In this way, with less cost, the content creators, advertisers, and Bilibili users achieve a win-win situation. Not only does this improve user loyalty, but more and more advertisers will seek cooperation with Bilibili under such a good cycle so as to achieve profit. Notably, Bilibili is also aggressively promoting the development of its advertising business but has weakened its incentive program for creators [10].

This paper argues that the incentive plan is just a good medicine for Bilibili to vigorously promote advertising work. Taking such an approach seems more in keeping with Bilibili's brand image (respect for creators) than with the live-streaming industry that the company is vigorously developing.

5. Conclusion

To summarize, the transformation of Bilibili from a niche online community for ACG fans to a comprehensive video platform has had significant impacts on its brand image and brand loyalty, which in turn have affected its profitability. On the one hand, this transformation has allowed Bilibili to reach a wider audience and diversify its revenue streams. On the other hand, it has blurred Bilibili's brand image and potentially weakened its brand loyalty among its original user base. Bilibili's brand image, which is strongly associated with ACG content, has been deeply ingrained in its users' minds. This unique brand image has given Bilibili a competitive edge in the online video platform market in China.

However, as Bilibili tries to erase this image and reposition itself as a comprehensive video platform, it risks losing its unique brand identity and the loyalty of its users. Furthermore, the shift in Bilibili's revenue structure, with a decreased reliance on games and an increased focus on live streaming and other value-added services, has also posed challenges to its profitability. Despite the growth in these areas, Bilibili's market position in the live streaming sector is not strong compared to other major players like Douyu and Huya.

Consequently, the users attracted by Bilibili's live streaming services may not have strong brand loyalty, leading to an unstable user base. In light of these findings, it is crucial for Bilibili to reconsider its strategic adjustments and find a balance between expanding its market and maintaining its unique brand image and loyalty among its core user bases. This might involve focusing on its ACG content to enhance the passion of video producers.

Overall, the findings of this analysis provide valuable insights for online platforms that aim to expand their market while maintaining a strong brand image and loyalty. It also adds to the academic discourse on brand image and loyalty in the digital age, especially for Generation Z, in the context of online video platforms.

This analysis has several limitations, but it nevertheless offers helpful insights into Bilibili's strategic shift and its ramifications for brand image and loyalty. For instance, a lack of direct user feedback the analysis does not include direct feedback from Bilibili's users about the company's strategic transformation and its impact on their perceptions and behaviors. The presumption of uniform user perceptions is another limitation. The analysis makes the assumption that all users have an identical perception of and level of brand loyalty toward Bilibili. However, based on their unique traits and interests, users' perceptions and behaviors can differ dramatically.

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