

Optimization of Enterprise competition Strategies under Internet Economy-A Case study of Bilibili

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Abstract: In just over ten years since its launch in 2009 using the name MikuFans, Bilibili has grown from a niche video platform focused on the ACG section at the beginning to the largest bullet chat video platform in China. The vast volume change is the most direct manifestation of the successful competitive strategy of Bilibili in the past. However, in the new market situation, in the face of strong competitors and discerning consumers, Bilibili should take its existing users as its foundation, be guided by its distinctive corporate culture, give full play to its relative advantages and find a competitive strategy that better suits its needs.

1. Introduction

1.1 Research background

With the boom of the Internet economy, video websites and applications have improved significantly in meeting the various entertainment needs of different consumers. Currently, video websites have shown perspicuous characteristics of segmentation and growth. In addition, video websites continue to enrich content and develop specific algorithms to allow viewers to find target videos faster. Compared to traditional media, such as television, video sites have many unique advantages. They are cheaper in content, richer in videos, and more interactive with users. There is no doubt that video platforms will overgrow these features. In the early days, Bilibili was a video site for creating and sharing ACG content, including fan fiction, game guides, etc. On 26 June 2009, a teenager nicknamed 9bishi created MikuFans, the prototype of Bilibili. Six months later, MikuFans changed its name to Bilibili. In 2014, Rui Chen, a deep anime enthusiast, officially joined Bilibili. This appointment was the second turning point in the history of Bilibili.

Although Bilibili has become the preferred gathering place for the ACGN community, it is essentially a vertical community, with cultural attributes and a sense of boundaries that fundamentally differentiate it from applications such as KuaiShou, which advocates life recording has no such cultural boundaries. For example, posting bullet chats on Bilibili is governed by many etiquette norms, the administrators are strict in their review of content quality and tone, and even membership registration has a deliberately high threshold. With the appointment of Rui Chen, Bilibili's stance has become more proactive than ever before, but there are still some cautious elements in the proactive elements. Since 2014, Bilibili has started a game combined operation and agency publishing business. Games have indeed grown to be a pillar of commercialization for Bilibili. In 2016, Bilibili launched a grand membership mechanism but promised that the new mechanism would not affect the customary rights of original members. In 2018, more and more new series needed to be paid to watch, Bilibili's grand membership became more important. On 28 March 2018, Bilibili was listed on NASDAQ in the US with the stock code BILI. The listing of Bilibili means that it is officially commercialized and has more funds for development. Bilibili also buys copyrights to some old series and some classic movies to meet the diverse needs of users. At the end of the first quarter of 2019,

the monthly active users of Bilibili exceeded 100 million for the first time, reaching 101 million; the daily active users also exceeded 30 million. After more than a decade of development, the station has formed an ecosystem that continuously produces high-quality content and is now a multicultural community covering more than 7,000 circles of interest.

1.2 Research significance

This article analyses the economic situation, platform content, and users of Bilibili using the SWOT theory, and makes recommendations by combining the analysis of relevant literature and Bilibili's financial statements. It is also hoped that it will provide basic suggestions for other video platforms.

2. Literature review

Li Hong (2018) proposes that subcultural circles should neither be stagnant nor need to be high-flying. Subcultural circles must follow the trend of social communication, use content features and platform advantages to enhance audience stickiness, pinpoint audience groups, precisely match audience interests and emotional demands, and adapt the circle ecology to circle reform [1]. Li Xinyi (2021) suggests that, in terms of managing the revenue structure, Bilibili can consider optimizing its revenue structure based on maintaining a stable income from its handicraft business and vigorously developing the proportion of live streaming, advertising, and value-added membership business. If Bilibili wants to broaden its business channels and gain a foothold in the live streaming industry, it will take some time to develop. It will be necessary to be innovative in video content and get out of the character development path [2]. In an article based on Porter's Five Forces, Zhang Wen mentioned that after years of development, China's video website enterprises have initially formed an industry pattern with IQIYI, Tencent Video, Youku, and Bilibili as the backbone of China's online video industry. The competition among enterprises is under tremendous pressure. The main competitive influences include the impact of technological progress, the status of enterprises in the same industry, the business strategies of enterprises in the same industry, and the content and quality of products [3].

3. Analysis of Bilibili's competitive strategy using SWOT theory

3.1 Advantages of the development of Bilibili

3.1.1 Low-cost access to high-quality UGC content and reduced content burden

Introduction of Japanese comics is still much less. Secondly, there is also the phenomenon of Game, ACGN, dancing, the animal, etc. on Bilibili. The animation group of this company rarely has outstanding and high-profile works. The game area cannot create its works, relying on the agency of other well-known manufacturers' works. The philosophical culture of ghost animal culture is not entirely in line with mainstream values and even involves pornography. Videos in Bilibili are mainly divided into two parts: series and uploaded videos. These videos attract loyal ACG audience and fans of uploaders and then provide merchandise services, such as mobile games, homemade anime, and live stream, that match the attributes of different users to cash in on the traffic and generate revenue. At present, Bilibili has moved from the ACG realm into a broader field to attract more user groups and more uploaders in different fields, such as beauty, dressing, reviews, and short videos, to enrich platform contents.

Bilibili has invested in much lower production costs compared to other video platforms. Take IQIYI as an example. It launched *Yanxi Raiders*, *Idol Practice*, *Soul Pendulum*, and other works in 2018. IQIYI invested up to 21.1 billion, accounting for 78% of the operating costs. Until the fourth quarter in 2020, IQIYI saw a 10% drop in content costs compared to the same period in 2019, yet it also spent \$5.1 billion. 89% of Bilibili's video content comes from PUGV, and Bilibili's costs on content for the 2018-2020 fiscal year were \$543 million, \$1,001.6 million, and \$1,875.5 million, respectively, with only \$3.4 billion total invested over three years [4]. This makes Bilibili less

dependent on high input OGV content that needs long production cycles to generate revenue than IQIYI, and the saved costs can be used for other projects. The financial report of Bilibili shows that in the first quarter of 2020, the average monthly active uploaders was 2.2 million, and the number of monthly uploaded videos reached 7.7 million. These uploaders and videos are active in Bilibili, but the platform does not need to spend content costs. From 2016 to 2019, the cost of content only accounted for 40%-50% of the total cost for Bilibili, while the proportion for IQIYI was about 72.6%-84.3% [4]. This shows that Bilibili can rely on the significant number of users to develop vertical areas of quality content and also be able to save costs.

3.1.2 Distinctive platform and user culture

The Bullet chats are very distinctive highlights of Bilibili. The earliest bullet screen site is N-Station. As a novel way of interaction that breaks the limitations of space and time and connects users, bullet chat enables users to interact and socialize conveniently. Bullet chat has become part of Bilibili for many users, adding fun to watching the video. In addition, due to the existence of bullet charts, bullet chat has been a creative culture on Bilibili, reflecting the integrity and universality of the language culture in the Bilibili community and enhancing users' sense of cultural identity, which further enhances user stickiness.

3.1.3 Purchase of exclusive rights to numerous series

ACG works and their cultural cores are key features that set Bilibili apart from other platforms. To maintain the platform's characteristics and satisfy the requirements of its core users, Bilibili purchases a large number of licensed series every year. For example, the popular anime, Ghosts of the Blade, which sells exclusive rights to Bilibili, has a rating of 9.8, 610 million views, 9.96 million followers, and 357,000 ratings; JOJO's Fantasy Adventure has a rating of 9.8, 340 million views, 5.26 million followers, and 232,000 ratings; Kobayashi's Dragon Maid has a rating of 9.8, 240 million views, 6.63 million followers and 44,000 ratings [5]. The three hot anime series above do not have exclusive rights on other platforms such as IQIYI and Tencent. Bilibili purchases exclusive rights to many hot series with a solid fan base to attract the ACG audience. In addition to anime series, Bilibili also buys some rights to popular caricatures.

3.2 Disadvantages of Bilibili's competitive strategy

3.2.1 Poor quality of bullet chats

Once the most distinctive symbol of Bilibili, the bullet chats have been emulated by different video sites, including its competitors, such as IQIYI, Youku, and Tencent Video. Although these sites have introduced the bullet chat function, the users of Bilibili are more familiar with this communication path. Bilibili has lowered the threshold for becoming a member in recent years, and with the cooperation of major enterprises such as Tencent, a large number of new users enter Bilibili, who can become members by answering the questions set to reduce users' aggression and then can make remarks on the bullet screen. However, the influx of new members with significant differences in personality and quality has led to the emergence of many low-quality and aggressive bullet chats, seriously affecting other users' experiences. Bilibili has gradually improved its bullet chat blocking function to optimize the user experience. However, the result is very ineffective. Because people have various ways to make offensive remarks, and after adding lots of bullet chats blocking words, the user experiences are not significant in the face of a few bullet chats.

3.2.2 Parts of the content are not mainstream

The company cannot innovate independently, relying on imports of anime, and re-creating mainly around foreign anime, lacking big domestic IPs. However, there are significant national IPs in recent years, such as Fox Demon Little Red Queen and One Man Under. However, with the influx of users in recent years, there have also been videos on Bilibili with low-quality content, such as videos that incite gender antagonism, whole live videos with no nutrition, and even ghost animals involving personal attacks.

3.2.3 Inadequate profitability

Losses have been accompanying Bilibili since its establishment for more than ten years. Rui Chen has proposed that 2019 is an essential year for Bilibili's transformation, but the loss situation has not been well changed. Bilibili's breaking circle is reflected in two aspects. On the one hand, Bilibili broke through the ACG field to expand into more UGC video areas, including fitness, beauty, measurement, and many other aspects. On the other hand, Bilibili has adjusted its business structure from mobile games to different aspects of games, live streaming, and variety shows. In this way to achieve significant growth in earnings. In 2019, the company's total net revenue was RMB 6.7 billion, with a net loss of RMB 1.3 billion. Total operating expenses were about RMB 2.7 billion, increasing 69% year-on-year; sales and marketing expenses were about RMB 1.2 billion, increasing 105% year-on-year, mainly due to increase in mobile game promotion expenses, increase in sales and marketing staff, and increase in fulfillment costs related to the e-commerce business [7]. Event promotion for the New Year's Eve party is also a significant expense. The growth in various operating expenses has gradually expanded the scale of the company's losses.

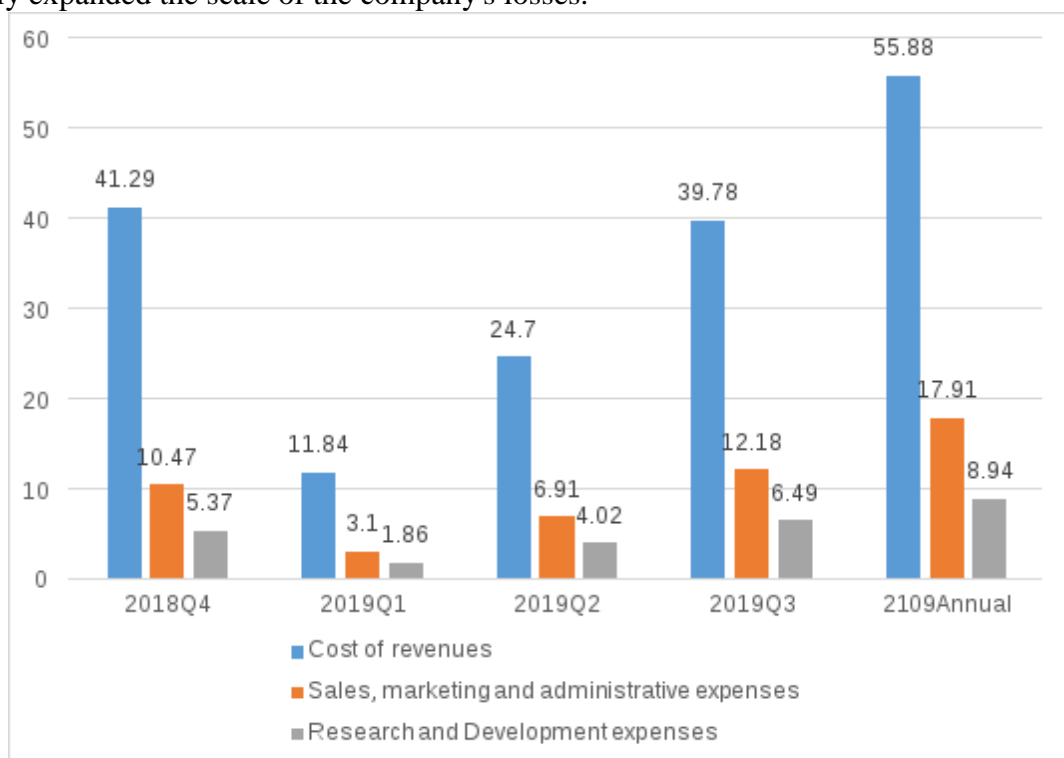


Figure 1. Bilibili expenditure 2018Q4-2019Q3 [8]

3.3 Threats to the development of Bilibili

3.3.1 Threats from competitors

The leading listed companies in the Chinese short video industry are Byte Jump, Racer, Tencent, Baidu, Bilibili, etc. Chinese online video platforms can be divided into three significant echelons: the first echelon led by IQIYI, Tencent Video, and Youku, which are backed by the three Internet giants Baidu, Tencent, and Alibaba, respectively. At the top of the video platforms list, these platforms are abundant in comprehensive film sources and have many active users. Mango TV and Bilibili are the second tiers with exclusive quality content, with the former having excellent variety shows and the latter attracting a regular user base through its ACG culture. The third tier is represented by PP Video, Sohu Video, and MIGU Video. They mainly rely on differentiated routes. The number of users, IQIYI, Tencent Video, Youku, Mango TV, and Bilibili, are currently the top five platforms. In terms of monthly active users (see Figure 1). As of December 2020, the active user scale of the three echelons is shown in Figure 2. On the whole, platforms located in the first echelon have substantial competitive advantages in the number of users and the degree of user activity.

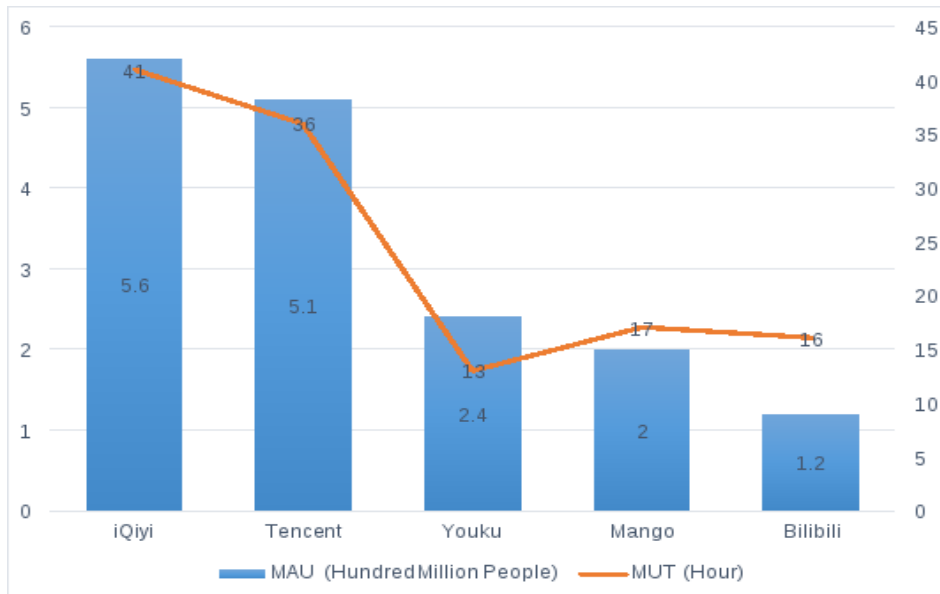


Figure 2. Users by the online platform, July 2020 [9]

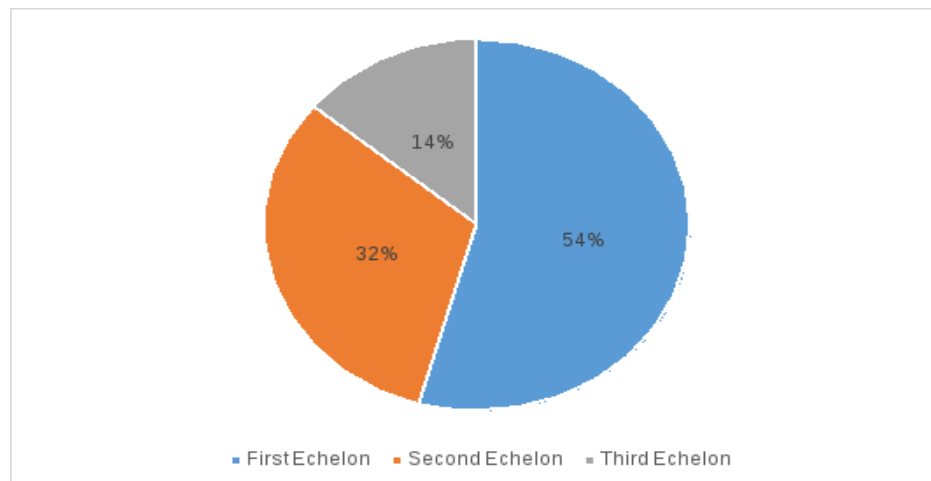


Figure 3. Active user size as a percentage [9]

In addition, although the use method of short video platforms such as Tiktok and KuaiShou is very similar to that of Bilibili, the impact of these video platforms on Bilibili is limited. Compared to Bilibili, the age of Tiktok and Kuaishou users is relatively large, and the distribution of users in each age group is more. The users of Bilibili have an explicit concentration in the age group statistics: users under 25 years old are the mainstream. They account for about 80% of the total users [11]. At the same time, the users of Bilibili are also more concentrated in first-tier and second-tier cities. The proportion of Tiktok users in fourth-tier and fifth-tier cities is significantly higher than in Bilibili. In this case, the more significant threat to Bilibili is the game live streaming platform led by Douyu and Huya. From a simple point of view, the live streaming platform and the video platform are not the same, in the context that Bilibili emphasizes the concept of breaking the circle and focuses on increasing revenue. However, Bilibili chooses live streaming as a development direction. The audience of the live streaming industry has a high degree of overlap with the users of Bilibili, and powerful live-streaming platforms have occupied the market of the live industry, which imposes a considerable challenge to Bilibili. In the red sea of the game live stream industry, the difficulties faced by Bilibili are vast and realistic. Another competitor to Bilibili is AcFun, which still adheres to its original intention of providing harbor to ACG lovers. With the horizontal development strategy of Bilibili, more and more different kinds of uploaders have entered, squeezing out the living space of ACG content and users. In this case, the dissatisfaction of some old users deepens, and they may look for more niche and refined ACG platforms. While Bilibili's development strategy may attract more

users, the stickiness of the new users is not as strong as the old ones. Balancing the feelings of old users with the needs of new users is the key for Bilibili to weaken the threat of competitors.

3.3.2 Other platforms have new technology and well-developed blogger incentives not found on Bilibili

One of Internet video sites, Watermelon Video, has proliferated and poached many popular upvoters from Bilibili. Furthermore, like Bilibili, Watermelon Video is divided into partitions for games, trim videos, vlogs, music, variety, food, pets, funny, fashion, etc. Users can choose their favorite partition to follow, and creators contribute to different partitions, and likewise, hold variety and other programs.

First of all, the Watermelon video also has an incentive mechanism similar to the Bilibili Rising Star program launched by Bilibili to encourage new users to contribute. However, the difference is that the Watermelon video provides training for creators and has a complete training system. In 2019 January 2011, Watermelon Video upgraded the branding of its incoming classes to Watermelon University, dedicated to providing comprehensive free video training for video creators and media practitioners. It is the only official external media training platform in China, which can undertake and export all aspects of video teaching, live teaching, and offline practical training so that the ability of self-media creators can be improved comprehensively and high-quality creators can be cultivated. Creators will receive certain financial rewards and more exposure after completing all the assignments of Watermelon University and receiving a graduation certificate. Watermelon University adopts a time-sharing approach to motivate creators to learn. Each course has a different theme, and at the end of each course, those who have completed all the courses are awarded the appropriate graduation certificate to represent that stage of learning. In this way, many new creators have made the leap from animation content to animation production. This is a quantum leap for the creators and adds a source of high-quality content to the Watermelon video platform, creating a win-win situation for both parties. In contrast, while Bilibili also has a Rising Star creation program, it lacks a complete training system and high subsidies like Watermelon Videos.

Secondly, Watermelon Video and Volcano Engine jointly organized a 4K restoration conference 20on October this year with the theme of "restoration," announcing that more than 100 Chinese classic videos will be restored in 4K through technical means within a year. The restored videos can be viewed for free on Watermelon Video, with technical support from the Volcano Engine team. Watermelon Video will also be open to regular users, providing free AI repair support and in-depth public interest repairs for valuable videos. For 4K extreme picture quality experience scenarios (e.g., Watermelon Cinema mode), the Volcano Engine provides a robust picture quality repair solution that enhances the source video's resolution, frame rate, and color gamut and performs high-quality intelligence transcoding to achieve the ultimate playback video picture quality.

To sum up, Bilibili faces a threat posed by Watermelon Video's superior technology, massive investment, and incentives for creators. The company's revenue and influence on video creators have significantly increased due to its powerful AI algorithms and the fact that it is also owned by Byte2's "ShakeYin" and "Today's Headlines." Bilibili cannot drive traffic to it from other platforms as ByteBeat does.[10]

To sum up, Bilibili faces the threat posed by Watermelon Video's superior technology, massive investment, and incentives for creators. The company's revenue and influence on video creators have increased greatly due to its powerful AI algorithms and the fact that it is also owned by Byte2's "Shakey in" and "Today's Headlines". Bilibili, however, cannot drive traffic to it from other platforms as Byte Beat does.

3.4 Opportunities for the development of Bilibili

3.4.1 The preference of Z-generation users

Regarded as Z-generation, people born after 1990 and before 2010, who grow up in the Internet era, are familiar with internet products and youthful. At present, among the users of Bilibili, Z-

generation occupies a mainstream position, with the number of official members of Bilibili reaching 45.3 million. The size of China's Internet users is 939 million by the end of December 2020, with the Z-generation (aged 10-29) accounting for 31.3%, about 294 million people [12]. Gen Z is a generation growing up on the mobile internet, also known as the internet generation. Z-generation are good at using the internet, have a wide range of interests, and would like to spend for their interests. In the future, as Z-generation grow up and their income increases, they will become the main force of consumption in Bilibili [13]. The output value of China's core pan-entertainment industry was approximately RMB548.4 billion in 2017, and the output value of the online pan-entertainment industry was RMB390.3 billion, with Generation Z contributing approximately 55% of the total. With the increasing income and spending power of Generation Z, the development prospect of China's pan-entertainment market is very bright [14].

3.4.2 Virtual idols have a promising future.

Virtual idol is not a new concept. In 2007, using Hatsune Miku as product image, Crypton Future Media launched a music software with the same name in which users could make their creations. The product image Hatsune Miku, the first virtual idol product that achieved great success, was instrumental in the success of this music product. Named after idols, virtual idols are far from real-life idols. No matter how famous real idols are, they are always members of society and must obey some social rules, such as marriage and family, which have few restrictions on virtual idols. It is difficult for virtual idols to violate the moral and legal rules that human society values, after all, they are not human being. With advance in technology, virtual idols have become more sophisticated in images, more flexible in movements, and more anthropomorphic in interactions. With novelty and sense of technology, virtual idols have gained a lot of popularity worldwide. The core market size of virtual idols in China will reach RMB 12.08 billion in 2022, while the peripheral market size driven by virtual idols will exceed 180 billion [15]. This wave of development provides a great opportunity for Bilibili, whose secondary culture naturally has a high degree of overlap with virtual idols. For example, the image of Hatsune Miku has a strong ACG style, and if Bilibili can make use of the ACG culture and users of the platform to expand its virtual idol business, it cannot only take advantage of the competition with rival platforms but also broaden its revenue channels.

Table 1. Analysis using SWOT method

	Strength	Weakness
External factors	1. Low cost of content 2. A unique corporate culture 3. Exclusive rights to many series	1. Poor quality of pop-ups 2. Low quality of original content 3. Poor inclusiveness of some users
Internal capacity		
Opportunity	SO: Growth Strategy	WO: Turnaround strategy
1. Plenty of energy from Gen Z users 2. The rise of virtual idols and the vast market	Develop a distinctive corporate culture and capitalize on the overlap between secondary culture and virtual hosts to capture the virtual live market	Strengthen the regulation of platform pop-ups, content and maintain the taste of the platform to attract Gen Z users
Threaten	ST: Multi-business strategy	WT: Defensive strategy
1. Low level of profitability and companies facing losses 2. Threats from competitors in various industries	1. Create and introduce high quality paid dramas to attract users to watch them and increase corporate revenue 2. Give full play to the company's distinctive advantages when competing with rivals	Create a harmonious platform environment to ensure no loss of existing users

4. Advised competitive strategies for Bilibili

From the perspective of enterprise operation, on the one hand, the most urgent issues that Bilibili needs to address is to improve its profitability and change its loss-making status. Bilibili can achieve this goal by converting users into consumers. On the other hand, Bilibili should also attach importance to the feelings of users. Improving profitability and increasing the number of users is the focus of Bilibili's competitive strategies.

4.1 Focus on high-quality content output in the ACG vertical

The profit range in the ACG field far exceeds the works themselves, whether in the American animation market or the Japanese animation market, the downstream derivative products of ACG works create more profits than the works do. Taking Disney in the United States as an example, its theme park, character hand-made, and interactive entertainment are the businesses on which it relies to earn profit [16]. For the majority of users, Bilibili is always related to the ACG label. Users who are attracted to the ACG works of Bilibili will have a higher stickiness and a greater enthusiasm to Bilibili than ordinary users. Excellent derivative products can completely inspire their desire to consume. The potential profit of ACG products is not limited to the copyright, thus Bilibili should continue to vertically invest more in its traditional strength, the core secondary content. Vertical investment, concentrating more on the development of ACG products, such as developing games based on anime, selling anime characters, and even building ACG-themed parks, means that Bilibili should have its EVA in animation and fantasy simulation game in games. With the high-quality content output accumulated in vertical investment, Bilibili will produce a series of proprietary IP, as Disney does, that can mobilize consumers' enthusiasm for consumption. In addition, the revenue and cash flow generated from this vertical investment could buy critical competitive time and market space, which will support Bilibili to develop into a wider space, boost investors' morale, and improve Bilibili's market position.

4.2 Support original uploaders and enhance the vitality of the platform

Original uploaders are the most valuable and unique supplier to Bilibili and they are also the mainstream to transform Bilibili from an ACG production platform to a comprehensive video platform. Although Bilibili has launched many excellent original works in recent years, including New Year's Eve festivals and rap programs, which have also received great feedback, these works alone are far from sufficient to meet the requirements of Bilibili's huge users. It can even be said that the essence of Bilibili is the integration of these uploaders. Bilibili is not only the pink app on people's mobile phones, but also the Internet community co-created by uploaders. In the third quarter of 2021, the number of monthly active uploaders in Bilibili was 2.7 million, and each uploader evenly uploaded 3.7 videos every month in the same period [17]. Bilibili can not only harvest high-quality platform content, but also show users the user-centered service characteristic and enhance the centripetal force of video owners and viewers by vigorously supporting the original uploaders. For amateur uploaders, however, their uploading is completely spontaneous active, which means they are optional to choose whether to upload videos or not, when to upload videos, and what kind of content showed in videos. Their videos are relatively low quality. For full-time uploaders, by cooperating with other uploaders, or joining MCN, they can completely reduce their dependence on Bilibili and even join the Bilibili's competitive platforms. In this case, the management must deliberate about ways to make these creative uploaders continue to create high-quality works and will not move easily. Watermelon Video offers an excellent program to support original creators that provides official video creating courses. Through carrying out systematic courses and reward mechanisms, a time-sharing method of delivery is used to motivate creators to learn. Each course has a different theme and those who have completed all the courses are awarded the appropriate graduation certificate in the end. Bilibili can imitate this method to provide training to its potential uploaders. For the tuition, a pragmatic approach is to charge a fee for these courses. If learners can upload a certain number and quality of videos on Bilibili after completing the course, the fee would be refunded, so that serious

learners can create videos and learners who are in the fun can be filtered out. The emergence of such courses not only enriches the creators' imagination and helps them conceive more interesting video content, but also improves the quality of video produced and gives viewers a better viewing experience, resulting in a win-win situation for both the platform and the creators.

4.3 Create open and inclusive community environment

Bilibili is a highly social platform, where viewers can post their comments and comments, and where a unique culture of popular 'stems' is created among viewers. This allows many viewers not to see Bilibili as a mere commodity. Some viewers have even offered to introduce advertising to increase their revenue after seeing the losses that Bilibili has been making year after year. This dependence on and affection for the commodity undermines the bargaining power of the viewers. Secondly, viewers are not able to collaborate or join MCN agencies to increase their bargaining power, unlike the case of upvoters. Viewers are individual and fragmented when they consume on Bilibili. They not only have to bargain with suppliers and the platform, but they also have to bargain with other purchasers. As the number of users on Bilibili has increased, the quality of content and pop-ups on the platform has shown a marked decline. This is detrimental to the long-term development of Bilibili. Original content has lost its appeal is. In terms of pop-ups and community operations, antagonism is building upon Bilibili. Whether it is in international politics, domestic politics, gaming, or in the food and fitness sections, it is common to see groups arguing about each other. This antagonism is tiresome for most centrist users. When the main role of pop-ups and comments changes from harmonious discussion to antagonistic emotional output, some users who are attracted by the characteristic pop-ups and community culture may abandon Bilibili and find another platform. To address this problem Bilibili should strengthen its guidance on content and community.

5. Conclusion

This paper finds that Bilibili has the advantages of low-cost access to high-quality content, using the rich pop-up culture to attract young consumers and exclusive drama rights, and the opportunities presented by Z-era users and virtual idols, and Bilibili is quite competitive with these advantages. However, at the same time, there are also problems such as poor quality of pop-ups, lack of inclusiveness of the platform, and lack of profitability. In a highly competitive video platform market, Bilibili faces challenges from strong potential entrants and pressure from competitors in the first and second tier of the industry. However, the good news is that the threat of substitutes is low. Through the analysis of the above problems and the research of relevant literature data, we conclude that the competitiveness of Bilibili in the industry can strengthen the development of the company by attaching importance to vertical content, enhancing user stickiness, and developing the field and market, creating a harmonious environment and maintaining good taste to ensure the user experience.

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