

Research on Profit Model of video Website under asset-light Mode : Taking Bilibili as an example

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Abstract

With the rapid development of Internet technology, as well as people's pursuit of spiritual and cultural life, short video has become a substitute for TV media entertainment life. What follows is the video website surges and the fiercer and fiercer competition, so that the cost of the video website is high, and even generally in the long-term loss state, unable to achieve profit. How to turn a loss into a win and explore an effective profit model has become an urgent matter in the video website industry. Based on this, this paper takes Bilibili as the research object, selects Bilibili's financial data from 2015 to 2019, and from the five elements theory as the starting point, analyzes Bilibili's profit model, the reasons why the asset-light model is suitable for video websites, and the problems existing in the profit model under the asset-light model, and puts forward corresponding suggestions for improvement. It is expected to provide reference for improving the profit model of video websites under the asset-light mode.

Keywords

Light assets, Network video; Bilibili, Profit model.

1. Introduction

At the beginning of 2020, due to the outbreak of COVID-19, people's entertainment demand shifted from offline to online, and the revenue and number of members of most video websites showed a rapid growth trend, which also led to the further expansion of the scale of online video users. With the rapid development of Internet technology, network video is gradually replacing television media and occupies a dominant position.

Since the launch of LetV, the first video website in 2004, the development of domestic video website industry has been more than ten years. At present, the domestic network video industry develops rapidly, and the scale of paid users of Chinese video website expands rapidly. However, at present, the cost of the video website of our country is very high, and it is generally in a long-term loss state, which can not be profitable. How to turn a loss into a win and explore an effective profit model has become a very important step in the video website industry. Based on this, this paper selects Bilibili as the research object to analyze the problems existing in the profit model of the asset-light video website Bilibili and the corresponding improvement measures..

2. Research Status of Asset-Light Profit Model

2.1. The Origin and Connotation of Asset-Light Mode

Asset-light is a concept relative to asset-heavy, which usually refers to a collection of intangible assets such as brands, customer relationships, and human resources. At present, there is no uniform definition of asset light. At the beginning of the 21st century, the world-famous McKinsey Management consulting company first put forward the asset-light management strategy. In his opinion, compared with heavy assets such as raw materials, plants and

equipment, such assets as experience, enterprise brand, customer relationship, standardized process management and human resources, they take up less capital and are more portable and flexible, so they are called light assets [1].

According to Liu Xianyue (2012), the profits of enterprises are mainly based on brand, technology, design, etc. In the case of limited resources, enterprises can complete product production by using external resources such as entrusted manufacturing or smiling curve [2]. According to Li Yunfan (2013), compared with heavy assets such as equipment, plants and raw materials that occupy a large amount of capital, the company has a lot of other current assets, especially cash assets [3]. Zhang Weitao et al. (2015) proposed that asset-light mode is a strategic concept that systematically involves the planning and allocation of financial resources in various business processes of enterprises [4].

Asset-light operation is a strategic management mode, which means to maximize shareholders' interests at the lowest cost by effectively utilizing scarce resources and indirectly utilizing other resources in capital operation [5]. Its main characteristics are: the proportion of fixed assets in the total assets is relatively small or even zero, on the contrary, the proportion of intangible assets is more; Less invested capital, faster turnover, higher capital gains.

2.2. The Development Status of Profit Model

In the definition of profit model, the academic community has not a set of accurate and unified conclusion system. Many scholars have studied the profit model and made remarkable achievements.

Foreign scholars Accenture Co., Ltd. (2002) pointed out that enterprise value system includes many elements, one of which is profit model. Therefore, the role of the profit model needs to be considered in the context of the whole system, and we should focus on understanding the links and interactions between the various components of the system. The effectiveness of the profit model is inseparable from the interaction of various components of the enterprise value system, which promote each other and play a role together [6]. Joan Margarita and Southstone (2003) put forward that a series of behaviors that increase the company's value constitute the profit model of an enterprise. As long as the company provides relevant products and services to market participants for the purpose of profit, there will be no exception [7]. Michael porter (1997) from the perspective of value chain, deep analyze the profit mode, he points out that the profit pattern of any business is to create value, and the process is a value chain ring, through effective value chain optimization and interaction, the enterprise in the market influence will greatly improve, thereby promoting the development of the enterprise profit model [8]. Paul.H. Tommers (2000) defined the profit model, that is, the organic unity of products produced by enterprises, services or services provided, relevant data and information flow, and the way of profit distribution between suppliers and customers. The profit model is not only a single element [9]. According to Afush and Tucci, the profit model is established by the operating body of an enterprise and can be a method to effectively utilize its own resources [10]. Robin Cooper(2013) believes that the profit model is a system composed of information flow, products and services, revenue sources, suppliers and stakeholders, and includes the description of the roles played by various business activities in the whole enterprise's business trade [11]. Michael Rappa pointed out that profit model is the operation method of an enterprise, which refers to the method system of how an enterprise attracts customers so as to obtain profits and make the enterprise sustainable development [12]. Adrian Slywotzky et al. Slywotzky draws the "one center" and "four elements" theory of profit model based on the analysis of profit models: "one center" refers to the business activities that realize value creation as the central task; "Four elements" are: profit point, profit object, profit measure and profit barrier. This theory provided a theoretical basis for later scholars to study the elements of profit model [13]. Li Xuesi (2003) believes that the role of profit model is to create profits for

the company, including profit sources, profit points, profit leverage, profit barriers and profit objects [14].

Fang-hua wang (2005), such as the profit pattern of enterprise refers to the enterprise human resources, the patent and the patent technology, financing ability, brand influence and so on internal environment and economic environment, social environment, industry environment, the external environment, such as all the relevant factors to efficient use, create value for enterprises to create a unique operation mode [15]. Sun Xiaoyang (2016) believes that the profit model can extend and integrate an enterprise's industrial chain into the whole industry, and the development of the industrial chain is conducive to the optimization of the profit model. However, in different industrial chain development stages, the profit model needs to be adjusted timely. The industrial chain and profit model complement each other, blend with each other, and coexist and prosper together [16]. According to Li Jing (2017), profit models all contain five common elements, namely, profit point, profit object, profit source, profit leverage and profit barrier. The core of the five elements of the profit model lies in value creation and long-term income stability [17]. According to Li Li (2018), the profit model is crucial to the sustainable development of a company, and the profit model of different enterprises has its own characteristics. When in different stages of development, its profit model has its own unique. The profit model is closely related to the profit of the enterprise. It analyzes the preferences of customers and establishes a perfect data application analysis system to improve the profitability of the enterprise [18].

2.3. The Theory of the Constituent Elements of the Profit Model

The profit model of an enterprise consists of different elements, such as revenue sources, output processes and methods. In the existing research, domestic and foreign scholars hold different opinions, and the constituent elements of the profit model are divided into many forms. As for the constituent elements of the profit model, there are mainly two viewpoints. The first view comes from Adrian Slywotzky's book *Discovering the Profit Zone*, which generalizes the profit model into "one center" and "four basic elements." "One center" refers to value creation activities as the center, and "four basic elements" are profit point, profit object, profit measure and profit barrier [19].

Subsequently, scholars continued to expand and supplement the elements in the first view, and the most representative one was Zhen Guohong who put forward the second view, namely "one core and five basic elements". "One core" means that the core of the profit model is the problem of value creation, and the "five basic elements" are respectively profit point, profit object, profit source, profit leverage and profit barrier. Almost all the profit models of enterprises are the combination of these five basic elements in different forms [20].

3. Analysis of Profit Model of Bilibili

3.1. Bilibili Company Profile

Bilibili, also known as Bilibili, was founded in 2009 and Bilibili was founded in 2013. Bilibili went public in the US in 2018 and has since entered the capital markets. In 2021, Bilibili had a secondary listing in Hong Kong. Bilibili is now popular among China's Z generation, affectionately known as "Station B" by its fans.

In its early days, Bilibili was a video platform for the creation and sharing of animation, manga and game content, serving mostly quadratic groups. After more than 10 years of development, its content is increasingly rich, comprehensive development of different kinds of high-quality content, has covered more than 7000 interest circles of multicultural community, thus, it has attracted a large number of users, thus Bilibili has formed a unique website culture.

On November 17, 2021, Bilibili announced its third quarter financial results. Bilibili reported quarterly revenue of 5.21 billion yuan in the third quarter, up 61 percent from a year earlier, according to its financial report.

3.2. Analysis of the Constituent Elements of Bilibili Profit Model

As a new video website, Bilibili is different from traditional websites in terms of advertising and membership fees. Therefore, it cannot learn from the mature profit model of traditional websites, so it must find the most suitable profit model by itself. At present, Bilibili's profit model is to continuously attract a large number of users through different kinds of content to increase awareness, as well as user engagement and activity. At the same time, other businesses such as games, big membership services and live streaming will be added to gain profits. Based on the views of domestic and foreign scholars such as Adrian Slywotzky and Zhen Guohong, this paper divides the elements of a profit model into profit point, profit object, profit source, profit leverage and profit barrier [21], and analyzes the profit model of Bilibili as follows:

3.2.1. Profit Point

The profit point is the products and services provided to users. Video site core is content, then its profit point is the video content provided by the website. Bilibili generates revenue by attracting users and increasing user engagement with its content, thereby increasing the rate at which users pay within the site.

The content of Bilibili video site is mainly divided into two categories: user-generated content and copyrighted content purchased by the site. Among them, the original content created by users is the foundation of Bilibili. By publishing the video content edited by users, they become the master of UP, attracting users with common interests to watch and gain traffic and a large number of fans. Another category is UP hosts can contribute videos in multiple sections. As a result, Bilibili's content is increasingly rich and broad enough to satisfy users' various preferences. At the same time, in order to encourage the UP master to enrich the video content, the "creation incentive plan" is launched, that is, the UP master will get the reward according to the traffic and quality of the video he creates. There is also a "battery charging program" where viewers can tip. These video content creators are not only Bilibili users, but also the main force of Bilibili attracting users, making Bilibili form a virtuous circle of ecological chain that continuously produces high-quality content.

There is also the purchase of copyright. Since Bilibili's users are mostly quadratic, their profits are invested in the purchase of animation copyright. With the growing audience of animation and the rapid development of domestic animation, Bilibili has begun to make its own TV series to keep up with users' preferences, and has also cooperated with several platforms to jointly launch new Chinese animation works, which will further attract more new users for the website and increase its profit points.

3.2.2. Profit Object

Profit targets refer to the users served by the content provided by the Bilibili website. As Bilibili's video content mainly focuses on secondary cultural content, its profit target is mainly young users. According to data provided by Station B, about 81.7 percent of its current users are members of Generation Z (those born between the mid-1990s and after 2000). This young group has grown up with the Internet, and their cultural and entertainment needs are very personalized, and their consumption habits are very different. According to CBNDATA, the most distinctive consumption characteristics of Gen Z are their willingness to pay for the content they like and their strong willingness to consume [23]. The consumption power of these young users will also increase with the increase of their income level. These characteristics satisfy Bilibili to make profits through the existing profit model.

3.2.3. Source of Profits

The source of profit refers to the sources from which Bilibili earns its income. Compared with other traditional video websites, Bilibili's revenue mainly comes from its mobile gaming business, live streaming and value-added services business, advertising business, e-commerce and other revenue.

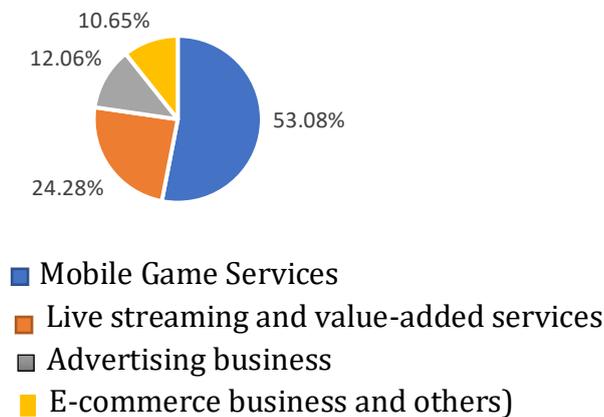


Figure 1: Profit source structure of Bilibili in 2019

As can be seen from Figure 1:1. The mobile game business is the biggest profit source of Bilibili, accounting for 53.08%. The revenue mode of the mobile game sector can be divided into the following three modes according to its operation mode: self-development and operation, exclusive agency and joint operation. Bilibili makes money by sharing an agreed percentage with the game's developer or distributor and payment channel when players buy virtual goods in the game. Bilibili's mobile games are all related to quadratic elements, and Bilibili is a quadratic communication platform that highly matches users' needs, making this business an important source of revenue for Bilibili.

2. Bilibili's live streaming includes games, animation, life, dance and other segments. Users can give virtual gifts to their favorite hosts or open identity privileges in the studio, and Bilibili and the hosts will share the income. In recent years, Bilibili has made a big push to broaden its live streaming business to generate revenue.

3. Value-added services. Value-added services mainly refer to large membership services. In 2018, Bilibili officially launched the payment mode for large members, which started later than other video websites. Its large members enjoy the rights and interests of member preempts, video ultra-high definition, exclusive pendants and decorations, and member purchasing. As of December 31, 2020, the number of people who bought large membership has reached 14.5 million, up 91% from the same period last year. But Bilibili's current rate of paying members is less than 7 per cent, suggesting there is still plenty of room for growth in value-added services.

4. Bilibili can also charge fees through clicks and advertisements, and the advertising content is mainly to promote games, two-dimensional and offline activities to fully cater to users' preferences and increase commercial value.

5. E-commerce business and other businesses. Its e-commerce business and other businesses mainly consist of product sales on e-commerce platforms, as well as revenue from holding offline events. In 2019, 10.65%, 722 million yuan; In 2020, it accounted for 12.56%, or 1.507 billion yuan. Bilibili generates a small but important portion of its revenue from e-commerce, which is closely linked to its large membership business. Unlike other traditional e-commerce providers such as Taobao, JD.com and Pinduoduo, Bilibili's e-commerce business is centered on products derived from quadratic culture and creates a familiar atmosphere. In addition, it can

cooperate with third-party shopping platforms to form its own commercial chain, which accelerates its commercial realization and enhances user stickiness while making profits.

3.2.4. Profit Leverage

Profit leverage, which reflects a company's cost input, refers to a series of activities and measures taken by Bilibili to attract more users and investors.

Table 1: Bilibili cost elements 2017-2019

| Name | 2017 | Accounted | 2018 | Accounted | 2019 | Accounted |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Revenue sharing | 926,315 | 48.26% | 1,630,881 | 49.82% | 2,494,416 | 44.64% |
| Research and development costs | 468,903 | 24.43% | 618,737 | 18.90% | 919,753 | 16.46% |
| Content of the cost | 216,534 | 13.63% | 543,009 | 16.59% | 1,001,600 | 17.93% |
| Staff costs | 128,268 | 6.68% | 238,793 | 7.29% | 356,688 | 6.38% |
| Others | 134,221 | 7.00% | 242,073 | 7.40% | 815,216 | 14.59% |
| Combined | 1,919,241 | 100.00% | 3,273,493 | 100.00% | 5,587,673 | 100.00% |

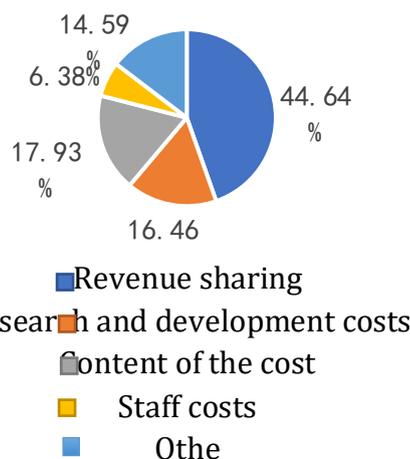


Figure 2: Cost composition of Bilibili in 2019
(Data source: Guotai 'an Database)

The table 1 and figure 2 shows that in recent years, Bilibili has the highest proportion of income share of total cost, the main income with game company, the company is divided into host, Bilibili and Bilibili business of mobile phone games at the same time can drive the user mobile phone games as a material for video content creation, the transmission of video game and discussion and attract more players, to form a virtuous cycle, The function of drainage for Bilibili is realized. In the same way, the live broadcast business is also complementary to the content of Bilibili. The live broadcast provides opportunities for direct communication between creators and fans, helps creators to further understand fans' preferences, understand viewers' real concerns and opinions, and gives more creative ideas, which can strengthen communication and enhance fans' stickiness. At the same time, live broadcasting can supplement the shortcomings of video content, such as the abruptness and timeliness of hot topics, and the long editing and production cycle of videos, which often miss the best opportunity for updating. Live streaming, which is an instant form, can make up for this deficiency and better retain users.

According to table 1, the content of the cost spending continues to grow, that bilibili in increasing investment in content, not only home-made drama and drama into, also including animation, film and television drama has a large popularity of IP rights of purchase, and during the 2020 outbreak home quarantine, platform increases the study knowledge, knowledge platform increased with the input, To cater to the needs of the masses, attracted a lot of new users, bilibili and bilibili miles around a young group with watches also the key point in time, in the online and offline simultaneously rich interesting marketing activities, these activities will be two dimensional and three dimensional flexible combination of lead consumers online to offline, punctuate the user and the website link, A unique industrial chain combining online and offline has been formed to enhance user stickiness.

The investment of science and technology plays an important role in attracting customers and ensuring profits. At present, Bilibili's R&D investment is mainly focused on artificial intelligence, big data technology analysis, cloud technology and other aspects. Artificial intelligence technology can censor and filter video content to reduce disharmony in the community; Bilibili uses its big data analytics capabilities to personally customize the content of interest for each user. In addition, Bilibili also has an advanced cloud technology that supports massive data storage and improves the player's computing power. Advances in technology play an important role in enhancing user experience and user engagement.

3.2.5. Profit Barrier

In order to protect itself and develop continuously in the Internet era and to stand out from the competition among enterprises, Bilibili has always been building and maintaining its unique core competitiveness -- the two-dimensional culture, which brings high user engagement, which is also the profit barrier of Bilibili.

Compared with other traditional video websites, Bilibili's biggest advantage is that its profit target is the quadratic group, and it has gradually grown into a large number of users who love the quadratic culture. The video content of the second culture is mainly animation and cartoon. In addition, Bilibili has always been the main feature of the platform based on bullet screens, which are the core of Bilibili community interaction. They are short, unrestricted comments delivered in real time while watching video content. Such an interactive way is not only the communication between each user, but also the dialogue between the user and the video creator. This high level of interactivity enhances the user experience and gives the UP master a more direct understanding of the audience's preferences. This resulted in Bilibili's characteristic co-creation content model, which created a closer relationship between users and UP hosts and created the current positive community atmosphere. This unique community culture can both attract new users and increase user retention, establishing a stable profit barrier.

As shown in Figure 3, the scale of quadratic video users continues to grow, and the audience of quadratic video is mainly a young group of students. These young people have high user engagement and a strong sense of belonging to quadratic video works and platforms. Bilibili, as a well-known website in the two-dimensional community platform, is very popular among Generation Z and has gradually become a gathering place for a large number of users who love two-dimensional culture. Bilibili has also built a stable profit barrier by keeping its existing users and attracting a new set of potential profit targets.

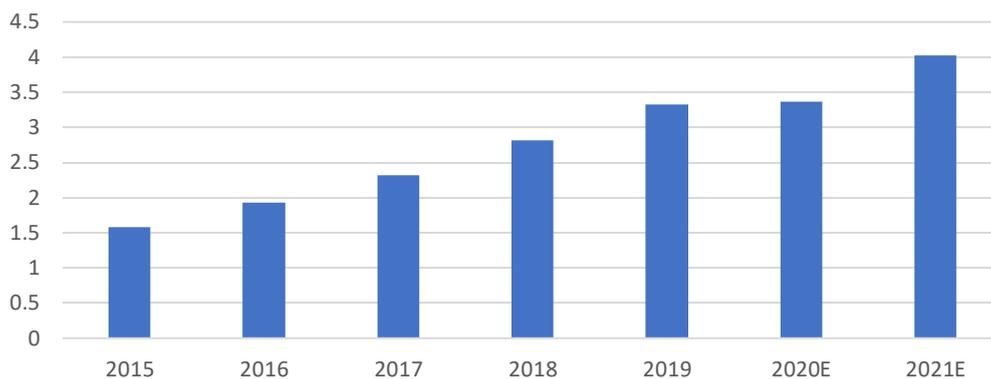


Figure 3: Scale and forecast of quadratic users in China, 2015-2021 (100 million people)
 (Data source: IIMedia Data Center (Data.iimedia.cn))

3.3. Financial Evaluation of Bilibili Profit Model

Dupont analysis method is a comprehensive and systematic analysis method with return on equity as the core index. It establishes a financial analysis index system to reflect the relationship among the financial ratios of an enterprise's profitability, financial condition and operating condition. Based on the financial statement data from 2015 to 2019, Dupont analysis is used to make a comprehensive analysis of Bilibili's overall financial situation under the current profit model.

Table 2: Bilibili 2015-2019 DuPont Analysis financial indicators

| Name | 2015 | 2016 | 2017 | 2018 | 2019 |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Net profit margin on sales | -285.11% | -174.18% | -7.46% | -13.68% | -19.24% |
| Total asset turnover | 0.11times | 0.31times | 0.88times | 0.59times | 0.52times |
| The rights and interests multiplier | 1.36 | 1.41 | 1.67 | 1.46 | 2.03 |
| Return on total assets | -31.36% | -54.00% | -6.56% | -8.07% | -10.00% |
| Return on equity | -42.65% | -76.13% | -10.98% | -11.78% | -20.33% |

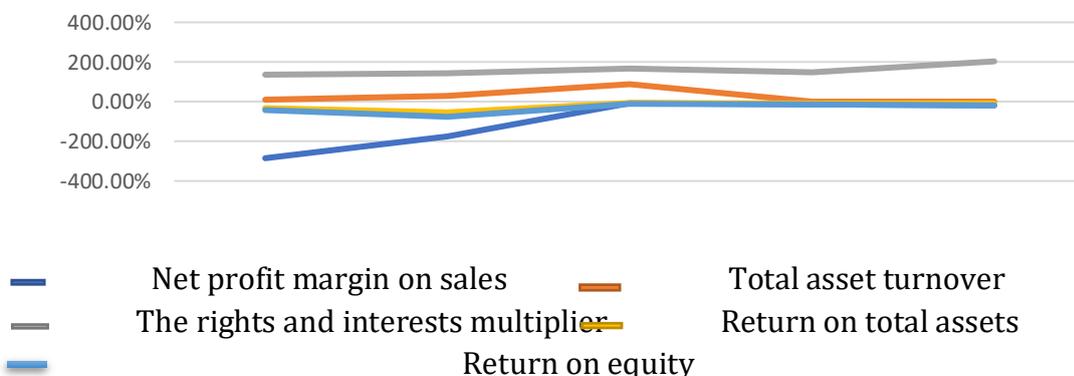


Figure 4: Trend chart of DuPont Analytics Financial indicators of Bilibili from 2015 to 2019
 (Data source: Guotai 'an Database)

3.3.1. Net Profit Margin on Sales

As can be seen from Table 2 and Figure 4 above, Bilibili's net profit margin on sales was -285.11%, recording its highest loss. It grew rapidly during 2015-2017, with a relatively stable trend in 2018. The slight decrease in 2019 is mainly due to the fact that Bilibili's profit model in 2015 was still in the groping stage, and its games were not popular enough in the market to bring much revenue to the company. In the period of difficult revenue growth, Bilibili's high operating costs and operating expenses, This also resulted in a net profit margin on sales of -285.11% in 2015, the lowest in the company's history. Bilibili's net profit margin is showing signs of a sharp turnaround, thanks to the company's exclusive distribution of several games, which led to a sharp reduction in its losses over the next three years, as well as steady growth in its other businesses. Bilibili has been experimenting in several ways in recent years to find a profitable path, increasing its chances of turning a profit.

3.3.2. Total Asset Turnover

The total asset turnover ratio reflects the operating capacity of the overall assets of the enterprise. As can be seen from Figure 4, the total asset turnover ratio of the total Bilibili showed an upward trend and increased rapidly from 0.11 to 0.88 during 2015 to 2017, increasing by 0.77. However, in 2018, the total asset turnover ratio of the total Bilibili decreased again until 2019. It decreased by 0.36 from 0.88 to 0.52, but there are still signs of growth, indicating that Bilibili's assets operation situation has improved and it needs to continue to improve the operating capacity of total assets. And fell in 2018, it is also because bi li bi li after listing in 2018, have many shareholders, although bi li bi li rapid growth of the size of the assets, but its revenue is not synchronized with [23], this means that the bi li bi miles on asset utilization rate began to fall, mobile game business alone is not enough to get income, Bilibili urgently needs to find new sources of profit and use its assets more efficiently by making its other businesses more profitable.

3.3.3. Equity Multiplier

Bilibili's equity multiplier leveled off from 2015 to 2018 and rose to 2.03 in 2019. It reflects the multiple of total assets to shareholders' equity. Since Bilibili is still in the development stage, this level of equity multiplier is maintained, which is favorable for profit growth. This comes at a time when Bilibili's operations are growing, so an increase in the equity multiplier is conducive to generating higher profits, which also has a positive incentive effect on the value of Bilibili's shares through higher return on equity.

3.3.4. Return on Total Assets and Return on Equity

As can be seen from Figure 4, the ROA and ROA of Bilibili increased from -31.36% and -42.65% in 2015 to -10.00% and -20.33% in 2019, respectively. The loss range of Bilibili was smaller and smaller year by year, showing signs of improvement. It is rare that Bilibili can maintain high-quality content and improve customer experience while optimizing its profit model and safeguarding the company's shareholder position, while ROE is moving in an increasingly good direction. By constantly optimizing the profit model, Bilibili's ROE will have a better level in the future.

Can be seen from the above analysis, bi bi li's overall financial situation continues to improve, although in recent years sales net interest rates fell, but still tends to be stable, total assets turnover of volatile, rights and interests multiplier trend, but the rate of return on total assets and net assets rise slowly, thus it can be seen on bi li bi li of the exploration of profit model is effective. As Bilibili's profit model is now in the stage of continuous improvement, upfront capital investment is necessary. Although it will make it difficult for the company to turn around in the short term, with the continuous improvement of the future profit model, Bilibili's financial situation may present a better level in the future.

3.4. The Network Video Industry Is Applicable to the Reason of Light Assets

According to the above analysis of Bilibili's profit model and financial analysis, it can be seen that the network video industry is the content dissemination industry, the main core of its profit lies in the content, the key link to generate profit lies in the video creativity, the construction and development of the website and other related extension.

Over the past five years, the ratio of Bilibili's liquid assets has remained at a relatively high level of around 65%, indicating that Bilibili's assets have strong liquidity, which can fund its profit model. The investment in fixed assets in the past five years is no more than 5%, and it is mainly the expenditure needed for office work, which is consistent with the characteristics of asset-light mode.

Under the asset-light mode, Bilibili can flexibly allocate funds due to less input of fixed assets and more working capital, which also reduces the risk of capital chain breakage caused by the input of fixed assets, thus making the operation of the enterprise more stable. As of Bilibili's current operation and profitability, the asset-light model has a certain impact on Bilibili's profitability and contributes to the development of Bilibili's profitability.

4. The Defects of the Asset-Light Profit Model

From the analysis of the five basic elements and the financial analysis of the profit model of Bilibili, the profit model of Bilibili still has some defects. The analysis is as follows:

4.1. High Cost

Bilibili's cost component is an important reason why it is not profitable. According to the above financial analysis, although Bilibili's business situation has been improving, it has always been in an operating loss, making more money than it takes in. For one thing, the cost incurred by Bilibili in purchasing video content copyright is too high, and it is a slow process to obtain revenue from content copyright, and the cash ability of this capital investment is weak, which leads to the reason that the profit growth of Bilibili cannot keep up with the cost expenditure for a long time. On the other hand, Bilibili's gaming business is closely related to the revenue and cost of livestreaming. The higher the revenue, the higher the cost, which makes it difficult for Bilibili to turn a profit and slow the growth rate of its profit.

4.2. Over-reliance on the Game Business

From the analysis of the profit source of Bilibili, the revenue structure is single, and the profit source of the enterprise is too dependent on the game business. When a high proportion in the income structure of business, it certainly let Bilibili's profitability has been questioned, in profitable at the same time also can bring some risk, profit is not stable, caused by the game with the user's preferences, social economic factors, such as changing, so Bilibili must find other sources of profit and development.

4.3. The Object of Profit is Limited

Bilibili's profit target is mainly the second generation young group, and it neglects a large part of the consumer group except the young group, which restricts Bilibili to a small circle. However, in the current environment of increasingly fierce competition in the network video industry, Bilibili needs to develop itself at a high speed. A single profit object will lead to the profit point of the whole profit model being restricted in a single framework. Bilibili needs to continue to expand its target market and improve its profitability.

5. Bilibili Profit Model Countermeasures

Based on the above analysis of the problems and reasons in Bilibili's profit model, the suggestions are as follows:

5.1. Strengthen the Control of Costs and Expenses

The cost of Bilibili is mainly the share with the game company and the copyright fee paid. In the future, the revenue can be increased by expanding the business, and the remaining funds can be used for investment. Taking a long-term view, strict cost control standards should be set, and unreasonable expenses should be strictly prohibited, so as to help the company's subsequent development. For example, you can choose to invest in works that have achieved certain achievements, and the risk is low. In addition, you can also choose to buy documentaries. The depreciation of documentaries is much slower than that of variety shows, drama series and animation, which is more likely to be watched repeatedly by users. Therefore, the cost performance ratio of purchasing such content copyright is also higher, and the cost can be controlled better.

5.2. Rich Sources of Profit

Bilibili is heavily dependent on the gaming side of the business, but since mobile games have a certain life cycle, if the mainstream games on which they rely go wrong, such as losing popularity or losing copyright, the company will have a huge crisis. However, the current situation will not be solved soon, so Bilibili needs to constantly find more quality games and have more choices. Bilibili also needs to have its own research and development center to develop its own games and eliminate or reduce the security risks of relying on individual games for profit.

In addition, Bilibili still needs to balance its revenue structure with live streaming, large membership, advertising and e-commerce businesses. For example, in the aspect of live broadcasting, we should sign more mature anchors and develop popular UP hosts to become anchors. In terms of large members, improve the cost performance of large members, open the authority between ordinary users and large members, and increase the viscosity of paying users; In terms of advertising, it makes full use of Internet technology to collect big data about users, and places interested advertisements for users to improve users' experience. In terms of e-commerce, with the support provided by third-party shopping platforms and the advantages of large number of young users and strong user stickiness, content is used to generate traffic to increase the liquidity of e-commerce, etc. [28]. Meanwhile, Bilibili can also conduct both online and offline activities, which not only increases consumers' desire to spend, but also improves Bilibili's brand image and expands its market.

By taking these steps, Bilibili will reduce the proportion of mobile games in Bilibili's revenue and increase other revenues except for games, so that it will gradually transform from its previous core position to a supporting role in replenishing cash flow.

5.3. Expand the Scope of Users

Bilibili's content is mainly two-dimensional, which determines that its profit target is mainly two-dimensional young generation Z, and most of them are students with weak economic strength. With the advent of globalization, video websites are gradually replacing TV media. In the middle and high age groups, more and more people choose to watch videos on video websites. Under such conditions, Bilibili can expand its content scope and introduce diversified video content, such as TV series and variety shows, to attract more profit targets of age groups through content diversification. In the rich content at the same time, can be in the website for different user groups to more detailed and more accurate classification of the content, set up a

number of partitions, pay attention to the division between quadratic and non-quadratic elements, in the popular while consolidating the small circle.

6. Conclusion

This paper takes Bilibili as the case study object, analyzes the elements of the five basic profit models of Bilibili, and concludes that its profit point is the video content provided; The profit object is mainly the secondary meta user; The profit source is mainly four business modules formed around its content; Profit leverage refers to a series of measures taken by Bilibili to attract more users and investors. The profit barrier is its unique community culture and community audience. Through the financial analysis of the profit model of Bilibili, it can be found that the overall revenue of the company is good, but the net profit keeps losing, the return on equity is always negative, and the profitability needs to be strengthened.

Based on the analysis, it is found that Bilibili's profit model has some problems, such as high cost, excessive dependence on game business and narrow profit object scope. Strengthen the control of cost and expense; 2. Enrich profit sources; 3. Suggestions on expanding the user circle to optimize the profit model of Bilibili. At present, Bilibili is facing both opportunities and challenges. It needs to continuously optimize and improve its profit model to help the company gradually find the most suitable profit model for its own development. With the rapid development of the global economy and the rapid development of the Internet video industry, it is crucial to create value with a set of profit models suitable for enterprises. Continuous improvement and innovative research are needed to achieve long-term and sustainable profits.

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