

Research the Reasons for Bilibili's Success

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Abstract: Bilibili has grown into a successful commercialization and sustainable growth example in the digital entertainment industry since its listing on NASDAQ in 2018. In this study an attempt has been made to examine the factors that have contributed to Bilibili's success, specifically, the company's unique business model, community centered approach, and e-sports initiatives. The paper went on to a deep analysis of Bilibili's diversity of offerings, including Professional User Generated Videos (PUGV), Occupationally Generated Videos (OGV) and its active user community consisting mainly of Generation Z. This paper identifies the mechanisms that have propelled Bilibili's consistent user engagement, and revenue growth, by evaluating the company's marketing strategies, its unique PUGV+OGV content model, and its content ecosystem. In addition, a SWOT analysis of Bilibili identifies the strengths of diversified monetization channels, as well as challenges and opportunities in the forming market. It turns out Bilibili's foray into e-sports is an area of untapped revenue that drives through innovative ways of using brand sponsorships, player endorsements, event hosting and content production all of which contribute big to its revenue. Besides the insights provided in the development trajectory of Bilibili itself, this study also represents valuable references to other emerging digital platforms pursuing sustainable business practices or community driven growth strategies.

Keywords: Bilibili Company, Business model, E-sports.

1. Introduction

Since Bilibili was listed on NASDAQ in the United States on March 28, 2018, the company has attracted much attention and is regarded as a model for successful commercialization and sustainable development. The purpose of this study is to introduce the profile of Bilibili Company and explore the reasons behind its success in depth. By examining its marketing strategy, unique community-building efforts, diversified business model, and specific projects, this paper seeks to analyze the internal mechanisms contributing to Bilibili's achievements. Through the in-depth study of Bilibili, an emerging Internet enterprise, the objective is to evaluate its success from the perspective of commercialization and provide reference and inspiration for other emerging enterprises. This study is not only of great significance to the development of Bilibili itself but also provides useful references and enlightenment on the Internet industry's business model and development trends.

2. Bilibili Company Profile

2.1. Products and Services

Bilibili, established in June 2009, is an ACG (animation, comics, games) platform that evolved to encompass diverse content areas such as lifestyle, education, technology, and documentaries. Unlike traditional video platforms, it emphasizes user-generated content, with creators uploading and sharing videos. To incentivize content creation, Bilibili offers rewards, virtual currency, and monetization options, enhancing both creator output and user engagement. Its dynamic user communities promote rich cultural exchange and meaningful interactions.

Today, thanks to Bilibili's community model, the website hosts 15 sub-categories and over 7,000 interest circles, as well as more than 200 million official members and over 300 million monthly active users [1].

2.2. Development History

The period from 2009 to 2012 marked the founding phase of Bilibili, during which the platform primarily introduced animation content. In June 2009, Bilibili was officially established, positioning itself as a mainstream ACG (animation, comics, games) two-dimensional community. In February 2011, the platform held its first New Year celebration, and in February 2012, it launched its mobile app.

The period from 2013 to 2018 was pivotal for Bilibili, characterized by substantial business growth and community engagement to attract users. In October 2013, Bilibili hosted its inaugural BML offline event in Shanghai. By 2014, it launched self-developed games, acquired its first licensed animation, and opened an official Taobao store. In 2015, the platform held its first animation festival, founded Bilibili Films, and organized various carnivals. In 2016, it introduced a key "charging plan" for creators, released the documentary "Masters in the Forbidden City," and the game "Fate/Grand Order." By year-end, over 100,000 free movie tickets for "Your Name" were distributed nationwide. In 2017, China Central Television began live streaming on Bilibili, which also initiated e-commerce memberships, established an e-sports club, launched a national creation zone, and unveiled a master plan for original content protection. Bilibili was ranked the top app for users aged 24 and under by Quest Mobile. In 2018, it introduced a premium membership, launched a creative incentive program, collaborated with Discovery for a new channel, and went public on Nasdaq, while forming partnerships and securing investments from Tencent and Alibaba.

3. Reason for Success

3.1. High Desire to Express and Willingness to Pay (User Community) of the "Generation Z" Online Generation

The term "Generation Z" is derived from "Generation X" (1965-1979), which itself originated from Douglas Coupland's 1991 novel *Generation X: Tales for an Accelerated Culture*, where the term was used to describe the "undefinable" generation following the American baby boom (circa 1965-1979) [2]. Since the introduction of "Generation X," each subsequent generation has been categorized into roughly 15-year periods. Those born between 1980-1994 are known as "Generation Y," while those born between 1995-2009 are defined as "Generation Z." Generation Z has been exposed to the Internet, instant messaging, smartphones and tablet computers from birth, growing up in a digital environment. The environment and lifestyle of this generation has been profoundly influenced by technology products, thus shaping their unique cultural and social identity.[3]

Bilibili's 2023 financial report indicates that the average user age is approximately 24, with Generation Z comprising about 65% of the user base. The platform has consistently topped Quest-Mobile's "Generation Z Preferred Apps" list, highlighting its appeal to post-95 and post-00 generations. Generation Z users spend an average of 95 minutes daily on Bilibili, with a stable 12-month retention rate of around 80%, showcasing their activity and loyalty. The platform recorded an annual average of 4.3 billion daily video views and over 14 billion monthly interactions, reflecting Generation Z's demand for creative expression. Additionally, over half of Bilibili's active users reside in second-tier cities or higher, demonstrating a strong inclination towards quality products and payment awareness. These statistics underscore Bilibili's significant influence and engagement among younger users, as well as their desire for quality content and creative outlets. [4]

3.2. PUGV+OGV Dual Boot (Website Content)

Bilibili's content ecosystem comprises PUGV (Professional User Generated Videos) and OGV (Occupationally Generated Videos), each with distinct roles. OGV attracts users and guides PUGV's content, while PUGV offers diverse videos to meet user demands for secondary OGV creation. The community supports user integration. Together, these segments cater to Generation Z's high content standards. Bilibili features 31 first-level and 90 second-level divisions, creating 20 million cultural labels across 7,000 core circles, allowing users to discover engaging content and connect with communities. PUGV, accounting for 91% of videos, merges OGV and UGV (User Generated Videos), showcasing creator expertise. This professional yet entertaining content positions Bilibili as China's YouTube, enhancing user retention. The creator ecosystem is balanced, with uploaders choosing divisions based on expertise, fostering influential top creators.

OGV (Occupationally Generated Video) encompasses content from professional film and television entities. Bilibili has enhanced its acquisition of premium content rights, focusing on self-production and expanding its original offerings. In 2014, it acquired the authentic Japanese animation "Maido! Urayasu Tekkin Kazoku" and simultaneously aired "Fate/stay night," which garnered positive reception. In 2015, Bilibili co-produced "Rakshasa Street." The following year, it initiated the "Bilibili Small Universe Program" with over 10 universities to showcase exceptional animation graduation projects. In 2017, Bilibili launched the "National Creation Zone" and the "Bilibili National Creation Support Plan" to bolster domestic animation through investment and commercial development. The increase in high-quality OGV content addresses Bilibili's previous content gaps and attracts new users. Additionally, to safeguard uploaders' rights, the platform will acquire copyrights for secondary creations, facilitating remixing and preventing copyright disputes.

3.3. Profit Content Analysis (SWOT Analysis)

3.3.1. Strengths

Bilibili's main monetization channels include games, anime, live streaming, and e-commerce. These business areas are less interdependent, which allows the company's overall revenue to remain stable even when one industry faces unfavorable market conditions. In addition, Bilibili offers attractive financial returns to content creators, drawing many young talents to showcase their skills on the platform. In addition, the platform holds a large number of TV drama copyrights, boasts a substantial user base with high loyalty as well as high-quality uploaders' creation, and maintains strict management of pirated videos and inappropriate content, contributing to the creation of a positive and healthy community atmosphere [5].

3.3.2. Weakness

Bilibili is listed in the United States and Hong Kong, but its share price has fallen due to unprofitability. The platform's live streaming feature is less popular and requires additional capital to improve its quality. At the same time, Bilibili does not utilize patch advertising, limiting its access to traditional advertising revenue models. While ACG culture is a strength, it also poses a disadvantage, as Bilibili's user base remains relatively small. Additionally, its e-commerce, live streaming, and variety shows have yet to gain significant popularity.

3.3.3. Opportunities

China gives large tax incentives to the animation industry and sets up special support funds. In recent years, the emergence of Chinese domestic animation such as "White Snake: Origin", "Monkey King: Hero is Back" and "The Magic Child of NaZha Came into the World" has attracted more attention. With the rise of new media such as Weibo, people are used to sharing, which is compatible with the culture of Bilibili's bullet screen, making bullet screen the "best companion" for watching TV dramas. The domestic secondary market is not mature compared with Japan, but there is considerable room for development, suggesting that the number of Bilibili's audience will continue to increase.

3.3.4. Threats

Bilibili's rapid expansion following its successful listing has led to increased costs, negatively impacting earnings and resulting in continued losses. Additionally, as Bilibili turned to a comprehensive video website, it faces greater competitive pressure. The "secondary creation" of film and television content by uploaders can easily lead to copyright disputes. With the prosperity of the secondary industry, other platforms will compete for new copyrights, and domestic secondary platforms will gradually develop and seize the market [6].

4. Unique Project Analysis – E-sports

4.1. Bilibili E-sports Profit Model

In the context of the relatively perfect layout of core resources, Bilibili's profit model is mainly reflected in the increase of revenue channels and the effective control of operating costs. With regard to managing club operating costs, the participating teams in major e-sports events have already established their home fields. This gives Bilibili e-sports teams a cost advantage, as their operating expenses are lower compared to teams that have not yet determined their home fields.

At the level of e-sports events and pan-entertainment content production, team club training bases and team home venues can be used as venues for e-sports content production, thereby eliminating some venue rental costs. Additionally, the team can participate as guests in e-sports events, where contracted e-sports artists can provide hosting, commentary, and analysis services. As a result, the production costs associated with events and e-sports content are correspondingly reduced [7].

In terms of core resource layout, Bilibili e-sports has formed a closed loop of business that sets the head e-sports competition team, e-sports home ground operation, e-sports related content production, and e-sports artist management, and Bilibili e-sports four main business segments have been able to transfer resources to each other, effectively reducing the cost of the club. According to the financial data released when Bilibili e-sports first public financing, the overall revenue in 2020 increased by 256% year-on-year, with commercial cooperation rising by 331% and content production surging by 494% year-on-year. These figures demonstrate that e-sports clubs have experienced tremendous revenue growth [8].

4.2. E-sports Teams are Related to Revenue

There are four main ways of revenue related to Bilibili e-sports and its teams:

- (1)Brand Sponsorship: In January 2021, the League of Legends Professional League (LPL) announced a record 15 league sponsors for the 2021 season, demonstrating significant commercial value despite the global pandemic. This increased business value has positively influenced team valuations. The BLG team, despite a lackluster 2020 season, secured sponsorships from four brands: Bilibili Live, Rainbow iGame, Logitech G, and Gentle Monsters. As the 2021 season commenced, Bilibili e-sports successfully onboarded Ping An Bank as a title sponsor, marking the BLG team as the first in the LPL to achieve such sponsorship.
- (2)Team Player Endorsement: Unlike traditional sports, the majority of personal business development rights for active professional e-sports players are typically held by their teams and clubs. Therefore, the revenue generated from commercial endorsements signed by players constitutes a significant portion of the club's overall income.
- (3)Ticket Revenue from Home Games of Esports Teams: Hangzhou Lightning, a team owned by Bilibili e-sports, publicly sold tickets for two "Overwatch League" home games in 2020, with four price levels: 199-yuan, 299-yuan, 399 yuan and 999 yuan. According to the official news released by the Hangzhou Lightning team, the 999-yuan ticket sold out in five minutes, and all tickets sold out in seven minutes.
- (4) League Share and Event Bonus: Taking Bilibili e-sports' team BLG as an example, in the 2021 season bonus distribution rules announced by the League of Legends Professional League, the champion of the spring and summer games can get a bonus of 2 million yuan [9]. The proportion of income is stipulated in the contract signed between the LPL and the participating teams.

4.3. E-sports Events and Pan-entertainment Contents for Sale

In terms of e-sports content production, Bilibili e-sports revenue mainly has two ways.

- First of all, Bilibili's main revenue comes from the profit between production fees and production costs when it undertakes the production needs of the e-sports IP holders.
- Secondly, Bilibili generates revenue from self-incubated IP es-ports events through investment income. For example, in 2020, during the second edition of the "E-sports Shanghai Masters," Bilibili, in collaboration with the Shanghai E-sports Association and the Jing'an District Government, attracted 13 event partners. These comprised one chief partner, five special partners, and seven industry partners, all of whom provided cash or equivalent support for the event.

4.4. E-sports Derivatives Sold

Bilibili e-sports mainly adopt two ways to promote the sale of e-sports derivatives:

- First, Bilibili prioritizes e-sports team-derived products, collaborating with affiliated teams to offer merchandise like apparel, bags, phone cases, and badges for the Hangzhou Lightning team on its e-commerce platform and Blizzard's Tmall store. According to the "2020 Overwatch League team-related data report" by Overwatch Vanguard, Hangzhou Lightning's in-game hero skin sales led among 20 teams, with overall derivative sales ranking fourth in the league.
- Second, Bilibili e-sports strategically engages in collaborations with popular intellectual property (IP). A notable example is the partnership between the Hangzhou Lightning team and the animated IP "A Scientific Super Electromagnetic Gun." This collaboration resulted in the sale of over 5,500 derivative products, generating a total revenue exceeding 1.2 million yuan. Data reveals that due

to collaborations with popular IPs on the Bilibili platform, the sales volume within the platform accounted for 80% of the total sales [10].

5. Conclusion

In conclusion, Bilibili transcends the boundaries of a conventional video-sharing platform; it operates as a multifaceted interactive entertainment ecosystem that interconnects user communities, diverse website content, and various revenue models. An examination of its developmental trajectory and the factors contributing to its success reveals that Bilibili has adeptly catered to the demands of the "Generation Z" demographic. Its distinctive PUGV+OGV dual guidance approach has further fortified its achievements. Analyzing specialized initiatives within the gaming and e-sports sectors highlights Bilibili's significant potential in these areas. As a result, there exists considerable optimism regarding Bilibili's future trajectory, with the expectation that it will increasingly occupy a central role in the advancing digital entertainment landscape. Moreover, the platform's recent ventures into live-streaming and its strategic partnerships with content creators underscore its commitment to innovation and user engagement. By fostering a culture of inclusivity and participatory content creation, Bilibili not only enhances viewer investment but also promotes an environment where creators can flourish.

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