

Research on Value Creation of Bilibili Business Model Innovation

Xiaolei Wang, Cunbo Xiao, Zijie Lin

School of economics and management, Southwest Petroleum University, Chengdu, Sichuan, 610500, China

Abstract

In the era of the Internet, the interaction between people is becoming closer, the scale of knowledge spillovers is constantly expanding, and the generation of knowledge is becoming more difficult. This has led to continuous innovation in the business methods of enterprises, and the replacement speed of business models is accelerating. Bilibili (hereinafter referred to as "Bili"), as one of the new media platforms where a large number of young people gather, has unique advantages in market positioning, content creation mode, and operation mode, thus demonstrating stronger vitality. Therefore, the purpose of this article is to analyze the innovative business model of Bilibili, explore the internal mechanism of Bilibili's value creation, and identify its problems. Finally, targeted suggestions and countermeasures are provided to provide useful references for the establishment of enterprise business models and the generation of core competitiveness.

Keywords

Bili; Business Model; Value Creation.

1. Introduction

In 2008, Osterwalder and Pigneur proposed the business canvas theory, which was introduced to China in 2011 with the publication of "The New Generation of Business Models". This analysis method summarizes nine elements: value proposition, customer segmentation, customer relationships, channel channels, revenue sources, cost structure, core resources, key businesses, and important collaborations, covering four dimensions: customers, products or services, infrastructure, and financial viability. This enables a more complete study of the business model of the enterprise[2]. Therefore, this study will analyze the innovation process of B Station's business model based on the nine elements of the business canvas theory model, and conduct value creation research based on this.

2. Bilibili's Business Model and Value Creation

2.1. Bilibili's Business Model

2.1.1. Introduction to Bilibili

Bilibili is an online video website mainly targeting young Chinese people. It was listed on the NASDAQ in the United States in March 2018 and on the Hong Kong Stock Exchange in March 2021. The website was first launched in June 2009 and officially named "bilibili" in January 2010. B Station has established a platform that focuses on users, creators, and works, continuously producing high-quality videos. Its video content covers thousands of types and different circles such as life, games, fashion, knowledge, music, etc. Based on this, Bilibili focuses on commercial products such as mobile games, live streaming, paid content, advertising, comics, and e-commerce, and has strategically laid out cutting-edge fields such as esports and virtual idols.

2.1.2. Value Creation Analysis

(1) Customer segmentation. At first, the main users of Station B were anime fans. In the process of continuous development, Station B kept breaking the "circle" and attracted many anime fans, as well as many young fans. Now, Bilibili has targeted its main customer base towards young people born between 1995 and 2009 (i.e. Generation Z). This group has a higher level of cultural literacy, demonstrates stronger inclusiveness towards different cultures, and has rich expressive power and high awareness of payment.

(2) Value proposition. According to the official introduction of Bilibili, Bilibili is committed to providing comprehensive video content to meet different interests of users. B Station has created a charming platform community dedicated to providing more entertainment services for Chinese youth and enriching the daily lives of Generation Z.

2.1.3. Value Transmission Analysis

(1) Customer relationships. The customer relationship model of Bilibili is particularly unique, as it tends to adopt the PUGC (Professional User Generated Content) model, which is "professional user generated content", allowing registered members of Bilibili to shift towards video producers, thereby producing video content. There are also different identities for registered members. From registered members to formal members, certain conditions need to be met, such as passing the membership exam system, etc. Through this screening mechanism, more people with common values are gathered together, forming a stable customer relationship on Bilibili.

(2) Channel access. At present, Bilibili mainly has APP applications and video websites as the main channel channels. At the same time, on May 10, 2022, the official version of Windows was officially released on Bilibili, and on May 19, the official version of Mac was released. In the future, PC clients were continuously improved, resulting in the completion of a layout mainly focused on online scenarios. In addition to the main channels, there are also channels such as WeChat applet and official account.

2.1.4. Value Acquisition Analysis

(1) Key business. At first, Bilibili was a video network platform with animation, comics, and games (ACG) as the main content, mainly responsible for producing and disseminating video content. Now, B Station's business has expanded to advertising, e-commerce, live streaming, and value-added services, among which games, advertising, e-commerce, live streaming, and value-added services account for the largest portion of B Station's revenue.

(2) Core resources. The core resources of Bilibili are high-quality videos provided by creators (UP masters). B Station utilizes a strong creative incentive mechanism to encourage UP owners to create high-quality videos that are both timely and interactive, in order to expand and retain customers on the platform. At the same time, it also utilizes top UP owners with certain influence to build multiple interest communities, such as dance areas, game areas, and so on.

(3) Partners. The most important partner of B station is its numerous UP owners [4]. Bilibili provides a platform and related services for a large audience of video creators. UP owners publish their own creative videos on the platform, relying on the platform's comment area and bullet screen function to receive feedback, continuously improving video style and content.

(4) Source of income. Unlike traditional video websites, Bilibili generates the most revenue from mobile games[3]. According to the financial report of B Station, the revenue sources of B Station from 2019 to 2021 are in order of mobile games, value-added services, advertising, e-commerce, and others. The total income in the past three years has also shown a continuous upward trend.

(5) Cost structure.

Due to its emphasis on UP owners and high fan value, Bilibili ultimately prioritizes the central position of UP owners in the community, resulting in high transfer costs. The largest portion of the cost structure of Bilibili is revenue sharing, which includes expenses paid to distribution channels, game developers, and payment channels, as well as live streamers and video content creators.

2.2. Value Creation of Bilibili from a Dual Perspective

2.2.1. Financial Perspective Analysis

(1) Debt paying ability

By analyzing the relevant indicators of short-term debt repayment ability of Station B, it can be seen that the company's current ratio, quick ratio, and cash ratio have shown an overall upward trend over the past four years. This shows that Station B's financial situation is relatively stable and there is sufficient working capital to repay its debts. Overall, the short-term solvency of Station B has steadily improved over the past three years. By analyzing the indicators related to the long-term debt paying ability of B station, it can be seen that the enterprise's asset liability ratio, property rights ratio, and equity multiplier showed significant growth in the three years from 2018 to 2020, only decreasing in 2021. This is mainly due to the active expansion of enterprises into various fields during the epidemic period, leading to a large amount of borrowing. Overall, during the pandemic, due to the significant increase in corporate debt, the overall long-term solvency of enterprises decreased, and financial risks increased.

(2) Profitability analysis

The operating profit margin of B station's enterprises has been negative in recent years and has shown an overall downward trend. This is due to its "breaking the circle" behavior in recent years, which has led to an increase in various expenses. Although the enterprise has achieved its strategic goal of diversified revenue by actively expanding into various fields through "breaking the circle", the significant increase in marketing expenses has led to continuous negative growth in operating profit. Although the gross profit margin of enterprise sales has fluctuated over the past four years, it has remained stable overall. The net profit margin of enterprise sales has also remained negative for the four years 2018-2021, but the fluctuation between 2019 and 2021 was relatively small. This indicates that the high expenses generated by the business expansion of B station in recent years have swallowed up a large amount of profits, causing the overall net profit margin of sales to remain low. Overall, Station B has incurred significant expenses due to its business expansion in recent years, which has forced the company's profitability to decline.

(3) Operational capability analysis

The total asset turnover rate and current asset turnover rate of Station B were generally in a fluctuating state between 2018 and 2021, and their changing trends were basically the same. Therefore, there is room for further improvement in the operational capacity of Station B. For the accounts receivable indicators of station B, the overall turnover rate of enterprise accounts receivable has shown an upward trend over the past four years, indicating that the collection cycle of station B has been further shortened and the monetization ability of accounts receivable has been further improved.

(4) Development Capability Analysis

By analyzing the relevant indicators of the development capacity of B station, it can be seen that the company's operating revenue continued to grow at a high speed from 2018 to 2021, with a growth rate of over 60% in all four years. The main reason for its changes is that B Station relied excessively on the gaming business before 2018. In recent years, after expanding other businesses, the revenue structure has been optimized, and the operating revenue has significantly increased. Meanwhile, after going public in 2018, the asset size of the enterprise

continued to expand and maintained a high asset growth rate for four years. The overall asset growth rate showed a trend of first decreasing and then rebounding, with the highest asset growth rate reaching 118.11% after the year of listing. From this, it can be seen that after the listing of B Station, the asset size further expanded, and the overall strength of the enterprise significantly improved.

2.2.2. Analysis from a Non-financial Perspective

(1) User loyalty

As one of the excellent video websites in China, Bilibili ranks among the top in the industry in terms of user loyalty. Its high-level user loyalty is closely related to the website's early content positioning and community interaction mechanism. In the early stage, Station B grasped the characteristics of the minority of anime culture and not recognized by the mainstream culture of society, established a community to absorb a large number of anime users, gained the earliest user base, and also gained high user loyalty. Subsequently, B Station shortened the distance between the platform and users by holding various commercial activities, improving user stickiness. In addition, the avant-garde interactive community ecosystem of Bilibili, also known as "bullet screen," has unique functional and emotional value. When viewers discover the moments that make them feel moved in a video, a consistent bullet screen can give viewers a huge sense of satisfaction, greatly increasing user satisfaction with the platform, and further improving user loyalty.

(2) Social values

Although Station B takes the dissemination of anime culture and game videos as its starting point, with the further development of its "circle breaking" strategy in recent years, it has also increasingly highlighted the unique social value of the video platform in cultural communication. In recent years, Bilibili has incorporated documentaries into its strategic territory. With its natural advantages in disseminating documentaries, it has made documentaries with low ratings a unique feature of the website, sparking a trend of watching documentaries among young people and greatly promoting the dissemination of excellent traditional culture.

(3) Platform Economy

The strategic goal of Bilibili is to establish an attractive community with the mission of giving every user a sense of belonging. Its website has established a large number of sub communities composed of groups from different fields, allowing enthusiasts of various cultures to find their own modules on the platform. Based on this, with the continuous journey of "breaking the circle" on Bilibili, it is bound to attract more like-minded individuals from different fields to join the platform and build sub communities belonging to its own field, which will further develop Bilibili and expand the enterprise market field.

2.3. Facing Challenges

2.3.1. The Net Loss of the Enterprise Continues to Expand

Narrowing losses has always been a topic that Bilibili cannot avoid. From 2017 to 2021, Bilibili's net profit has continued to decline, and there are currently no signs of negative profits. The reason for this is largely related to the current business model. In 2021, the net loss reached a new high, reaching -6809 million yuan. The direct reason is that the revenue sharing paid by B Station to live streamers and video content creators has increased, resulting in a significant increase in operating costs. In terms of business model, B Station mainly relies on the core position of its UP main and the core resources of UP main original videos. In terms of operating expenses, in order to maintain sustained high-speed growth of users, Bilibili's sales and marketing expenses have also remained high, and the existence of a large number of period expenses is also a major factor affecting net profit.

2.3.2. Lack of Copyright Awareness and Regulatory Efforts

The PUGC content production mode of Bilibili not only provides free creative space for UP owners, but also brings infringement issues. B station has also received criticism and punishment multiple times due to copyright disputes and other issues. It is not uncommon to plagiarize someone else's creations in exchange for traffic and profits by publishing them in their own name, under the guise of originality. The secondary creation of the UP owner also brings numerous infringement risks, especially in the Ghost and Animal District, which infringes on the artist's portrait rights and pollutes the artist's image. Currently, B Station has been sued multiple times in real cases. In terms of content review and supervision, there are still shortcomings in B station.

2.3.3. Inevitable Competition with Other Platforms

No matter Tencent Video, Tiktok, Kwai, etc., there is a homogenization of business content with Station B. Among them, Tencent Video has made outstanding achievements in the fields of animation, anime, etc. in recent years, with its main advantages of sufficient funds and perfect industrial chain. Tiktok and Kwai have the advantages in the fields of We Media, individual creators' works, live broadcast, e-commerce, advertising and so on. In addition, the short video platform itself has strong interactivity and communication, which has impacted the market share and competitive advantage of Station B in the video platform to a certain extent.

3. Countermeasures and Suggestions

3.1. Adhere to Value Creation and Improve Profitability

In view of the current situation that the net loss continues to expand, Station B should not blindly pursue diversification, but should be based on the "local", point to area, that is, to keep the anime camp, make great efforts in the highly profitable business such as mobile games, firmly grasp the profit point, and actively seek profits. The average monthly active users of Station B are up to 272 million, which has huge liquidity potential. In the actual operation process, anime Breaking Circle has also attracted a large number of young people, which is widely sought after. The flow realization is urgent. For example, derivatives sales, joint mobile games, offline cultural festivals, etc., will bring the virtual reality, while enhancing the consumer experience, to achieve the purpose of promotion.

3.2. Increase Regulatory Efforts and Improve Audit Systems

In response to potential infringement risks, Bilibili should formulate regulatory rules, improve the supervision mechanism jointly established by regulatory departments, platforms, and users, open online reporting functions, and improve the reporting reward and punishment mechanism. Throughout the years, Bilibili has also been criticized for its vulgar content. Although in recent years, whether it's "Houlang", "This is China", or "China's Tales", Bilibili's initial impression has improved, it still needs to increase review efforts, minimize vulgar and nutritious video content, lead correct values, and rebuild a good image of the platform.

3.3. Utilize Key Resources to Jointly Build a Platform Economy

In response to competition from similar platforms, Bilibili can gather consensus among partners, further expand cooperation, enhance the cohesion and sense of belonging of UP creators, motivate them to create more high-quality video resources, and thus enhance user loyalty to the platform. In addition to UP owners, innovative cross-border cooperation emphasizes the joint construction of platform economy by platforms, e-commerce, and UP owners. Famous brands jointly launch innovative and popular selling points, enhancing B Station's differentiated competitiveness among similar platforms.

4. Conclusion

This article uses the business canvas theory model to analyze the business model innovation and value creation process of Bilibili, and finds that Bilibili has value advantages such as high user loyalty, strong social value, and great platform economic potential. At the same time, it is found that Bilibili has problems such as continuous expansion of enterprise net losses, lack of copyright awareness and supervision, and intensified competition among similar platforms. Finally, targeted countermeasures and suggestions are proposed. It is undeniable that the business performance of Bilibili in recent years has not been optimistic, but its business model has many advantages, such as PUGC model, partnership with UP owners, "breaking the circle", and so on. It is hoped that this study can provide useful reference for the innovation of business models on new media platforms.

Acknowledgments

Fund Project: This paper is supported by the 2022 Sichuan provincial college student innovation and entrepreneurship training program of Southwest Petroleum University (No.: S202210615229).

References

- [1] Luo Min, Li Liangyu. Business Model Innovation in the Internet Era: A Value Creation Perspective [J]. China Industrial Economy, 2015, No.322 (01): 95-107. DOI: 10.19581/j.cnki.ciejournal.2015-01.009.
- [2] Lv Nan, Luo Xin. Research on Business Models and Value Creation of Media Platforms [J]. Journal of Southwest Petroleum University (Social Science Edition), 2021,23 (04): 58-66.
- [3] Liang Jia. Analysis of Business Model Innovation and Value Creation in Bilibili [J]. Modern Marketing (Second Edition), 2022 (08): 117-119. DOI: 10.19932/j.cnki.22-1256/F.2022.08.117.
- [4] Li Honglei, Liu Jianli. Research on Business Model Scenarios Based on User Experience: Value Creation and Transmission Perspective [J]. Foreign Economics and Management, 2020,42 (06): 20-37. DOI: 10.16538/j.cnki.fem.20200507.102.
- [5] Zhou Xingying. Research on Bilibili Business Model Based on Commercial Canvas Model [J]. Value Engineering, 2020,39 (02): 268-270. DOI: 10.14018/j.cnki.cn13-1085/20.02.114.