

Analysis of Bilibili's Profit Model and Financial Risks

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Abstract:

This article primarily examines the financial status and operational model of Bilibili in 2024, and provides a detailed analysis of the strengths and weaknesses of its profit model. The study finds that although Bilibili has achieved revenue growth through diversified income sources, it still faces issues such as profit pressure and slowing user growth. This article delves into risks from aspects such as advertising dependence, user churn, and fluctuations in the gaming business, and proposes countermeasures such as optimizing the content ecosystem, expanding into international markets, enhancing the monetization efficiency of creators, and improving the cost structure. The aim is to provide references and directions for improvement for Bilibili's future business strategies.

Keywords: Bilibili; profit model; financial risk; source of income.

1. Introduction

Over the past decade, China's Internet video industry has developed rapidly, with various forms such as short videos, live streaming, and long videos coexisting, forming a diversified market competition landscape. Especially for short video platforms, such as Tiktok and Kwai, relying on advanced algorithm recommendation systems, they have gained dominance in traffic, significantly changing users' consumption patterns and content production models. Tiktok, with a monthly active user (MAU) count nearing 1 billion, stands as a giant in the internet video industry. Meanwhile, Bilibili, as a community primarily focused on anime culture and subcultures, although smaller in terms of user volume (with 340 million MAUs in the fourth quarter of 2024 and over 100 million daily active users), boasts a profound content and cultural foundation as well as a unique commu-

nity atmosphere, exhibiting strong user engagement. Bilibili has a significant proportion of Generation Z users, with an average daily usage duration of nearly 99 minutes, demonstrating strong immersion and in-depth content consumption.

According to the 2024 annual report of Bilibili Inc., Bilibili's diversified revenue structure and user ecosystem construction have achieved remarkable results, but profitability pressures still exist [1]. QuestMobile Research Institute believes that after the peak of the mobile internet dividend, the focus of competition in the video industry has shifted to content quality and user stickiness [2]. According to the research report by iResearch, the commercialization speed of video platforms has accelerated, but there are significant differences in monetization models among platforms [3]. Shi Aojie (2024) believes that Bilibili's business operation still needs to find a balance between content incentives and cost control [4].

Li Hui and Meng Kui (2024) concluded through the Harvard Analytic Method that there is still room for improvement in Bilibili's profit model in terms of brand building and community value transformation [5].

The significance of this article lies in exploring the current status and development trends of China's Internet video industry, uncovering the trend of integration among various forms such as short videos, live streaming, and long videos, as well as the significant impact of Generation Z on platform development. It also provides certain reference suggestions for other Internet video platforms, offering a theoretical basis and practical guidance for the industry's future innovative development.

The innovation of this paper is mainly reflected in the following two aspects:

(1) Innovation in research content: Unlike previous studies that only focused on a single perspective such as profit structure or financial indicators, this paper combines Bilibili's profit model with financial risks, comprehensively analyzing the platform's business sustainability from three dimensions: user ecology, revenue structure, and risk control. It has strong practical guiding significance.

(2) Innovation in research methodology: Based on financial analysis, this paper introduces the SWOT analysis method to comprehensively analyze Bilibili's profit structure and potential risks from four aspects: strengths, weaknesses, opportunities, and threats, making the analysis more systematic and operational, and providing a new analytical framework for the study of business models of Internet video platforms.

2. Company Operation Overview

2.1 User and Content Ecosystem

Since its inception, Bilibili has placed great emphasis on the interaction between users and content creators. Starting as a bullet video website, Bilibili has unique advantages in user experience and content atmosphere, which have always been its competitive edge. By 2024, the platform had over 4 million active content creators (UPs) and a monthly submission volume exceeding 20 million, demonstrating the high vitality of content production on the platform and the strong sense of participation among creators. Bilibili's content production mechanism implements various incentive methods, including live streaming revenue sharing, membership rewards, and tipping, providing creators with multiple paths to monetization. In 2024, over 3.1 million UPs earned income on the platform, an increase of 30% from the previous year, indicating that the platform's creators have both the ability and motivation to commercialize [2]. The charging plan, as the main source of income, has received positive responses from UPs, with the income of participating creators surging more than four times year-on-year, demonstrating Bilibili's continuous innovation in encouraging UPs to monetize. The diversification of content is also an important factor in Bilibili's development. Anime culture was once the main content of Bilibili, but with the expansion of its user base, Bilibili has begun to develop into areas such as pan-entertainment, pan-knowledge, and lifestyle, with richer content that attracts more users, as shown in Table 1.

Table 1. User and content ecosystem

Key elements	Description
Platform startup	Bullet video websites focus on the interaction between users and content creators.
Number of creators	By 2024, the number of active content creators has exceeded 4 million, and the monthly submission volume has surpassed 20 million.
Incentive mechanism for creators	Various monetization methods such as live streaming, revenue sharing, member rewards, and tipping
Increase in creator's income	In 2024, the income of participating creators increased by 30% year-on-year, with the income from the charging plan surging fourfold
Diversified content development	Expanding from anime culture to pan-entertainment, pan-knowledge, lifestyle, and other fields
Content production and interactive mechanism	Form a virtuous cycle of "user-content-creator" and establish a "community fly-wheel" to maintain high user engagement

2.2 Membership and Value-added Services

Membership subscriptions and live streaming tipping are the main sources of revenue for Bilibili. The platform's

deep cultivation in this field has also diversified its commercialization model. By the end of 2024, the number of Bilibili's premium membership users had reached 22.7 million, a year-on-year increase of 12%. Most of these

premium members are annual fee users or automatic renewal users, reflecting the high loyalty and strong stability of premium users. In order to enhance the attractiveness of membership subscriptions, Bilibili has been constantly innovating in content, launching unique customized content such as exclusive anime, variety shows, and professional dramas. These contents are popular among users and have become the main attraction for premium membership users. In terms of the live streaming ecosystem, Bilibili will maintain a good growth momentum in 2024, with strong interaction between content creators (UP) and viewers, which is also an important feature of the platform.

3. Financial Structure and Profitability

3.1 Diversified Income Structure

Bilibili's revenue structure is becoming increasingly diversified, primarily consisting of value-added services, advertising, and gaming. Value-added services are Bilibili's most stable source of income, reaching RMB 11 billion in 2024, accounting for 40% of the total, according to Bilibili's financial reports for the fourth quarter and the whole year of 2024. These mainly come from membership subscriptions and live streaming tips, reflecting the platform's effectiveness in enhancing user engagement and facilitating monetization for content creators. Membership subscriptions are particularly crucial. By launching unique programs such as anime, variety shows, and professional dramas, Bilibili has attracted many long-term paying users and increased the renewal rate of subscriptions. Live streaming tips have become a new revenue growth point for Bilibili. The interaction between content creators (UPers) and viewers not only adds a social element to the platform but also promotes the process of commercialization. Advertising plays a significant role in Bilibili's revenue structure. According to Bilibili's financial reports for the fourth quarter and the whole year of 2024, advertising revenue reached RMB 8.19 billion in 2024, accounting for 31% of the total, representing a year-on-year increase of 28%. This growth can be attributed to the continuous improvement of the platform's algorithms and the increasing number of advertising clients.

3.2 SWOT Analysis of Profit Model

S (Strengths): Bilibili boasts highly engaged Generation Z users, a unique community cultural atmosphere, diverse content formats, high participation, and strong brand loyalty.

W (Weaknesses): High platform content investment and operational costs, low gross profit margin, low advertising conversion rate, insufficient spending power of core users, and an overly dependent profit structure on gaming and

advertising businesses.

O (Opportunity): The national "culture going global" policy, coupled with the development of the digital economy, presents opportunities for Bilibili to expand internationally; the advancement of AIGC and virtual anchors can reduce content costs and open up new business models.

T (Threat): The traffic and algorithm advantages of platforms such as Tiktok and Kwai have brought strong competitive pressure to Bilibili, and the slowdown in user growth and fluctuations in the advertising market have exerted continuous pressure on Bilibili's profitability.

4. Financial Risks and Future Challenges

4.1 Profitability Challenges

In recent years, Bilibili's revenue has grown rapidly, but its profitability has been under pressure, and it remains in a significant loss position overall. The fundamental reason for the losses lies in the excessively high three types of rigid expenses in its cost structure: firstly, content incentives; secondly, bandwidth and cloud resource expenses; and thirdly, copyright purchases. As a platform centered around the community and featuring UGC/PGC as its main content, Bilibili must use incentives to attract creators in order to retain them, including revenue sharing, incentives, support for high-quality content, and subsidies for original content, in order to improve content quality [6]. As user engagement time increases and picture quality improves, traffic consumption also increases, leading to a continuous increase in bandwidth and cloud resource investment. However, some key content and IP copyright purchases are forward-looking and cyclical, and cannot be reduced in the short term, thus having a negative impact on gross profit margin. In terms of the cost-profit relationship, content incentives and active creation scale, as well as consumption duration, are "highly elastic variable costs". If the unit incentive output (new views, retention, and conversion to paying customers) is insufficient, revenue growth will struggle to "outpace" the increase in incentives. Bandwidth and cloud resource expenses are related to per capita duration, clarity, and peak concurrency. The reduction in unit cost (encoding efficiency, line bargaining) exhibits a strong lag effect, and its proportion in total costs can be easily increased through business expansion. Copyright purchases can be regarded as quasi-fixed costs or cyclical costs. After the contract is executed, the profit margin will face long-term pressure during the contract period.

4.2 Traffic Dividend Reaches its Upper Limit

Bilibili's traffic growth has reached a bottleneck, with

user growth slowing down and customer acquisition costs rising. Compared to other short video platforms, Bilibili's traffic dividend is nearing its upper limit. Due to intensified market competition, Bilibili's space in the short video industry has been limited. In recent years, the development momentum of major video platforms has been relatively stable. Under the strong competition from top players like Tiktok and Kwai, it has become increasingly difficult for Bilibili to obtain new traffic. Tiktok, with its excellent algorithm recommendation system, can push content that users are interested in to them, attracting a large number of active users. Bilibili, on the other hand, relies more on community operations to acquire users and encourage communication and content sharing among users. Although this approach is more likely to foster the formation of highly engaged users, compared to traffic platforms that rely solely on algorithm recommendations, Bilibili's growth rate is relatively slow. Bilibili's user growth model and user base have certain limitations, mainly targeting young anime culture enthusiasts, which limits its growth potential nationwide. Due to market saturation, Bilibili's user growth will become increasingly difficult, and customer acquisition costs will also increase. It is necessary to find breakthroughs among existing users and explore new growth opportunities, making innovations in content and business aspects.

4.3 Issues of User Churn and Pressure on Content Diversity

Although Bilibili has made progress in its incentive mechanism, building an interactive ecosystem of "users-content-creators", it still faces the problem of losing top creators; some creators have left Bilibili to join platforms such as Tiktok and Xiaohongshu. Although Bilibili's content creator (UP) incentive system provides creators with diversified income paths, including tipping, membership subscriptions, and advertising revenue sharing, for some high-quality content creators, Bilibili's monetization efficiency is relatively low. Many high-quality creators have turned to platforms such as Tiktok to obtain more traffic and better monetization benefits [7]. Tiktok's short video model combined with powerful algorithm recommendations allows creators to quickly acquire traffic and efficiently monetize. However, Bilibili's community operation model and content consumption method are more complex. Although user stickiness is high, it cannot bring sufficient income to creators in a short period of time. The platform is also under increasing pressure from content diversity. Whether the platform's content ecosystem can continue to attract and retain creators will determine its long-term commercial fate in the future.

4.4 Advertising Dependency Risk

Advertising revenue has been one of the important sources of Bilibili's revenue growth in recent years. In 2024, the revenue from advertising accounted for 31% of the total revenue, representing a year-on-year increase of 28%. However, despite the rapid development of the advertising business, it also faces the risk of dependence. The sustainability of advertising revenue is affected by changes in the macroeconomic environment. During economic downturns, advertisers become more sensitive to the return on investment (ROI), and their advertising volume and budget may be reduced accordingly. Due to the volatility risks brought by seasonality and uncertainty in the advertising market, Bilibili faces significant fluctuations in advertising revenue. In Bilibili's advertising model, the platform achieves targeted delivery through precise data, ensuring that advertisers' investment returns are improved. However, during economic recessions or increased competition, advertisers' budgets are cut, resulting in a decrease in advertising revenue. Bilibili's advertising revenue structure mainly relies on traditional advertisers. As more and more brands turn to other platforms, Bilibili will face greater pressure in acquiring new advertising clients. Therefore, Bilibili needs to continue to explore new profit models based on its advertising profit model to increase its profitability and find multiple revenue channels to reduce over-reliance on a single profit channel.

4.5 Volatility of Gaming Business

Bilibili's gaming business has brought significant revenue growth to the platform, but due to its heavy reliance on popular products, there are significant risks related to product lifecycle and copyright. Game products generally have a relatively short lifecycle, and after the end of a popular game's lifecycle, the platform may experience a rapid decline in revenue. Bilibili's gaming business faces copyright risks, especially for external games developed and licensed in collaboration with others. These require copyright fees and are subject to updates by the collaborating party, which can easily lead to user loss or unstable revenue. If Bilibili cannot continuously launch new popular games or game genres, the growth of its gaming business will be hindered. Although Bilibili's gaming business has made some progress, the revenue composition of the platform's games still needs improvement, and more work needs to be done in innovative game development and enhancing user engagement.

5. Conclusion

Bilibili stands as a representative in China's internet video sector, and its growth trajectory clearly demonstrates the unique value of a "community culture-driven platform"

in the digital economy era. Relying on the establishment of an extremely active user ecosystem and a rich variety of content systems, Bilibili has formed a deep cultural resonance among Generation Z and possesses strong user stickiness, paving the way for subsequent commercialization. From the perspective of financial structure, the platform has begun to diversify its revenue sources, including membership value-added products, advertising business, and gaming segments, forming a relatively stable state on this basis. However, profitability challenges still persist: content incentives and bandwidth expenses remain high, and the volatility of advertising and gaming businesses has increased the uncertainty of performance. The loss of content creators (UPs) and the slowdown in traffic growth also continuously challenge the platform between scale expansion and profitability. Bilibili's business model is innovative and culturally rich, but its profitability and risk control system still need to be strengthened.

In the future, Bilibili should strike a higher balance between content-driven strategy and commercial monetization. Leveraging artificial intelligence and AIGC technology to transform the content production model can reduce content costs and increase creators' income. Furthermore, new growth paths can be explored through brand collaborations, educational content, and virtual economy. On the user side, Bilibili should deepen community cultural operations, build ecological barriers centered around interest-based communities, and enhance the lifetime value of users. At the capital level, Bilibili should refine its cash flow and cost structure, employing sophisticated methods to continuously enhance profitability. In the context of globalization, Bilibili can also leverage the idea of "cultural going global" to promote Chinese youth culture

overseas, creating a globally influential and commercially viable community brand in foreign markets.

The limitations of this study lie in the fact that the data primarily originates from public financial statements and industry reports, lacking in-depth verification of internal financial data. Additionally, the research timeframe is concentrated on the year 2024, failing to fully reflect long-term trend changes. These limitations may, to some extent, affect the comprehensiveness and generalizability of the conclusions.

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