

Research on the Business Model and Development Strategies of Bilibili Based on SWOT Analysis Method

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Abstract:

The online video industry has entered the stage of stock competition. Various video platforms are seeking ways to expand their competitive advantages and attract and retain users. Among them, Bilibili, as a subculture gathering platform centered around ACG while also expanding into multiple content categories, has formed its unique business model. This article uses the SWOT analysis method to analyze the platform's internal strengths and weaknesses from the perspectives of users, content, operations, costs, etc., and analyzes opportunities and threats the platform faces, including subcultures, copyrights, competition, regulation, etc., and proposes corresponding countermeasures accordingly.

Keywords:

Bilibili, SWOT, ACG

1. Introduction

Bilibili is currently the largest bullet chat video sharing website in China. Its core strategy is based on ACGN, with bullet chat culture and community culture as its characteristics, expanding the variety and diversity of user-generated content. Based on this, Bilibili actively cooperates with third parties to build a core value chain extension strategy based on subculture, introducing a large amount of high-quality content, and actively developing original content. Bilibili continues to break through barriers and attract many users. At the same time, Bilibili always focuses on core user needs and experiences during development, constantly updating and improving management models, inviting personnel with rich management experience to join, protecting the basic subculture community environment while actively pushing its commercialization process, hoping to find a balance between an interest community and a commercial company.

Nowadays, Bilibili adheres to the principle of 'sharing joy, doing it right' and mainly promotes innovative sharing models, building a diverse and rich communication space. Its content covers multiple channels such as anime, games, ACG, movies, documentaries, technology, and more, making it a highly concentrated

cultural community and video platform for the young generation in China. With reasonable operation in vertical fields and high user stickiness, Bilibili has formed a cross-industry business system that is based on main site operations, focuses on game agency, extends the value chain to venue merchandise sales and offline events. According to Bilibili's 2022 annual performance report, its monthly active users increased by 25.9% YoY to 315 million, with 86.5 million daily active users, a growth of 29.6% YoY. This article aims to analyze the reasons behind the website's success from the perspective of China's social background and business environment.

2. Literature Review

The SWOT stands for Strengths, Weaknesses, Opportunities and Threats, and can be analyzed as a process, in which the management team identifies the internal and external factors that affect the company and business performances. Strengths in the SWOT analysis are internal capabilities and positive factors of business establishments, which are relevant for firms to achieve their objectives and serve their customers, efficiently. Weaknesses are internal factors or constraints which might impede or hinder the performance of an organization. Therefore, the company's strengths and weaknesses are internal elements. Opportunities in the SWOT analysis are factors or features which can favor or facilitate the business establishments with links outside organizations. They are external factors through which companies can exploit their advantages. Threats deal with negative factors external to the company, which can hinder or delay achievable goals. As such, opportunities and threats are viewed as environmental factors. Examples of elements while carrying out a SWOT analysis are linked to attribute dimensions such as competitors, the price of raw materials, and optimum supply chain management systems.

The SWOT analysis, also known as the Situation Analysis method, is a strategic analysis technique used by businesses. It was first introduced by Heinz Weirich, a professor of management at the University of San Francisco in the early 1980s and has since been further developed and refined to become the most widely used tool in the business and social environment today. The SWOT analysis is designed to identify a company's strengths and weaknesses based on its established internal conditions, and to identify the opportunities and threats facing the company based on an analysis of the external environment. By matching these four factors, businesses can find suitable operating strategies to achieve their strategic goals. Among them, S refers to Strengths, W refers to Weaknesses, O refers to Opportunities, and T refers to Threats.

It is worth noting that SWOT analysis is a type of static analysis method that compares and analyzes the competitive situation within an industry during a fixed period of time to form four types of internal/external matches, which is based on the premise of static matching with unchanged factors. In other words, it analyzes the effect of different factors and their interactions with each other. However, the reality is that the factors are subject to change, and advantages and disadvantages may appear in the external environment of the enterprise, while opportunities and threats may also arise internally. There is a possibility of mutual transformation between advantages and disadvantages, opportunities and threats. Furthermore, opportunities and threats are closely related to the internal conditions of the enterprise, and their importance in the analysis and selection of enterprise strategy varies. Therefore, it is necessary to understand and grasp opportunities and threats based on the internal conditions of the enterprise, as well as analyze the external opportunities and threats to evaluate the internal conditions of the enterprise.

3. Research Methodology

The analytical approach of using the SWOT analysis method is as follows: starting from the resources available to the enterprise, analyze the internal capability elements of the enterprise, identify the strengths (S) and weaknesses (W) of the enterprise relative to its competitors, and at the same time, analyze the macro political, economic, socio-cultural, and technological factors as well as its competitors and collaborators to identify the opportunities (O) and threats (T) facing the development of the enterprise. Sort the investigated factors according to the importance or influence on the development of the enterprise, and construct the SWOT matrix as follows:

Table 1. Illustration of SWOT analysis framework.

Internal Environment External Environment	Strength (S)	Weakness (W)
	Strength-Opportunity (SO)	Weakness-Opportunity (WO)
Opportunity (O)	developing internal strengths and utilizing external opportunities	overcoming internal disadvantages and leveraging external advantages
Threat (T)	Strength-Threat (ST)	Weakness-Threat (WT)
	utilizing internal strengths to mitigate external threats	overcoming internal weaknesses to avoid external threats

Strength-Opportunity (SO) strategy is a strategy that focuses on developing internal strengths and utilizing external opportunities, making it an ideal strategy when a company possesses specific strengths that align with external opportunities.

Weakness-Opportunity (WO) strategy is a strategy that leverages external opportunities to overcome weaknesses and gain advantages. It is useful when a company's internal weaknesses hinder its ability to capitalize on external opportunities.

Strength-Threat (ST) strategy utilizes a company's strengths to mitigate the negative impact of external threats.

Weakness-Threat (WT) strategy is a defensive approach that focuses on overcoming internal weaknesses to avoid external threats.

After conducting an analysis of the internal and external environment and creating a SWOT matrix, this study will create corresponding action strategies and operational plans specific to Bilibili's situation.

4. Conclusions

4.1. Strengths (S)

Bilibili's three major advantages currently are its young user base, high-quality content, and refined operation.

In terms of users, Bilibili's main user group is the 'Generation Z' group who have grown up under the Internet, and they are mostly in first and second-tier cities or developed coastal areas. They have a strong willingness to consume and are more tolerant of diverse cultures, especially subcultures, with a stronger sense of innovation and creativity. This makes them more interactive and participatory in content creation, and therefore Bilibili has a high user stickiness. In terms of content, although Bilibili

has undergone several major reforms and updates since its inception, it has always focused on AGC (Anime, Game, and Comic) as its core content. Based on research and analysis of AGC user preferences, Bilibili has increased its investment in copyright purchases, dug deep in the fields of movies, documentaries, and variety shows, explored diverse self-produced content, focused on top IP, increased original development, and at the same time motivated the production of UGC content, accelerating the expansion of content into all categories. According to Bilibili's 2022 financial report data, in 2022, Bilibili's monthly active users increased by 25.9% year-on-year to 315 million, with a daily active user count of 86.5 million, a year-on-year increase of 29.6%. Each active user spent an average of 94 minutes per day using the Bilibili app, and the total user usage time increased by 46.7% year-on-year, with monthly mutual interaction increasing by 55.0% to 13.2 billion.

Community-based operation and bullet screen culture are two significant advantages of Bilibili. Bilibili contains 33 content partitions, with multiple sub-sections and tags in each area, including anime, games, movies, technology, and food. The high granularity of the content allows users with different interests to find what they love, and like-minded users form circles and communities, communicating with each other through comments and bullet screens, gaining emotional resonance and a sense of belonging. The bullet screen originated from a Japanese gaming website, introduced to China through AcFun and Bilibili. Although many video applications in China now have bullet screen features, Bilibili has the most developed bullet screen culture. Only official members can send video bullet screens on Bilibili, which blocks outsiders from participating, allowing Bilibili users to have an exclusive feeling and a sense of group identity. At the same time, the bullet screen's form breaks time and space constraints, allowing users to interact with each other, share emotional experiences, and create a synchronous relationship, forming a tribal and accompanying viewing atmosphere, effectively enhancing the viewing experience and activity. The progression of the plot and an increase in emotional bullet screens may make participants' similar emotions even stronger, leading to bullet screen spamming. In addition, many videos have new interpretations and styles with the blessing of bullet screens. Many popular internet catchphrases and memes also come from Bilibili's bullet screens, which are well-known to Bilibili users and promote the formation of a unique Bilibili culture, cultivating new users' 'Bilibili cultural identity', further increasing user stickiness and loyalty.

4.2. Weaknesses (W)

The innate disadvantages, high production cost, and issues with regulation and copyright are the challenges currently faced by Bilibili regarding long-form videos.

Long-form videos are a specialty for Bilibili, and compared to short-form videos, they require higher production costs, greater difficulty, and higher barriers to entry. Many long-form videos require professional teams to produce and polish, making it more difficult for ordinary users to create high-quality UGC. Additionally, long-form videos often contain more content relating to emotions, philosophy, thought, science, and other themes, with a stronger emphasis on knowledge, greater information volume, and greater difficulty in understanding, leading to a narrower range of users. Furthermore, the rapid development of media technologies has continuously reshaped people's perception of time, increasing the pace of life and flooding the world with vast amounts of information, leading to individual time becoming increasingly

fragmented. Therefore, long-form videos with longer durations and greater difficulty in understanding are not suitable for people's brief moments of leisure time.

Bilibili has been in a state of perpetual losses. According to its financial report for 2022, its net operating revenue was 21.9 billion yuan, representing a year-on-year increase of 13%, while its net loss attributable to shareholders was 7.5 billion yuan, expanding by 10.4% YoY. Bilibili's costs consist of revenue-sharing costs, content costs, employee salaries, and server bandwidth costs. Due to a large amount of user-generated content, Bilibili's content costs are relatively lower compared to other video platforms, but its revenue-sharing costs are excessively high, causing its overall costs to continue to rise.

The massive volume of user-generated content (UGC) on Bilibili, along with the flawed audit and regulatory system, inevitably leads to issues with copyright. Some individuals who edit and re-upload pirated videos, calling themselves 'distributors', post videos from other websites or platforms on Bilibili without the permission or watermark of the original video creators. Some even steal or upload officially licensed anime that is exclusively available on other video platforms. While pirated videos provide users with free resources, they also cause dissatisfaction among paying users and disrupt the order of the paid market.

4.3. Opportunities (O)

The increasing acceptance of youth subcultures and the strengthening of copyright protection create opportunities for the further development of Bilibili.

Youth subcultures refer to a social and cultural form mainly created by young people that both resist and cooperate with their parents' culture and mainstream culture. It originates from the psychological stage of teenagers' rebellion against their parents during their growing up process, mainly involving cultural and artistic fields such as animation, film, and music, and is characterized by marginality, subversion, and criticism. It is precisely because of these characteristics that youth subcultures can easily create illusions for inexperienced teenagers, having a negative impact on their worldview and not being widely accepted by the public. However, according to the iResearch Consulting '2021 Chinese Second Dimension Industry Research Report', the anime industry, which is an important part of subcultures, has entered a period of explosive growth. Specifically, the overall market size reached 100 billion RMB in 2020, with an annual growth rate of 32.7%. The acceptance of subcultures is gradually increasing, which is an opportunity for gathering places like Bilibili.

In recent years, attention to copyright issues has been increasing. China has also introduced multiple measures to protect copyright, which is a positive signal for Bilibili, which holds many high-quality resources copyrights. The National Standard Copyright Protection Seminar on August 5, 2021, pointed out that efforts should be made to promote the judicial and law enforcement protection of standard copyrights, and explore the path of optimizing the work mechanism and improving the policy system for standard copyright protection. In addition, the development of technologies such as DCI and blockchain has also provided technical support for copyright protection.

4.4. Threats (T)

The development of various video platforms has intensified external competition, and the government's regulation of video platforms has become stricter, with higher

requirements for video platform content creation. This poses challenges for Bilibili as an external environment.

On the one hand, some veteran video platforms such as iQiyi have a large number of high-quality film and television resources and partial play rights to classic anime. In recent years, due to their own development difficulties, these platforms have also shown a tendency to enter the two-dimensional market, which puts pressure on Bilibili with AGC as its core competitiveness. On the other hand, short video platforms such as Tiktok and Kuaishou are constantly adding new content types, and the quality of content is gradually improving. Compared with Bilibili's long videos, short videos have the advantages of vertical screen play, convenient switching, and simple operation. Their content has the characteristics of strong stimulation in a short time, easy to understand and high entertainment value, with a wider audience and stronger spread-ability. More and more self-media creators are choosing short video platforms as their main battlefield, and expanding user reach and retention is the problem that Bilibili is facing.

Bilibili's users are mainly from the 'Z generation', a relatively young demographic that is at an important stage in forming their values and beliefs. Their perceptions of the world and themselves are easily influenced by external factors, especially the content on the internet, which increases Bilibili's social responsibility, and society demands higher quality content from the platform. In recent years, the government has tightened its regulations on the content of online streaming platforms, which involves aspects such as content, copyright, security, and qualifications. Bilibili's coverage of games, anime, and barrage videos often become the focus and difficulty of regulation. After going public, Bilibili not only faces the supervision of government departments but also the scrutiny of the public. Once it crosses the regulatory red line, it will produce significant negative effects, which may have a significant impact on its overall operations.

5. Conclusions

Bilibili is a 'clear stream' in the current video platform, with a unique advantage in AGC content products and the most potential and willing young user group. However, its exposed regulatory and copyright issues are also restricting the platform's further development. For Bilibili, copyright issues are both internal problems and external opportunities. Based on this, Bilibili should start from the internal enterprises to improve content review mechanisms, tap relevant technical personnel, develop grade filtering technology that fits the platform's tone, form an efficient and orderly intelligent monitoring mechanism, deepen the effectiveness of technology in content ecological governance, and increase punishment for content that is still deemed problematic after re-review. The platform can also make full use of the power of the masses, set up complaint handling procedures, respond promptly to user complaints, suggestions, and feedback on the results of rectification. At the same time, increase the exploration and creation of high-quality content, encourage UGC to improve video quality. For video platforms, content is the king and the long-term development path. In addition, Bilibili should actively adopt SO strategy, fully recognize the trend that youth subculture is gradually turning towards mainstream culture and grand narratives, actively use subculture forms to convey positive values, form unique content advantages, and establish long-term competitive advantages.

Conflicts of Interest

The author declares that there is no conflict of interest regarding the publication of this article.

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