

# *Analysis of Bilibili's Business Model Based on Commercial Canvas under the Background of New Media*

Ou Danli<sup>1</sup>, Dr. Erlito M. Albina<sup>1</sup>, Zhiyang Luo<sup>2</sup>

<sup>1</sup>Claro M. Recto Academy of Advanced Studies, Lyceum of the Philippines University, Manila, Philippines

<sup>2</sup>The University of Sheffield, Western Bank, Sheffield, S10 2tn, Great Britain

**Keywords:** Bilibili, Business model, A commercial canvas, New media

**Abstract:** In the context of new media, Bilibili develops rapidly and stands out among many video websites. Its unique business model has played a role to a certain extent. The analysis of its business model is of great significance to the future development of Bilibili. Bilibili, short for Site B, as a listed video website, is deeply loved by young people such as the post-90s and post-00s generation, and is one of the preferred Apps of the new era. This paper will take Bilibili as a case, use the commercial canvas theory tool to analyze the business model of Bilibili, and analyze its development overview. Based on the case study of Bilibili, the paper finds out some problems existing in Bilibili's business model and puts forward some optimization strategies.

## 1. Introduction

With the development of information technology, new media has become a hot topic. The feature of new media is that it breaks the barriers of time, place, culture and language, making it possible for people to receive information anytime and anywhere. Besides, new media can be presented in various forms and push the content they want to see according to the preferences of the audience. According to the 50th Statistical Report on the Development of the Internet in China in June 2022, China has 1.051 billion Internet users, 1.047 billion mobile phone users and 995 million online video users, including 962 million short video users. Thus, China's network video industry market scale is very large.

Bilibili has developed from a small website that provides a quadratic platform for netizens to a well-known website, whose successful business model has been unanimously recognized by the capital. Bilibili has been around for nearly 13 years, and its success depends on a good business model. This paper will conduct an in-depth analysis of Bilibili's business model, which will help it further clarify its positioning and advantages, so as to achieve long-term and stable development.

## 2. Literature Review

### 2.1 Business Model

Business model is the system used by enterprises to meet customer needs. This system can fully

mobilize and utilize various resources mastered by enterprises, so that enterprises can grasp certain competition barriers and market competitive advantages [1]. Business model is a simplified business logic, which still needs to be described by some elements, including: value proposition, consumer target group, distribution channel, customer relationship, value allocation, core competence, partner network, cost structure and revenue model [2]. Osterwald and Pini put forward the commercial canvas theory in the New Generation of Business Models, which divides the business model into nine elements, including: enterprise customer segmentation, value proposition, customer relationship, channel access, key business, core resources, partners, cost structure and revenue source [3]. On this basis, this paper will analyze the business model of Bilibili.

## 2.2 New Media

Based on new technologies such as digital information technology, Internet technology and mobile communication technology, new media is a form of mass communication media that takes the Internet and communication network as communication channels and digital information such as computers, personal mobile communication equipment and digital television as processing terminals [4]. Shi Lei believes that compared with traditional media, new media is a new form of media developed after traditional media such as newspapers, radio and television. It is a communication form and media form that uses digital technology and mobile technology to provide information and entertainment services to users through channels such as the Internet and wireless communication network as well as terminals such as computers and mobile phones [5]. Huang Wei believes that new media is a new communication means and media form based on the rapid development of computer technology and Internet technology [6]. New media has the characteristics of personalization, diversity, selectivity, real-time, interactive and so on, which have created good conditions for the development of Bilibili.

## 3. Overview of Bilibili Development under the Background of New Media

### 3.1 Introduction to Bilibili

Bilibili is a cultural community and video platform with a high concentration of the young generation in China. The website was founded on June 26, 2009 and is referred to as “Station B” for short. The first video site Bilibili imitated was niconico in Japan. AcFun was the most popular video site in China at that time, but it slowly fell behind and Bilibili gradually rose to prominence. Bilibili was listed on an electronic stock exchange in the United States in March 2018, and was listed on an electronic stock exchange in Hong Kong for the second time in three years. Bilibili, with its diverse multicultural community, was one of the most popular apps among young people in 2019.

### 3.2 Bilibili's Development History

It has been nearly 13 years since Bilibili was listed. During these 13 years, Bilibili has gradually developed from a small office into a listed company. The development process of Bilibili Station is divided into three stages. The first stage, start-up stage (2009-2014): Founder Chen Rui joined Bilibili as an investor, launched the New Year festival online, added the live broadcast section, etc. The second stage is the development stage (2016-2018): Bilibili began to develop gradually. It produced a big movie, produced a beautiful variety show, added new features, developed a game, and was listed on NASDAQ in the United States. All these show that Bilibili is constantly developing. The third stage is the mature stage (2019-now): Bilibili's operation model continues to

mature, it starts to layout online e-commerce, and its core users continue to increase. In 2021, Bilibili will be officially listed in Hong Kong for the second time. The original intention of Bilibili is to meet the needs of users who like quadratic to share videos and freely publish bullet screen, and to create a good community atmosphere for customers.

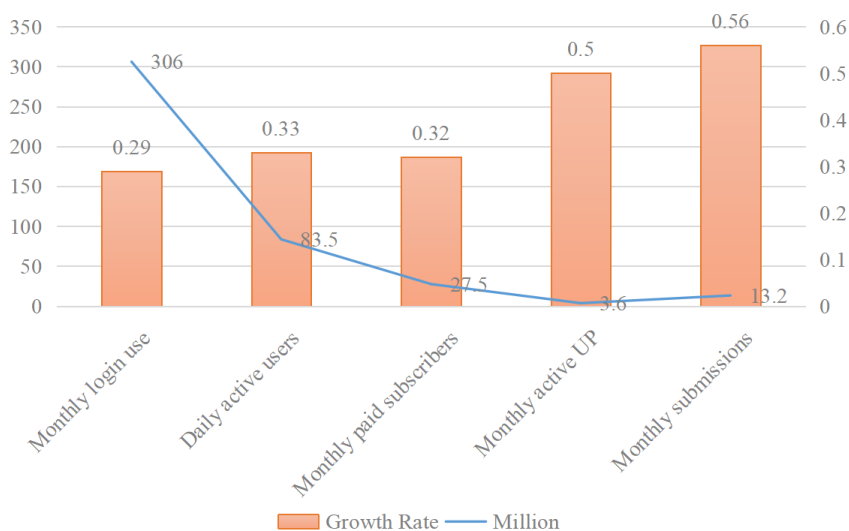
### 3.3 Bilibili's Development Status

#### 3.3.1 Fierce Competition

There is no doubt that competition in the video site space is very fierce. It is well known that iQiyi Video, Youku Video and Tencent Video are the leaders in this industry, and the competition among the three videos is also very fierce. They have invested countless amounts of money for the copyright of various movies and TV series, and they are always in a state of being unwilling to lag behind.

#### 3.3.2 Bilibili Has Certain Advantages in Terms of Users

According to an iResearch report, Bilibili users aged between 18 and 35 accounted for 78 percent in 2021. By the second quarter of 2022, Bilibili had more than 300 million users logging in to Bilibili every month, up 29% year on year, according to its financial report. The average daily active users reached 83.5 million, an increase of 33% year on year, and the community stickiness was continuously improved; Average monthly paying subscribers reached 27.5 million, up 32% from the same period in 2021; The monthly average number of active UP users reached 3.6 million, up 50% year on year, and the monthly average number of submissions reached 13.2 million, up 56% year on year. As shown in Figure 1:



Data source: Bilibili 2022 second quarter financial result

Figure 1: Q2 2022 Bilibili User Data

#### 3.3.3 Support from China's National Policies

China wants to diversify its culture, so it is inevitable to support the development of the animation industry, which is one of Bilibili's core and revenue sources. In such an environment, Bilibili needs to seize the opportunity to continue to climb the ladder and strive to develop itself. As for the copyright policy, China is quite strict in this aspect, and some Bilibili videos have copyright

problems, which leads to disputes easily. To solve these problems, Bilibili has taken videos offline and bought the corresponding rights. These corresponding measures have affected Bilibili to some extent.

## 4. Analysis of Bilibili's Business Model Based on Commercial Canvas

### 4.1 Bilibili Value Proposition

Bilibili is the most popular two-dimension community and video platform among young Chinese users. Bilibili strives to create a cultural entertainment community that young people like. Moreover, in order to adapt to the market, Bilibili has been updating its positioning from vertical quadratic content community in 2009, pan-quadratic content community in 2014, and pan-entertainment content community from 2019 to now. Providing a platform for UP users to publish and monetise high-quality video and text works, Bilibili is committed to providing users with the most popular animation series, the best community atmosphere and the most talented UP hosts. It includes providing users with original content, i.e. uploading their own original content, beautiful cartoons, advertisements, wonderful performances and games through the Internet.

### 4.2 Bilibili Target Customers

Bilibili is one of the most popular video platforms for young people, and Bilibili's positioning is quadratic, so it is very popular among young people who are interested in quadratic. According to the gender ratio data of Quest Mobil 2002 semi-annual report, the ratio of male and female users of Bilibili can be known. Males account for 52.4% of the total, while females account for 47.6%. It can be seen that the ratio of male and female users is not very different, so it can be concluded that the functional modules of Bilibili can meet the needs of male and female users. According to the age ratio data of Quest Mobil, the post-00s account for 34.3%, the post-90s account for 37.4%, the post-80s account for 13.7%, the post-70s account for 10.4%, and the post-00s and the post-90s account for 71.7%. From this, it can be seen that Bilibili is a platform for young people. Most of its users are from the post-00s to post-90s generation, when many are students and working young people aged 25 and under. As shown in Table 1:

Table 1: Bilibili Sex Ratio and Age Ratio

Male	Female	Age18-25	Age26-35	Age36-45	Age46-55
52.0%	47.0%	34.3%	37.4%	13.7%	10.4%

Data source: Quest Mobile China Mobile Internet 2022semi-annual report

### 4.3 Bilibili Distribution Channel

Bilibili's distribution channels include mobile apps, online video sites, wechat public accounts, wechat mini programs, recommendations between users, comic-con and offline activities. Like other video sites, Bilibili has a well-built online video site and a good mobile software experience, which can bring users a good experience. In the early stage of Bilibili's development, most of its users were recommended by browsers such as Baidu and Sogou, as well as by other core users. As a result, Bilibili relied on existing users and gained a group of loyal users.

### 4.4 Bilibili Customer Relationship

Bilibili has a relatively high stickiness in terms of users. On the one hand, Bilibili has built a cultural community for its users. Its high degree of interactivity and the sense of identity of these

users to the quadratic element enable these users to have emotional resonance and provide a platform for users to express their feelings. Second, if you want to interact and post bullet screen in Bilibili, you need to become a full member, and if you want to become a full member, you need to register and answer the questions. Only if you answer more than 60 questions correctly can you pass the exam and become a full member. Such a strategy can further improve the interaction of bullet screen and the degree of aggregation of Bilibili. The third aspect is that the customer service staff of Bilibili is online 24 hours a day, and the intelligent customer service staff will timely sort out and analyze the feedback information to give solutions. Bilibili will also give coins and corresponding experience according to the daily tasks completed by the users, and make regular customer satisfaction survey to see if there is any customer dissatisfaction or improvement, so as to make adjustments.

## **5. Bilibili Core Resources**

The main core resources of Bilibili are composed of videos produced by UP, videos produced by ordinary users, officially produced content and bullet screen module. The videos produced by UP main are mainly to attract users, who encourage UP main to keep making beautiful videos through coin insertion, liking and favorites, etc. At the same time, the video quality, interactivity and user stickiness during video playback are improved, and the copyright costs are saved. The fact that users don't have to watch ads is also a key part of Bilibili. Many people go to Bilibili to watch movies, variety shows and cartoons without ads, which is another advantage of Bilibili.

### **5.1 Bilibili Main Business**

In its early days, Bilibili's main business was a video website that created and shared videos with others, including games, animations and comics. However, with the development of Bilibili, more and more content has been created, such as food, adventure and movie narration, as well as community operation, advertising delivery, live streaming, e-commerce, value-added services and offline activities, which are the main businesses of Bilibili.

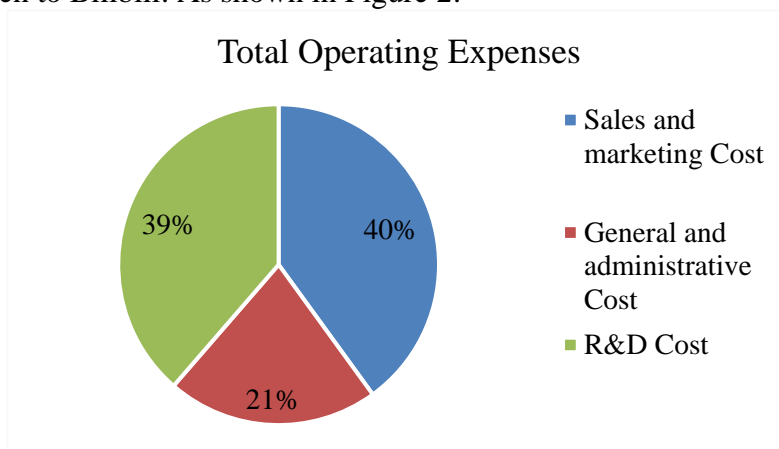
### **5.2 Bilibili Important Cooperation**

Bilibili's important partners are UP owners; Game production company; Peripheral sales partners; Animation, variety shows, documentaries, films and other copyright owners, advertising companies and so on. Bilibili created a platform that could attract users on its own by acquiring live streaming and distribution rights from game copyright holders and buying rights from film and TV series copyright holders. At the same time, it provides convenience for UP masters and encourages them to create more beautiful original works to attract fans to watch. Bilibili also carries out two-way interaction. For example, viewers can click "like", "insert coin" and "like" the videos of the UP host with one click. They can also comment in the comment section or send a bullet screen to bring positive economic and spiritual feedback to the UP host. Strive to create a healthy, positive ecological network environment.

### **5.3 Bilibili Cost Structure**

Bilibili's main costs include game agency fees, movie and TV series copyright fees, and live streaming agency fees; UP provides original video content for payment and company operating expenses. Bilibili's total operating expenses in 2021 amounted to 2.896.5 billion yuan, an increase of 57% compared with the same period in 2020. The increase in these expenses is one of the

reasons why Bilibili lost 6.809 billion yuan in 2021, including copyright and agency fees, which added a lot of burden to Bilibili. As shown in Figure 2:

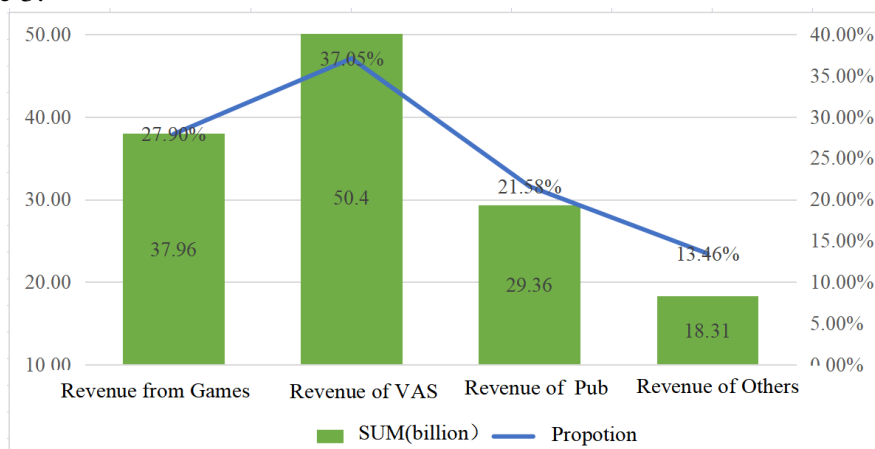


Data source: Bilibili 2022 second quarter financial results

Figure 2: Total Operating Expenses of Bilibili in Q2 2022

#### 5.4 Bilibili's Revenue Sources

Bilibili's revenue sources mainly include the revenue from value-added services, advertising space, agency games, peripheral sales of e-commerce and offline activities. According to Bilibili Oriental Wealth website, Bilibili's main revenue comes from value-added services, up to 37.05%, the amount of 5.040 billion yuan, followed by game revenue, accounting for 27.90% of the total, the amount of 3.796 billion yuan, the last is advertising revenue and e-commerce revenue, etc. Respectively accounted for 21.58%, 13.46%, the amount of 2.936 billion yuan, 1.831 billion yuan. Compared with the game revenue in 2020, the game revenue in 2021 is decreasing and the value-added service revenue is increasing, because Bilibili focuses on increasing the revenue of value-added services. In addition, Bilibili's users are relatively young, mostly students and young workers. Compared with other platforms, the consumption power is poor, and there is not enough income, resulting in the profit and loss cannot be effectively compensated. Therefore, Bilibili will diversify its income structure in 2021, enhance its revenue capacity and make up for the operating loss. As shown in Figure 3:



Data source: Bilibili East Wealth Network data in 2021

Figure 3: Bilibili Main Composition Diagram

## **6. Analysis of Problems Existing in Bilibili's Business Model**

### **6.1 Lax Supervision of Platform Content**

Due to the influx of a large number of users and the younger age of users, the quality of bullet screen deteriorates, the quality of review is poor, and users may verbally abuse each other in the bullet screen area. Users can report this situation, but because there are too many bullet screens released and not enough reviewers, they cannot grasp this situation, which leads to the decline of video quality and the decrease of traffic. Although Bilibili has implemented the “little black house” system, there is still a lack of a certain review system for the videos produced by UP master, and there are too many videos to be reviewed every day, and the reviewers will not pay attention to some poorly produced or contain harmful videos for the healthy growth of teenagers.

### **6.2 Copyright Issues**

Copyright has always been a sore point of Bilibili, the user's secondary creation, reprint source is not Bilibili official can master, and the number of UP master is very large, homemade video cost is low, easy to operate, the production of video is also a variety of, relying on manual review video is obviously not feasible, basically need manual and machine review together. In order to reduce the inflow of bad videos into the website, this also leads to the risk of copyright of many videos in the website. Although there is legal support, there are still deficiencies, which leads to the difficult definition of video infringement, high cost of creators' rights protection and other problems, which makes Bilibili delete a large number of movies and contributions in the TV series and movie zones, and the videos are still uploaded and reviewed constantly. There is still a lack of regulation, which has caused Bilibili to flirt with the legal edge many times.

### **6.3 Loss of Core Customers**

With the rapid growth of the number of users, Bilibili's popularity is improving. The number of monthly active users of Bilibili is 267 million. Bilibili is a website with animation, comics and games as its core, but its corresponding user group is not so broad, so its number of users may be slightly weaker than other video websites. And Bilibili, in order to take care of more and more users and develop itself, began to gradually transform the minority culture into the mass culture. The core culture is gradually diluted, which leads to the decrease of the sense of belonging of core users and the decrease of user creativity. The original user group is also rapidly diluted, and the core user usage is gradually lost.

## **7. Films and Tv Dramas and Variety Shows Account for Less**

Compared with iQiyi, Youku and Tencent Video, Bilibili's self-made TV series and variety shows are still too few. For example, Bilibili's homemade “I repair cultural relics in the Forbidden City” movie, “Wind Dog youth Sky” TV series, “90 dating Agency”, “Rap New Generation”, “the First series of Life” variety shows, and so on, these programs are still too few, and the flow and popularity of Tencent Video launched “Create 101”, Mango TV launched “Star detective” and other programs are still not enough. It can't attract more users or increase user stickiness.

### **7.1 Poor Service Experience for Website Members**

Full members and regular members do not have to see the advertisement, here is not a big

advantage. And the official member points Lv0 to Lv6 seven levels, each level needs a lot of experience to level up, and every day to do the corresponding task to get experience, it is very difficult, the higher the level can have more authority, it is difficult to rise to a high level in the short term, resulting in some feel poor experience.

## **8. Single Income Structure**

Compared with other video giants, Bilibili's main revenue sources are relatively simple, mainly game revenue and value-added service revenue. Although the financial report of 2021 shows that value-added service revenue has become the largest revenue source, the net loss reached more than 1.6 billion yuan in the third quarter of 2021, in which game revenue increased by 9.18% compared with 2020. However, it has not achieved the expected effect, which may reduce the game revenue due to policy issues. Advertising revenue and e-commerce revenue accounted for 35.04%, less than half of the overall share, so Bilibili's revenue is not very stable, there is a certain risk.

## **9. Bilibili Business Model Optimization Suggestions**

### **9.1 Strengthen Supervision and Improve the Audit System**

Because Bilibili classifies a lot of areas and there are too many videos, it is necessary to strengthen the review and confirmation system in terms of content, so that every user knows. It is possible to find the main live broadcast of UP with the largest number of fans in a dozen stations B. The live broadcast content is to interpret the system. On the one hand, fans and UP hosts can urge each other, timely report irregularities, and on the other hand, the review staff can also remove the illegal videos in time. Reporting is also a reward and punishment mechanism, successful reporting can be randomly awarded 1-3 coins, disorderly reporting will be punished, if the case is serious, the coin and put in the dark room for a day, if the case is not serious, the coin will be deducted. Questionnaires can also be made, according to the user feedback, timely adjustment of the audit system, strengthen supervision.

### **9.2 Strengthen Copyright Awareness**

Purchase copyright and strengthen the copyright awareness of UP owners and users. In the early days, Bilibili became popular by carrying other people's videos, dramas and movies, which was already an infringement. At that time, Bilibili was not severely punished, but it also reminded Bilibili of the importance of copyright, so Bilibili must solve the copyright problem. For example, we can hold a copyright knowledge answering activity to encourage users and UP masters to take an active part in the activity. The rules are divided into correct answers of 10000 questions, correct answers of 5000 questions, correct answers of 2500 questions, correct answers of 1200 questions, correct answers of 600 questions, correct answers of 300 questions and correct answers of 150 questions. Of course, the more correct answers, the bigger the reward will be. At the same time, create a related topic area for users to discuss freely.

### **9.3 Enhance User Viscosity**

Bilibili currently targets young people under the age of 30, who are both its core customers and the main consumer. There are many ways to improve user stickiness. For example, we can combine big data with user needs, recommend content that users are interested in, encourage UP owners to create quality content, deepen their own features, and increase the length of time users use Bilibili.



Some shortcut keys can also be added, such as Bilibili each time entering the video is easy, but want to return to the home page has to press the exit button many times, which is troublesome and annoying, in this case, a one-button back button is convenient, and Bilibili has now added. Some users want to watch the diversity videos of the UP master, and they also need to find the videos in the corresponding order one by one from the recommendation. At this time, they can get a key that can automatically play the videos in order, which is convenient for users to watch the videos. It is also necessary to improve the cost performance of large members in order to stand out from many video websites and enhance the user's stickiness to Bilibili.

#### **9.4 Enriching Platform Content**

At present, Bilibili has animation, drama, national creation, variety shows, ghosts and livestock, and so on. As can be seen from the picture, Bilibili currently has very rich and detailed categories. There is a lot of content on the platform. At this time, we should strive for perfection, deepen the platform content, recommend relevant content according to users' interests, and create platform content differentiation, so as to enrich the platform content, attract more users and retain users.

#### **9.5 Improve the Cost Performance of Members**

Add features that are only available to large members, such as certain bullet screens and memes that are only available to large members, to highlight the privileges of large members. There are often top-up activities for large members, buy a year, get one or two months free, or even buy a year, get a year free welfare. Moreover, Bilibili members should wait for official activities or holiday anniversary celebrations to buy is the most affordable, the higher the level of users to participate in the activity, the better the benefits, not very friendly to general users, but this can also highlight the privileges of formal members, the higher the level of formal members, generally are core users, such targeted benefits can attract core users, retain core users.

#### **9.6 Increase Income Points**

According to Bilibili's financial report released in 2021, its net loss reached 1.622 billion yuan in the third quarter of 2021, so increasing revenue sources is a problem that Bilibili needs to solve. One is to watch videos without ads, and the other is that users can click in according to their own situation if they are interested, so Bilibili can increase the advertising. By increasing the number of large members, joining members with other software, increasing homemade content on its own platform, actively carrying out offline activities, and combining surrounding areas with e-commerce, Site B can strive to convert large-scale traffic into income, follow up market demand in real time, pay attention to national policies, observe users' preferences in real time through data, and abide by rules and regulations, so as to increase its profit under the premise.

### **10. Conclusion**

Bilibili's business model still has its own unique strategy that has allowed it to survive among the video giants. Its main sources of income are game income and value-added service income, which is difficult for other video sites to replicate. Besides, it has sufficient environmental advantages for development, government support and its own community culture, which are its unique strategies. Of course, there are still shortcomings, enough to show that its business model can be further improved. To sum up, it is of great significance to analyze its business model and put forward suggestions on the problems it is currently facing.

## References

- [1] Xu Yi. *Research on Value Creation of Bilibili Business Model Innovation [D]*. Harbin University of Commerce, 2021.
- [2] *Business model MBA think-tank encyclopedia [EB/OL]*. [https://wiki.mbalib.com/wiki/business\\_model](https://wiki.mbalib.com/wiki/business_model), 2022-02-16.
- [3] Zhu Meng. *Business Model Analysis of Bilibili Bullet screen Website [J]*. *Development and Reform Theory and Practice*, 2018(05):28-31+39.
- [4] Hu Xiaoqin. *Research on the Innovation of College Students' Ideological and Political Education under the Background of New Media [D]*. Central China Normal University, 2014.
- [5] Zhang Chi. *Research on Chinese Citizens' Political Participation in the Context of New Media [D]*. Jilin University, 2015.
- [6] Huang Wei. *Analysis of the Status quo and future development trend of new media [J]*. *News Communication*, 2019(18):75-76.