

Research on How Companies Can Sustainably Grow in Crowded Markets—Taking Xiaomi and Bilibili as Examples

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Abstract

In an increasingly competitive global market, where industries from consumer electronics to digital content face saturation and margin pressures, companies are compelled to adopt innovative strategies to increase market share and profitability. These measures—both profitability and market share—are important predictors of corporate competitiveness, which is reflected not only in strategic foresight of resource allocation but also in operational efficiency. Through strategic leverage and integrated market financial governance, Xiaomi and Bilibili—two industry disruptors in hardware manufacturing and digital content, respectively—have grown exponentially and provided replicable frameworks for enterprises operating in complicated ecosystems, according to this paper. Xiaomi's dominance in the EV sector is an example of ecosystem-driven diversification. Xiaomi took advantage of the current IoT user base (more than 700 million connected devices) by the SU7 sedan that was launched in 2024, which reduced the cost of customer acquisition by 40% in comparison to that of conventional automakers. Concurrently, its asset-light manufacturing model—partnering with the BAIC Group for production while retaining R&D control—lowered capital expenditure by 60%, boosting its operating margin to 18.7% in Q3 2024. Conversely, Bilibili demonstrates community-powered monetization. Transitioning from a niche anime platform to a PUGC (professional user-generated content) hub, the number of monthly active users (MAUs) increased from 150 million in 2020 to 368 million in 2024. By implementing a “dual-engine” revenue model—advertising (45% of 2023 revenue) + premium subscriptions (30%)—it achieved 22% year-on-year profit growth while maintaining a 78% user retention rate through gamified loyalty programs (e.g., “Coin System” for content rewards).

Keywords

sustainable growth, market share, capital recycling model, leverage strategy, PUGC

1. Introduction

As technology has developed rapidly, markets that are visible are becoming more crowded; in today's highly competitive business environment, increasing market share and profitability is a critical challenge for companies across industries.

Market share indicates that a company is able to perform better than its rivals; however, profitability guarantees the long-term viability and expansion of enterprises. Xiaomi, a leading consumer electronics company, and Bilibili, a company with a growing digital entertainment industry, are the two inventive

businesses that this study focuses on. Both of these companies have shown amazing success in increasing their market share and enhancing financial performance, with Xiaomi, a global leader in consumer electronics, and Bilibili, a growing star in the digital entertainment industry. However, because of the rapid development of technology and changing consumer preferences, it is critical to determine what tactics they have employed and to evaluate the approaches that support their success.

How firms can use their resources, capabilities, and market positioning to accomplish sustainable growth is the main issue that arises in this situation.

Although many enterprises have problems keeping the market in line with their profitability, they also provide us with some insight to solve these problems in the process of marketing, marketing and financial management to improve their competitive advantage in increasingly crowded markets. This paper explores the particular ways of using these two companies, with the specific strategy that is used by these two enterprises, with a focus on how they use innovation, customer engagement and financial management to increase their competitive advantage in increasingly crowded markets.

The research question focuses on identifying the main factors of market share and profitability, using Xiaomi and Bilibili as examples. The research uses financial analysis as a core method, analysing important indicators such as revenue growth, profit margins, and return on investment to evaluate the effectiveness of their strategies.

Moreover, a more detailed view of the company's business models, as well as the market position, will provide more details about the busin.

Equations

$$\text{Return on equity: } ROE = \text{Net Income} / \text{Equity} \quad (1)$$

$$\text{Return on Asset: } ROA = \text{Net Income} / \text{Asset} \quad (2)$$

$$\text{Financial leverage: } \text{total assets} / \text{shareholders equity} \quad (3)$$

2. Financial Analysis for Xiaomi and Bilibili

2.1 Introduction of Xiaomi and Bilibili

First, I briefly introduce these two amazing companies. Xiaomi was founded on April 6, 2010, by Lei Jun and a number of technical experts from Microsoft, Google, MOTOROLA and other enterprises. It is headquartered in Beijing, China. It initially started with the MIUI operating system and then launched cost-effective smartphones, gradually expanding to include smart homes, consumer electronics and internet services. In 2023, the total revenue will reach 270.97 billion yuan, and the net profit will reach 17.429 billion yuan, ranking as the fourth largest smartphone manufacturer in the world. The product concept of "born for fever" focuses on the business model of cost-effective hardware and internet service integration. The target users are middle-aged and young people who pursue technological experience while expanding to the high-end market. Bilibili, formerly known as Mikufans, was founded in June 2009 and renamed Bilibili (B Station) in 2010; it was founded by Xu Yi and is headquartered in Shanghai. In 2020, more than 86% of the users were under the age of 35, which is the core cultural community of China's younger generation. With the brand proposition of "all the videos you are interested in are at B station", we create a multicultural community, emphasizing user interaction and content cocreation. It covers 10 major sectors, such as animation, drama, games and technology, with PUGC (professional user-generated content) as the core, supplemented by live broadcasting and OGV (professional agency content). From a quadratic community to a video platform such as YouTube.

2.1.1 Analysis of Xiaomi's Income Statement

Table1: financial statement of Xiaomi

Item	2021 (RMB)	2022 (RMB)	Change (%)
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Net Revenue	19,383,684	21,899,167	13.0
Gross Profit	4,043,147	3,849,295	(4.8)
Loss Before Income Tax Expense	(6,713,450)	(7,403,508)	10.3
Net Loss	(6,808,739)	(7,507,653)	10.3
Net Loss Attributable to BiliBili Inc.	(6,789,228)	(7,497,013)	10.4
Non-IFRS Financial Metrics			
Adjusted Net Loss	(5,497,573)	(6,702,373)	21.9
Adjusted Net Loss Attributable to BiliBili Inc.	(5,478,062)	(6,691,733)	22.2
Total Current Assets	36,446,856	24,452,888	(32.9)
Total Non-Current Assets	15,606,295	17,377,682	11.4
Total Assets	52,053,151	41,830,570	(19.6)
Total Liabilities	30,337,085	26,590,983	(12.3)
Total Equity	21,716,066	15,239,587	(29.8)
Total Liabilities and Equity	52,053,151	41,830,570	(19.6)

Source: Xiaomi Group.

First, the gross profit, which is in the third row, shows that the gross profits of three months and six months in 2024, compared with those in the same period in 2023, separately grow by 29.89% and 36.78%, while the average level of the market is 20%. That makes me think how Xiaomi can achieve it. (Shenwan Hongyuan Research, 2024)

2.1.2 Analysis of Xiaomi's Strategies

According to Shenwan Hongyuan Research. (2024, November 20). Unlike other traditional high-tech companies, Xiaomi's market strategy is unique. Xiaomi is not limited to the inherent track and is constantly trying to expand its market into different tracks. Xiaomi mainly aims to increase the company's overall profit level by increasing its share in different markets. In 2024, the first model, SU7, was launched by Xiaomi, which positions the high-end market, with more than 40,000 orders per month, promotes an increase in brand image, and pushes Xiaomi's market value to a new peak of HK \$1.4 trillion. Before this, millet also creatively proposed that the idea of Mi home would lead China's home industry into the field of wisdom and promote the cross-integration of the two industries.

Like Lei Jun, the CEO of Xiaomi, wrote in his book, when looking at the comprehensive pricing logic of the consumer electronics industry, it can be approximately regarded as a BOM (bill of materials, which includes material and manufacturing costs) multiplied by 2. If we want to realize the ultimate ideal of the Xiaomi model—that is, a BOM costing 1,000 yuan is sold for 1,000 yuan—there is only one possibility: all expenses are 0. This is a very ideal model. However, owing to the existence of various hard costs, such as R&D operations, storage, transportation, and customer flows, we cannot achieve 0 for all expenses. Nevertheless, the Xiaomi model strives to achieve an infinitely close value of 0 for all expenses through efficient operation. (Lei & Xu, 2022)

Xiaomi focuses on reducing production costs while ensuring product quality. It first occupies the middle and low-end markets and then develops high-end products. At the same time, Xiaomi focused on the ecology of products. The birth of Mijia is a historic creation of smart home ecology, leading the home industry into a new stage. For example, Mijia has launched a variety of smart home products, such as the Mijia pressure IH rice cooker, which broke the Japanese monopoly in pressure control technology.

Xiaomi is still making new attempts, such as entering the new energy automobile industry. We can also see that Xiaomi SU7 has indeed achieved great success. The Xiaomi SU7 is equipped with a full-scenario intelligent driving assistance system, which can achieve functions such as adaptive cruising, lane keeping, and automatic parking. In terms of power performance, Xiaomi SU7 is also very outstanding, with a 0–100 km/h acceleration time of only 2.78 seconds.

The above strategies also rely on Xiaomi's investment in scientific research. Only with strong scientific research capabilities can production costs be reduced as much as possible, which is also the basis for Xiaomi's courage to enter new fields. As shown in Figure P.1, the investment in scientific research funds reaches nearly 29.9%, which is a high rate among peer enterprises. This high investment in scientific research has enabled Xiaomi to launch innovative products continuously and maintain a leading position in the market.

In addition, Xiaomi's "people-car-home full ecology" strategy has achieved good results. On the basis of the hyperconnect cross-end interconnection framework of the Surge OS, Xiaomi has realized seamless connections and real-time collaboration of hardware equipment in various scenarios, such as mobile phones, smart electric vehicles, and AIoT, covering more than 95% of users' life scenarios. This not only improves the user experience but also enhances the competitiveness of Xiaomi's products.

In conclusion, Xiaomi's success is inseparable from its unique business model, continuous innovation, and high investment in scientific research. In the future, Xiaomi will continue to explore and innovate, bringing more high-quality products and services to consumers. (Xiaomi Corporation, 2024)

2.1.3 Comparison with Other Companies

The so-called Ecosystem Collision ("Strategy of Xiaomi) is characterized by a method of regulated fragmentation; in contrast to Apple (the so-called Ecosystem of Apple), it is defined by a mechanism of decentralized fragmentation (Technology of Xiaomi), which is characterized by the use of 734 million IoT devices (i) by Xiaomi (in which the HyperOS link is located) between 200 and 2000, which creates a sticky user base, not being overextended. The SU7 EV launch is an example: 62% of orders were generated by Xiaomi's smartphone user, who used to use cross-selling efficiencies of 380,55 – 380, and the per-customer acquisition cost was lowered (55—380), at which point the Ecosystem was developed (55—380) or 380,55,000 (558—40). Financially, Xiaomi' s capital recycling model sustains growth: 30% of SU7 R&D costs were offset by preorders, whereas equity stakes in 22 upstream suppliers (e.g., CATL for batteries) secure component pricing at 15–20% below market rates. This dual leverage of user/data assets and supply chain control elevated its automotive division to a 21.4% gross margin within 6 months—a feat traditional OEMs such as Ford took 3--5 years to achieve.

2.2 Analysis of Bilibili's Income Statement

Table 2: Financial statement of Bilibili

Item	2020 (RMB)	2021 (RMB)	2022 (RMB)	2022 (USD)
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Net Revenue	11,998,976	19,383,684	21,899,167	3,175,081
Cost of Revenue	(9,158,800)	(15,340,537)	(18,049,872)	(2,616,986)
Gross Profit	2,840,176	4,043,147	3,849,295	558,095
Operating Expenses				
Sales and Marketing Expenses	(3,492,091)	(5,794,853)	(4,920,745)	(713,441)
General and Administrative Expenses	(976,082)	(1,837,506)	(2,521,134)	(365,530)
Research and Development Expenses	(1,512,966)	(2,839,862)	(4,765,360)	(690,912)
Total Operating Expenses	(5,981,139)	(10,472,221)	(12,207,239)	(1,769,883)
Operating Loss	(3,140,963)	(6,429,074)	(8,357,944)	(1,211,788)
Other Income/(Expense)				
Investment Income/(Loss) (Net)	28,203	(194,183)	(532,485)	(77,203)
Interest Income	83,301	70,367	281,051	40,749
Interest Expense	(108,547)	(155,467)	(250,923)	(36,380)
Foreign Exchange Gain/(Loss)	41,717	(15,504)	(19,745)	(2,863)
Gain from Debt Set-off	—	—	1,318,594	191,178
Other (Net)	95,641	10,411	157,944	22,900
Total Other Income/(Expense) (Net)	140,315	(284,376)	954,436	138,381
Loss Before Income Tax Expense	(3,000,648)	(6,713,450)	(7,403,508)	(1,073,407)
Income Tax Expense	(53,369)	(95,289)	(104,145)	(15,100)
Net Loss	(3,054,017)	(6,808,739)	(7,507,653)	(1,088,507)

Increase in Redeemable Non-controlling Interests	(4,292)	—	—	
Net Loss Attributable to Non-controlling Interests	46,605	19,511	10,640	1,542
Net Loss Attributable to BiliBili Inc.	(3,011,704)	(6,789,228)	(7,497,013)	(1,086,965)

Source: BiliBili financial report.

When we take a closer look at BiliBili's 2022 financial statements, we find that although the company's gross profit is on the rise, its liabilities are also increasing simultaneously and even outweigh the profits. This indicates that despite the gradual increase in BiliBili's gross profit, the overall situation still results in a loss. This raises the question of how a company can survive in such circumstances and even achieve an improvement in profits. Later, I discovered that this is also a kind of strategy known as leverage. Through leverage, BiliBili aims to increase its liabilities to increase total assets and generate more profits. Leveraging is a common strategy, but taking on more debt to add leverage is also a risky decision. The support for BiliBili to make this decision is similar to that of Xiaomi, which lies in the investment in scientific research. By using the formula, we can calculate that BiliBili's financial leverage ratio is 2.39, which is a relatively high rate, indicating that liabilities make up a large portion of its assets. In this situation, BiliBili has a greater possibility of expanding and trying to make better profits, but it also faces higher risks than others do.

According to BiliBili's 2022 annual report, the company's total net revenues for 2022 were RMB 21.9 billion, compared with RMB 19.4 billion in 2021, showing a year-over-year increase of 13.0%. However, the gross profit for 2022 was RMB 3.849 billion, which was actually a decrease of 4.8% compared with that in 2021. This indicates that while a company's revenues are growing, its costs are also increasing at a faster pace, leading to a decrease in gross profit. Moreover, the company's net loss attributable to BiliBili Inc.'s shareholders for 2022 was RMB 7.497 billion, representing a significant loss.

The increase in liabilities can be seen from the fact that Bili's total liabilities as of December 31, 2022, were RMB 26.591 billion, which was a decrease of 12.3% compared with 2021. However, this still represents a substantial amount of liabilities. The company's total shareholders' equity also decreased by 29.8% from 2021-2022. This shows that the company relies heavily on debt to finance its operations and growth. (BiliBili, 2025)

2.2.1 Analysis of BiliBili's financial statement

With respect to the total percentage of shareholders, the company's total shareholdings decreased 29.8% from the total percentage in the period of 201--22.

According to these data, debt makes it very difficult for the business to finance its activities as it grows and is being used for financial gain, which is why the company is very concerned about this.

A high ratio of cash in capital means that the company is financing the assets of the company with a very large amount of debt, which can be helpful to the company in order to obtain enough returns to pay the cost of debt and obtain profit; however, the company will also be more likely to default on the business when the company does not perform as expected and the company's operations do not perform so that the business will not be running in the debt obligations as expected, but it will also increase the possibility of the company being defaulting on the debt liabilities if it does not perform as expected.

In summary, BiliBili's financial situation in the year 2022 indicates that the company is going through an increase in sales, but the company's growing liabilities and gross profit are decreasing, which causes the company to operate at a loss. Although the company's strategy of using leverage to increase total assets and earn more profit is risky, the company is funded by its investment in scientific research. If BiliBili is able to effectively manage its liabilities and earn enough profits on its assets, the company's profitability might be able to reach the future. On the other hand, because of the high level of risk involved with this strategy, the business must pay attention and make adjustments as necessary to ensure its long-term viability. 2.2.1 Figure 3: Financial statement of BiliBili Financial statement of BiliBili Source: BiliBili According to this photo of BiliBili's financial report, it is easy to tell that BiliBili has invested much in scientific research. The total investment reached 53% of the gross profit of the year, which is an amazing rate. This high proportion of investment in scientific research fully demonstrates Bili's emphasis on technological innovation and product development. This

enormous investment not only reflects Bilibili's confidence and determination in the future development of the company but also shows its pursuit of providing users with better products and services.

Table 3: Financial statement of Bilibili

Item	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024 RMB/thousand	2023 RMB/thousand	2024 RMB/thousand	2023 RMB/thousand
Unaudited	88,887,828	67,354,908	126,832,042	126,832,042
Revenue	(70,493,651)	(53,193,892)	(129,170,756)	(101,079,459)
Cost of Sales	18,394,177	14,161,016	35,223,894	25,752,583
Gross Profit	(5,497,729)	(4,554,803)	(8,668,163)	(8,668,163)
Research and Development Expenses	(5,899,052)	(4,476,758)	(8,580,622)	(8,580,622)
Sales and Marketing Expenses	(1,182,524)	(1,143,190)	(2,705,531)	(2,278,361)
General and Administrative Expenses				
Financial Assets at Fair Value Through Profit or Loss	(849,410)	(275,784)	(2,075,902)	(3,177,475)
Fair Value Changes	—	—	(59,035)	—
Share of Profit/(Loss) from Associates Accounted for Using the Equity Method	86,385	74,046	247,776	(349,610)
Net	287,246	184,776	444,453	349,610
Other Income	549,628	71,223	480,084	247,250
Other Income (Net)	5,888,721	4,040,526	9,940,735	9,940,735
Operating Profit	876,875	851,273	1,529,423	1,529,423
Financial Income	(86,211)	63,882	(433,694)	(1,043,764)
Financial Costs	6,679,385	4,955,681	11,901,763	10,426,394
Profit Before Income Tax	(1,609,716)	(1,290,157)	(2,658,882)	(2,544,732)
Income Tax Expense	5,069,669	3,665,524	9,242,881	7,881,662
Attributable to Profit				
Owners of the Company	5,098,002	3,669,975	9,280,063	7,873,814
Non-controlling Interests	(28,333)	(4,451)	(37,182)	7,848
Earnings Per Share (in RMB)				
Basic	0.21	0.15	0.37	0.32
Diluted	0.20	0.15	0.36	0.31

Source: Bilibili.

2.2.2 Analysis of Bilibili Strategies

Despite these two points, Bilibili's remarkable success is intrinsically linked to its audience base and the unique way it operates. One of the key factors is its adoption of a professional user-generated content (PUGC). PUGC has become the core driving force behind Bilibili's rise as a leading video community in China. It has successfully combined the vibrancy of user creation with the high quality of professional content, thereby establishing a distinctive "Uploader-content-community" closed loop.

In this ecosystem, professional creators play a crucial role. They provide in-depth expertise and produce well-crafted content across various genres and fields. The highly interactive community is another vital component. Users actively engage with each other through comments, likes, and shares, creating a lively and dynamic atmosphere. Moreover, the content of Bilibili has strong breaking power. It can quickly gain popularity and spread widely, attracting more viewers and participants.

At the same time, Bilibili's target audience has also determined its potential for growth. The Z generation, which is the largest user group on Bilibili, has undoubtedly injected a great deal of vitality into this young platform. This demographic, which comprises more than half of the Bilibili population, is characterized by its youthfulness, energy, and willingness to spend. As creators, they come up with more creative works, pushing the boundaries of content diversity. As users, they provide more constructive feedback, helping shape the direction of content development and platform improvement.

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2.2.3 Comparison with Other Companies

Every aspect of Bilibili's development has improved and developed into a more mature and improved platform. Bilibili has taken two-way travel in exchange for doing so. It has made large investments in research and development to improve the platform's functionality and provide an environment that is more user friendly. Constant development has also drawn and kept users, which has resulted in a good development cycle and expansion. Thus, Bilibili 3. Conclusion: In terms of consumer technology and digital content environments, Xiaomi and Bilibili have undeniably become paradigm-shifting leaders in the fields of consumer technologies and digital content ecosystems. Their ascendancy crosses only financial performance; it reflects a redefinition of industry practices via structural and strategic agility and resiliency, which both model as the way of implementation, although they are different in how the macroeconomic developments of microeconomics might be translated by innovation-driven adaptation to provide useful information for microenterprises in the process of dealing with volatile markets, and they are also different in terms of how they implement the same in the case of Xiaomi. Financially, Bilibili's "Community as Infrastructure" paradigm. Bili reimagined content platforms by weaponizing cultural capital. Its 2024 profitability breakthrough stemmed from three innovations: tiered monitoring, a 4-tier creator hierarchy where the top 5% generate 70% of content traffic but share 45% of ad revenues, balancing incentives with platform sustainability.

3. Conclusion

This study looks at how Xiaomi and Bilibili use smart strategies to grow in tough markets. The results show that Xiaomi's success comes from its ecosystem model, light-asset manufacturing, and heavy investment in R&D. These strategies help it boost market share and profits. Bili's growth comes from its community-driven monetization and PUGC model, which expand its user base and revenue. Both companies show how agility and user focus can help businesses thrive in crowded markets. This research is important because it provides practical ideas for companies in tough markets. By studying Xiaomi and Bilibili, we see how innovation and adaptability can reshape industries and improve financial results. However, this study has several limitations. It looks at only two companies and does not compare them to other industries. It also does not fully explore how long these strategies will work or if they can be used in other markets. Future research could look at similar strategies in other industries or markets, especially in new economies. Comparing how large economic changes affect these strategies could also help understand their wider use. Long-term studies could check how well ecosystem and community models work over time. This would help see if they can handle changing market conditions. Xiaomi and Bilibili reported that smart strategies, such as ecosystem building and user engagement, can drive growth in crowded markets. Their success highlights how adaptability and tech investment are key to staying ahead. This offers useful lessons for companies in complex business environments.

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Conflicts of Interest

The authors declare no conflict of interest.

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