

Bilibili's Development Model Analysis and Market Transformation Strategy Research

Jinsheng Tan *

School of Language Communication, Hefei University, Hefei, Anhui Province, 230601, China

* Corresponding Author Email: anliao@hfut.edu.cn

Abstract. With the rapid rise of video platforms, attracting and retaining users has become a critical focus for these websites. Bilibili, a prominent video-sharing platform, has experienced significant success but is now facing developmental bottlenecks that necessitate a strategic transformation. This paper aims to explore the measures Bilibili has undertaken in its transformation journey, evaluating both its successes and shortcomings. We will provide a detailed analysis of Bilibili's strategic initiatives, such as diversification of content offerings, technological enhancements, and user engagement strategies. By examining Bilibili's approach, this paper will offer insights into the general principles and characteristics that underpin the evolution of video platforms. For platforms like Bilibili, which have an established audience base yet strive to expand beyond their traditional user demographics, understanding these dynamics is crucial. Our analysis will culminate in actionable recommendations for video websites aiming to overcome similar growth challenges. These findings may serve as a valuable reference for video platforms seeking to broaden their audience and achieve sustainable growth. Through Bilibili's case, we will outline key lessons that can guide video platforms in navigating the complexities of user expansion and market competition.

Keywords: Transformation; Video, Audience; Boundaries.

1. Introduction

1.1. Research Background

As the largest long-form video site in China today, Bilibili has experienced ups and downs since its birth in 2010. Between the third quarter of 2017 and the third quarter of 2019, the number of paying members of Bilibili rose from 20 million to 60 million. This is a testament to Bilibili's vitality and attractiveness. However, behind the increase in membership is a disappointing revenue situation. From 2018 to 2020, the content cost of Station B accounted for 13.2%, 14.8%, and 15.6% of the revenue, respectively, and the proportion increased year by year. In the Q3 report of 2021, the net loss of Station B was 2.7 billion yuan, and the operating cost was 4.19 billion yuan, an increase of 70% year-on-year, higher than the revenue growth rate of 66%, as shown in Figure 1 [1]. Behind these phenomena is the contradiction between the animation orientation of Bilibili at the beginning of its establishment and the transformation problems it faces after the expansion of its future development scale. This is because the animation group has its boundaries, after all, and Bilibili will face the ceiling of the number of animation groups if it wants to continue to expand the scale of users. Whether and how to transform has become a major issue in Bilibili's development strategy.

The study of identity problems caused by the development of large-scale video websites like Bilibili can provide referable experiences and lessons for other video websites. For the whole we-media industry, the case of Bilibili can be used better to grasp the development law of the we-media industry and provide some realistic guidance for the future development of the industry.

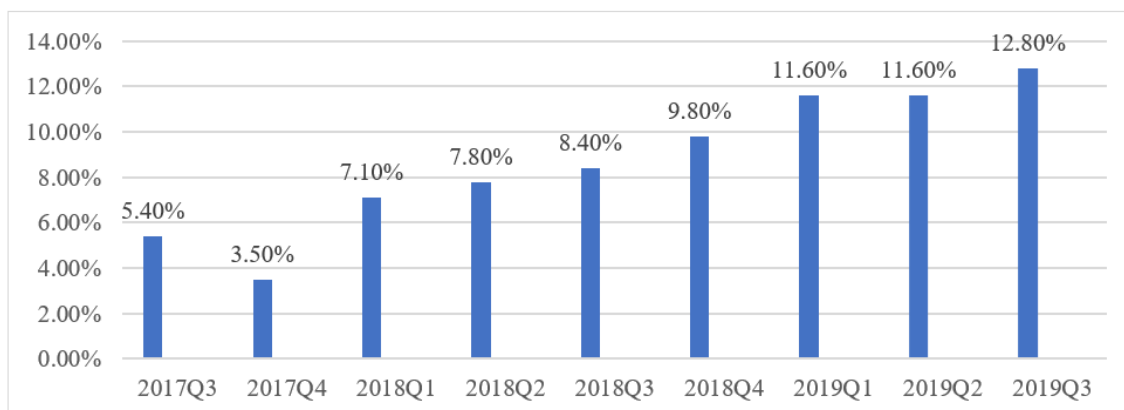


Fig 1. The content cost of Station Bilibili.

(Source: Station B Research Report: How much do you know about Bilibili?)

1.2. Literature Review

In the comparison of the development of TikTok and Bilibili, upon thorough analysis, Sun discovered that in five distinct facets, TikTok surpasses Bilibili in both user engagement and its innovative business model. While TikTok maintains a substantial lead, it also faces certain challenges, including a notable absence of premium-quality short videos and a limited scope for creators to expand their horizons.

The author anticipates that TikTok, with its robust user base, will continue to yield substantial revenue. Conversely, if Bilibili maintains its commitment to high-quality content and strives to penetrate new markets, it has the potential to establish a solid foothold akin to YouTube [2].

In *Business Model Evolution of Content Platform in Emerging Economy: A Case Study of Bilibili*, GAO spotlighted the soaring popularity of content platforms, especially in China's digital sphere. Bilibili's narrative exemplifies the evolution of platforms in emerging economies. This research explores Bilibili's content nuances across stages, adopting a business model perspective. It aims to chart a growth trajectory for businesses in these economies. Analysis revealed nine business model evolutions in three development stages, coalescing into three frameworks. This study serves as a valuable reference for growth trajectories and business model evolution in emerging economies [3].

In *Development Overview and Valuation Analysis of Bilibili*, Deng and other researchers recognize that Bilibili, a unique video platform for China's youth, attracts numerous users and creators. This paper analyzes its development, business value, and industry position. It compares Bilibili with competitors, examines its transition from initialization to diversification, and discusses operational and profit adjustments. The paper also explores the reasons for Bilibili's scale expansion. Current Bilibili pricing aligns with market expectations, indicating potential growth. Its uniqueness and scalability make it stand out in the industry, inspiring further exploration.

Most scholars have studied the phased business strategies adopted by Bilibili in different stages of development and the various roles played by these strategies. In addition, Bilibili and the imitation and competition of other video sites are also of interest to most scholars. Finally, few scholars have studied Bilibili's prospects for future development and what its future might be similar to today's successful video sites [4].

1.3. Research Framework

This paper will take part in the following ideas: First, this paper will first explain the "identity" problem that Bilibili faces in the development process, that is, the contradiction between the animation-oriented identity positioning and the natural group boundary of animation groups established by Bilibili at the beginning of its establishment and the expansion of user scale by Bilibili. Secondly, this paper will analyze what choices Bilibili can make in the face of such problems and the reasons why these choices are valid. Subsequently, this paper will analyze the possible results of the above choices in the context of the current development of Internet technology and the evolving trend

of user preferences. Finally, this paper will provide its own suggestions that have triggered some thinking and enlightenment based on this case.

2. Case Description

For Station B, 2019 is undoubtedly an important stage of transformation, and it can be seen from its series of actions that the field that Station B wants to expand first is the live broadcast industry. If people want to discuss the transformation effect of Station B, the latest financial report has revealed the answer.

The profit path of Station B revolves mainly around commercial activities such as game distribution, broadcast rewards, and member value-added services, paid content from Bilibili Comics and Cat's FM, and advertising/e-commerce. Notably, game publishing is Station B's primary revenue source, accounting for 41% (871.4 million yuan) of its Q4 2019 revenue and over 50% of its annual revenue. However, most of these game industry revenues are still related to anime, and Bilibili's seeming search for transformation through games has ended up back where it started.

The B station's live broadcast and value-added business saw significant growth last year. In Q4 2019, their revenue hit 570.9 million yuan, up 183% year-on-year. For the entire year, revenue surged to 1.641 billion yuan, a 180% increase from 2018. Some of these newly emerged live broadcasts are related to all walks of life, such as science popularization anchors, story anchors, adventure anchors, etc., but a considerable part of them are still related to animation, including virtual animation characters [5].

B Station's live broadcast business stands out in growth, yet issues persist. CEO Chen Rui notes its shift to a comprehensive entertainment platform is well-received, yet a revenue gap with its main business remains.

The Bilibili live broadcast business shows growth but lags behind platforms like Douyu and Huya in scale. Despite significant efforts in 2019, Bilibili's achievements in live broadcasting and e-sports are mediocre. These results haven't met the platform's expectations for breakthrough and transformation.

As can be seen from the above example, Bilibili's efforts to broaden users and enrich funding sources by launching new businesses have not achieved significant results.

3. Analysis on the Problem

3.1. Bilibili's Transformation Efforts Yield Positive Results

From the above example, Bilibili focuses on the development of games and live broadcasting, and other industries, strictly speaking, are the animation industry. Even though the content of games and live broadcasting breaks through the content category of animation, since Bilibili's basic customers are mainly animation lovers and the operation mode of games and live broadcasting is still closely related to the animation industry, the final result is that under the combined effect of Bilibili's strong historical and realistic inertia, the new breakthrough innovation ability and the lack of potential motivation that Bilibili seeks, Bilibili's efforts to seek to break the circle to adapt to the development of the enterprise have not achieved great success.

But can people conclude that Bilibili's transformation is going in the wrong direction? I'm afraid the answer is no. Other big video sites, such as YouTube and TikTok, have developed their livestreaming and advertising industries with great success. YouTube makes most of its money from advertising, which will bring in \$29 billion in 2022. In the first quarter of 2024, the overall advertising revenue of Station B was only 1.67 billion yuan [6]. Far less than YouTube's advertising revenue. This shows that it is right to develop the current popular industries such as advertising and live broadcasting. The reason why Bilibili has not achieved such great success as YouTube is that Bilibili has just entered this industry and does not have enough experience and time to form a mature supporting industry and operating model, nor does it have long-term partners. Most importantly,

Bilibili did not find a suitable operating model for the process of transformation. Whether advertising, games, or live broadcasts are just a new business operation method, the brand value and content of the platform really attract users. The animation culture formed by Bilibili for a long time in the previous ten years has been deeply rooted in people's hearts and has become a part of Bilibili's soul. Simply changing the operation mode of Bilibili can only change the surface and cannot solve the essential problem. That is, it cannot change Bilibili's brand value and positioning [7].

Since the brand transformation is very difficult, can people consider not changing Bilibili's animation positioning? That's not possible either. As mentioned above, Bilibili's animation orientation has become the main reason for its expansion of user scale. Which means it's time for a change. Then the problem becomes tricky: even if the transformation is necessary, and the cost of transformation is so great that it is too big to bear, how can it be solved? This will become the most troublesome and important contradiction in Bilibili's transformation process, which will be analyzed in detail in the following problem-solving proposals.

3.2. Reasons for Bilibili's Difficult Transition

As people can see from the above, Bilibili has tried many ways to push the boundaries, such as live streaming, gaming, etc., but it hasn't seemed to have much success so far. The first problem facing Station B is that the huge amount of money needed for transformation is not proportional to the benefits obtained after transformation. The main reason for this is that other related industries did not develop accordingly in the transformation process, so Bilibili had the problem of development faults during the transformation process [8].

For example, while Bilibili is developing the game industry, the number of streamers related to the game industry is too small. This led to the original development of the game industry not being effectively promoted and eventually led to the game and live broadcast industry not being well developed, which is a typical lose-lose situation. All of Bilibili's previous efforts were in vain.

The second point is that the large amount of money required for the transition is indeed a huge burden. This is a relatively straightforward logic. The comprehensive transformation of a brand is bound to face huge capital needs, and some new industries that have spent a lot of money cannot generate a large amount of capital in a short period of time due to a lack of experience, technology, and manpower. As a result, the original financial hole caused by the transformation has not been filled, and the whole transformation work has fallen short [9].

Finally, as pointed out in question 1, the greatest difficulty of Bilibili's transformation lies in the huge restraining effect of its own positioning. For Bilibili, anime has become its iconic symbol. Once it is completely changed, the original fans will think that Bilibili is no longer the original Bilibili, which will directly shake Bilibili's customer base. What is more frightening is that the animation positioning that is the foundation of Bilibili has become the foundation and soul of Bilibili. If it completely changes, Bilibili, which has lost its soul, will lose its core competitiveness. Big, successful websites like YouTube, which imitates others, struggle to compete technologically and lose everything. The most important issue is how to face the animation positioning [10].

3.3. Evaluating the Worth of Bilibili's Continued Transformation

As the description of the example shows, Bilibili has taken many measures to transform itself, but the effect so far seems not to be very significant. So, is the direction of Bilibili's transformation worth continuing? Given the previous analysis, there is nothing wrong with shifting to hot sectors such as live streaming and advertising. The reason why Bilibili's transformation has not achieved significant success is mainly affected by the animation orientation. A large part of Bilibili's nascent live streaming and advertising is still related to anime. So, balancing the search for innovation with the original results may be the key to solving the problem [11].

4. Suggestions

4.1. The Need for Bilibili's Strategic Transformation

For Bilibili, it is unlikely to reach the level of YouTube by immediately transforming advertising, live streaming, and other industries. Therefore, the road of transformation is best to go step by step and in stages. In addition, a big problem for Bilibili is the possible conflict between transformation and animation positioning. This requires Bilibili not only to be careful but also to have a strategic plan to complete the transformation steps. Bilibili can first try to carry out live broadcasts and game content related to animation, such as inviting influential and well-known animation hosts, developing interesting and operable animation-related games, and actively attracting advertisements related to animation content. Over time, as these efforts bear fruit, it is only natural that big advertisers and sponsors will be willing to invest in Bilibili. In the next step, with the help and advice of these business giants, Bilibili should be able to find the direction and method of transformation.

In fact, the key point of this transformation plan is how to attract the favor of advertisers and sponsors in other fields through the first step of transformation, that is, to do animation-related live broadcasting, advertising, games, and other emerging industries, and finally, break through the limitations of animation-oriented positioning. This will be a top priority of the plan.

4.2. Cultivating New Attractions in Bilibili's Transformation Process

As analyzed above, Bilibili cannot get rid of the influence of the original animation positioning in the process of transforming to popular industries such as games and live broadcasting and cannot truly complete the transformation process. How to solve this problem has become the top priority of the transformation process. A feasible suggestion is to actively develop high-quality games and live streaming platforms with high traffic in the process of developing games and live streaming, such as developing new game modes and applying new algorithms. Once the new and effective operating model is initially successful, it will surely attract the attention of big companies and big advertisers, and they will invest large sums of money in Bilibili. Only in this way can Bilibili have the opportunity to cooperate with large companies and obtain funds and technical support for transformation from the exchange and cooperation process of large companies. If the collaboration goes well, Bilibili can even gain valuable experience, receive strong support and advice in the new transformation process, and finally complete the final step of the full transformation.

4.3. Focus on Skill and Risk Aversion in Transformation Process

It is possible, though, for the transformation as analyzed above to succeed. But after all, in the process of transformation, one may encounter a variety of unexpected difficulties and challenges. These difficulties and challenges are likely to lead directly to the failure of the transformation. Therefore, in order to meet the various risks encountered in the transformation process, Bilibili should keep its basic plan, not give up the original animation content, and not forget the original animation fans while developing new industries. If the transformation fails, Bilibili can start again without going bankrupt and delisting completely. In addition, don't just try hot transitions such as live streaming, advertising, etc., because there are many video companies trying to enter these industries, and the competition can be very fierce. Bilibili may consider developing new fields and combining the results of the development of new science and technology, such as the combination of artificial intelligence and video industry, to cultivate its own unique competitiveness, which is also a feasible way.

On the whole, the animation industry still has a certain vitality and competitiveness, but it has its natural boundaries. If Bilibili wants to break through the bottleneck and become a first-class video playback platform, it must unswervingly take the transformation route. As long as failure in the transformation process is bearable, there is no reason to give up.

5. Conclusion

5.1. Main Findings

This paper primarily analyzes the challenges Bilibili faces in expanding its user base and the series of transformation measures it has undertaken to address these challenges. A key finding is that Bilibili's difficulty in transforming stems from its strong association with animation, which has become both a defining feature and a limiting factor. Despite the company's efforts to diversify its content and appeal to a broader audience, it struggles to break free from the niche boundaries imposed by its initial focus on animation and anime culture.

Through this analysis, it is evident that Bilibili should persist with its transformation strategy while actively cultivating new areas of interest to attract external investment and expand its market reach. Embracing broader content categories, enhancing user engagement through interactive features, and leveraging partnerships with diverse content creators are critical steps in this ongoing transformation process. However, it is crucial for Bilibili to balance its efforts in transformation with the consolidation and development of its core strengths in animation, ensuring that it maintains a solid foundation while exploring new growth avenues.

The paper also raises concerns about the potential risks Bilibili may face if its transformation efforts do not succeed. The best approach to mitigate this risk is to strengthen its foundational position in the animation industry, allowing it to retain its existing user base while incrementally expanding its appeal to new audiences.

5.2. Research Significance

In the current landscape of rapidly emerging video apps and fierce competition, expanding the audience base has become a pressing issue for major video companies. Only a few platforms, such as YouTube and TikTok, have successfully navigated this challenge. For smaller video sites aiming to achieve greater success, it is often necessary to move beyond their previous accomplishments, which can be a daunting task. Striking the right balance between innovation and tradition has become a top priority for larger video platforms like Bilibili, which are encountering developmental bottlenecks.

This paper seeks to identify concrete measures that can enhance the competitiveness of video websites by analyzing Bilibili's case. By doing so, it aims to provide insights into the path to prosperity for the video website industry as a whole. Understanding the strategic decisions and adaptations required for successful transformation is crucial for other platforms facing similar challenges, particularly those that wish to expand their audience reach while maintaining their unique brand identity.

5.3. Limitations

The primary focus of this paper is on a single company, Bilibili, which may limit the generalizability of its findings. The analysis centers on Bilibili's changes in video content and cultural positioning without delving into other aspects, such as technological advancements or business model adaptations. This narrow scope may result in a limited perspective and insufficient argumentation regarding the broader trends affecting the video website industry.

Future research could benefit from examining a wider array of companies and factors, providing a more comprehensive understanding of the strategies and challenges involved in transforming video platforms. Expanding the scope of research to include comparative studies across different markets and cultural contexts would also enhance the applicability of the findings and offer more robust recommendations for industry stakeholders.

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