From "Traffic" to "Financial Flow": The Financial Transformation of Bilibili

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Abstract

This paper focuses on Bilibili, a prominent Chinese online platform, and conducts a comprehensive case study and financial data analysis. Given the background of intense competition in the internet content industry, this study aims to explore Bilibili's transformation from a niche ACG community into a traffic-rich platform and its subsequent financial transformation. Through in-depth analysis of its business model, the research reveals that Bilibili accumulated traffic by leveraging unique features such as the bullet-screen function and the contributions of UP masters, as well as content diversification. In terms of traffic monetization, Bilibili adopted strategies including targeted advertising, a membership system, live streaming, e-commerce, and offline events. By 2023, Bilibili's total revenue reached 23 billion yuan, with a diversified revenue structure and improved profitability. However, it also faces challenges such as high content costs, fierce market competition, and the need to increase user payment conversion rates. To address these, Bilibili implemented strategies such as self-produced content, innovative features, and enhanced paid-content experiences. The findings provide valuable insights for the industry on effective traffic-to-financial flow transformation.

Keywords

Bilibili, Traffic, Financial Flow, Financial Transformation, Business Model

1. Introduction

1.1 Research Background

In the highly competitive landscape of the internet content industry, platforms are constantly striving to achieve sustainable development. Bilibili, since its establishment in 2009 as a niche ACG (Animation, Comic, and Game) community, has experienced remarkable growth. In 2009, it had only a small number of monthly active users (Bilibili Annual Report, 2009). By 2023, this figure soared to 357 million, with significant 15% year-over-year growth (Bilibili Annual Report, 2023). This growth spurt turned it into a well-known platform, but the crucial task remained: converting this massive amount of traffic into sustainable revenue.

1.2   Literature Review

Previous studies on Bilibili have focused mainly on its community culture, content creation, and user behavior. For example, Chen (2022) analysed the role of UP masters in Bilibili's traffic growth. Wang (2024) explored content diversification and user expansion on the platform. However, there is a lack of comprehensive research on Bilibili's financial transformation from a traffic-rich platform to a profitable business.

1.3   Statement of the Problem and Research Objectives

The central problem this paper aims to address is how Bilibili successfully transformed its traffic into financial flow. Despite its large user base, converting traffic into revenue is a complex challenge for many internet platforms. Bilibili's experience in this regard can provide valuable lessons. The specific objectives of this research are as follows: 1) analyse Bilibili's traffic accumulation strategies, including community building and content diversification; 2) explore its traffic monetization methods, such as advertising, membership, e-commerce, and offline activities; 3) evaluate Bilibili's financial transformation achievements and challenges; and 4) provide practical suggestions for the industry on the basis of Bilibili's experience.

2.   Traffic Accumulation

2.1   Community and Content

Bilibili's bullet-screen function has been as a game changer in user engagement. For example, when users watch the popular anime "Attack on Titan", they can post real-time comments such as "This plot twist is mind-blowing!" The bullet screen creates a unique group viewing experience, making users feel like they are watching together. UP masters play a vital role in content creation. Take "LexBurner", a well-known gaming and anime commentary UP master, for example. His humorous and insightful video commentaries attracted millions of followers. From 2018 to 2023, the number of UP masters on Bilibili tripled, and the number of content submissions quadrupled, significantly fuelling traffic growth (Chen, 2022). This was achieved through Bilibili's incentive mechanisms, such as offering rewards for high-quality content and promoting UP masters on the platform.

2.2   Content Diversification

Biliili has expanded beyond its ACG roots. In the knowledge section, there are videos such as "The Principles of Artificial Intelligence Explained", which make complex topics accessible to a wider audience. In 2023, the playback volume of this section increased by 30%. The life-recording section features vlogs of people's daily adventures, from travelling around the world to cooking at home. Submissions in this section rose by 25% in 2023. These diverse content offerings attracted users of all ages, expanding Bilibili's user base from mainly ACG enthusiasts to a more diverse audience (Wang, 2024).

3.   Traffic Monitoring

3.1   Advertising

Bilibili initially had a negative attitude toward advertising but later developed a smart advertising strategy. By analysing user data, including viewing history, interests, and demographics, Bilibili can display relevant ads. For example, a user interested in fitness might see an ad for a new fitness equipment brand integrated into a fitness-related video. In 2023, this targeted advertising strategy led to 6 billion yuan in advertising revenue, representing a 20% increase compared with the previous year (Bilibili Financial Report, 2023).

3.2   Membership and Paid Services

The grand-member system on Bilibili offers numerous perks. For example, fans of the anime "Demon Slayer" can watch new episodes one week ahead of nonmembers. Live streaming also thrives on the platform,

with users gifting virtual items such as "battleships" to their favourite streamers. In 2023, the number of grand members exceeded 30 million, and live streaming revenue reached 3.5 billion yuan (Bilibili Financial Report, 2023). Bili also introduced exclusive content for members, such as behind-the-scenes documentaries of popular shows.

3.3 E-commerce and Offline

Bilibili's e-commerce platform sells unique ACG products. A limited-edition "One Piece" figurine was an enormous hit, selling out within hours of its release. Offline, events such as Bilibili World are extremely popular. In 2023, Bilibili World attracted more than 150,000 fans. At the event, fans could meet their favourite UP masters, participate in interactive activities, and purchase exclusive merchandise. This offline-online integration not only increases revenue but also enhances user loyalty (Zhang, 2023).

4. Financial Transformation Achievements

4.1 Revenue Growth and Structure

By 2023, Biliili's total revenue reached 23 billion yuan, which represents a 180% increase since 2020. The revenue structure has become more diversified. The revenue share of e-commerce and offline activities increased from 18% in 2020 to 35% in 2023. This diversification made the business more stable, reducing its reliance on a single revenue source (Bilibili Financial Report, 2020; Bilibili Financial Report, 2023).

4.2 Profitability

Despite facing high content costs and other expenses, Bilibili has improved its financial situation. Its gross profit margin rose from 15% in 2020 to 23% in 2023, and the net loss rate decreased by 15 percentage points. This improvement was due to effective cost control, revenue growth, and optimized business operations (Bilibili Financial Report, 2023).

5. Challenges and Strategies

5.1 Content Costs

Content costs have been a major challenge for Bilibili. To address this, Bilibili has invested in self-produced content. One of its successful original anime series, "Link Click", gained popularity both in China and overseas. In 2023, self-produced content accounted for 30% of the playback volume, an 8-point increase compared with the previous year (Liu, 2023). By producing its own content, Bilibili can reduce copyright costs and have more control over content quality.

5.2 Market Competition

In the face of fierce market competition, Bilibili has innovated. In 2023, it launched an interactive video feature. For example, in a mystery-themed interactive video, users could make choices at key plot points, such as choosing which suspect to interrogate. This feature attracted 50 million users, with an average participation duration of 20 minutes per user (Zhao, 2024). These innovative features not only enhance user engagement but also differentiate Bilibili from its competitors.

5.3 User Payment

To encourage users to pay, Bilibili has improved the paid-content experience. It offers exclusive behind-the-scenes content for paid users, such as exclusive interviews with the creators of popular shows. Bilibili also implemented a tiered membership system, with different levels of membership offering different benefits. For example, higher-tier members can access more exclusive content and enjoy additional privileges. In 2023, the paid-user conversion rate improved by 8 percentage points because of these measures (Sun, 2023).

6. Conclusion

Bilibili's transformation from a niche ACG community to a traffic-rich and financially successful platform provides valuable insights for the internet industry. This demonstrates the importance of traffic accumulation through community building and content diversification, as well as effective traffic monetization strategies. Despite achieving significant financial transformation, Bilibili still faces challenges such as maintaining content quality while controlling costs, competing in a crowded market, and further increasing user payment conversion rates.

For future research, several directions can be explored. First, with the growing trend of globalization, Bilibili's potential in the international market can be studied, including its strategies for entering overseas markets and adapting to different cultural and regulatory environments. Second, the application of new technologies such as artificial intelligence and virtual reality in Bilibili's content creation and user experience can be investigated. How these technologies can be leveraged to enhance user engagement and revenue generation is an important area for further exploration. Finally, the long-term sustainability of Bilibili's business model in the face of changing market dynamics and technological advancements needs to be evaluated. By addressing these areas, future research can contribute to a more comprehensive understanding of Bilibili's success and its implications for the broader internet industry.

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Funding

Conflicts of Interest

The authors declare no conflict of interest.

Acknowledgment

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