

Analysis of the Impact of B Station's Product Innovation and Business Model Innovation on Its Broken Circle

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Abstract. For some Internet platforms, their growth will often focus on one or two core areas and deep plowing, due to the changes in the mainstream form of entertainment caused by the increase in the loss of old users and the decrease of new users, it is inevitable to go into depression. However, with the development of the times, due to the change of mainstream entertainment forms, the loss of old users and the decrease of new users, it is inevitably heading towards a depression. In the midst of this, B-station has tried and succeeded in its goal of breaking through the circle, and this successful experience is worth studying. Based on the annual report of website B, and the business model innovation of website B in recent years, this study analyzes the impact of new user increment based on network effect and positive feedback loop analysis and proposes corresponding strategies. The study found that B station's community culture and pop-up interaction have a positive impact on its ability to retain new users, and its party created for the content preferred by the audience group has a positive effect on its broken circle. At the same time, this paper puts forward some feasible methods for solving the dilemma of Internet enterprises' transformation and breaking the circle, which helps to strengthen the relevant research on the demand for transformation faced by the stagnant development of enterprises and enriches the insufficiency of the relevant research fields.

Keywords: Bilibili; product innovation; business model innovation; broken circle.

1. Introduction

With the rise of the short video industry, with the arrival of the self-media era, including the development of network e-commerce platforms, the audience diversified entertainment needs. Many network platforms have gradually shifted from monolithic to rich, collection and diversified platforms. Short video platforms such as Shake Tone and Racer, from the early days of users shooting short videos to record their lives, to the development of a diversified platform for live streaming, e-commerce shopping, etc. Meituan, from the early days of providing discounted group purchases, to the development of comprehensive platforms for take-away, taxi, hotel booking, and self-owned supermarkets, etc. B-station is a cultural community and video platform with a high concentration of young Chinese people, and its early days were dominated by AGC (animation, comics, and game content creation and sharing), and its content creation and sharing were dominated by its AGC. Since its launch in 2009, B-stop has gradually developed into a leading video platform company. After more than ten years of exploration, B Station has successfully developed into a full-scope online entertainment platform covering a wide range of fields, with animation, games, life and other sub-areas under its channel, as well as live broadcasts, workshops, peripherals and other business sectors, with rich and diversified content. B Station's user group has also expanded from the circle of the secondary culture to other circles in the society, breaking through the marginal niche positioning and gradually completing the process of "B Station from a niche secondary culture community to a social circle". B Station has also expanded its user base from the secondary culture circle to other circles in society, breaking through its marginal niche positioning and gradually completing the transformation and upgrading from a niche secondary culture community to a universal entertainment platform.

B station from the founding as a secondary yuan drama platform, development to become a comprehensive community containing secondary yuan and pan-secondary yuan, in 2017, faced with the inherent circle is difficult to break through, secondary yuan stock market gradually peaked, the company's revenue is too single, and many other problems, there is a need to carry out the

transformation and breakthrough. Similar network platforms such as Tiger Poker, early as a sports community platform, there was a desire to break the circle and has been making efforts to do so, but as a result, it did not break the circle as successfully as figure B station. It is meaningful to explore and study the success of the broken circle of B station to study the transformation and development of the Internet platform.

This study is based on the important things and key events that B station has done right in the process of breaking the circle outwardly, as well as the advantages generated by its product innovation inwardly, and tries to summarize and summarize its successful practices. This paper focuses on some of its technological innovations and advantages in its products, such as the means to reduce the loss of old users and retain new users, and analyzes its business model innovation, which can reduce the loss of old users and retain new users. At the same time on its business model innovation, can break through the original advantage of the cocoon, to attract new users, open up new markets to analyze and explore.

2. SWOT Analysis

2.1. Advantages

2.1.1 Strong community atmosphere

As a long video platform developed from ACG niche culture, B station has a strong community culture and its own unique community language due to the uniqueness of its early development. In the early days, the reason for the slow growth of users on B-station was also the cultural barriers created by its unique community atmosphere, and the entrance exams it set made it difficult for users outside the “circle” to integrate into B-station. This is actually a double-edged sword, but from the results, the unique community atmosphere of B station has played an important role in the survival and development of B station, which is also the main reason for the loyalty and viscosity of the users of B station compared with other platforms [1]. In general, this community circle on B station is difficult for outsiders to integrate into, which ensures the purity of the community and at the same time, it also lays the groundwork for the difficulty of breaking the circle in the future.

2.1.2 High user loyalty and stickiness

According to the data published in the investor report of B station, the retention rate of its users in one year has reached more than 80%, which shows the high loyalty of its users. B station can achieve such a good result, benefiting from the sociality and interactivity of B station, the users find a sense of belonging and identity in the daily social activities, and thus the idea of continuing to use B station will be bigger than other long video platforms. At the same time, this is also difficult to compare with other long video platforms.

The achievement of socialization and interactivity cannot be separated from pop-ups and pop-up culture. Pop-ups have become the new video language for video users in the current era, which not only makes viewers feel that there are more partners accompanying them when watching videos, but also the interesting pop-up comments can better serve the viewers and increase the quality of videos. Although other platforms have also developed similar video pop-up features, due to the late development time, lost the first-mover advantage, but also unlike the B station has its own pop-up culture accumulation and the age of its audience compared with the B station is larger, resulting in even with pop-ups, still did not achieve the desired results. In addition, B station's user stickiness is also an important advantage, according to B station in the investor report, the average daily user time reached 81 minutes (2020 Q3), in Quest Mobile's data of November 2020, the proportion of B station's users who use more than 30 minutes a day is also the highest among the six competitors. Thus, the pop-up culture and other factors that make B Station's users loyal and sticky have had a positive impact on promoting its growth while being able to retain users and have also had a significant positive impact on helping users get used to using B Station.

2.2. Disadvantages

2.2.1 Low user share

B Station's average monthly active users reached 202 million in Q4 2020, a year-on-year increase of 55%, but there is still a relatively large gap with TikTok, which owns the head video traffic, and the traditional video giants: Aiqiyi, Tencent, and Youku. According to the 2020 China Network Audiovisual Development Research Report published by CNNIC China Network Audiovisual Services Association, the first echelon of three network video platforms, AiQiyi, Youku, and Tencent, have 79.1% of the users in the comprehensive category of video sites, while the second echelon, Mango TV and B station, only occupy 12% of the users. According to Quest Mobile's November 2020 data, Aiqiyi's MAUs (the number of monthly active users) amounted to 520 million, Tencent Video's MAUs amounted to 460 million, and Youku Video's MAUs were 210 million. These figures show that the market share of B station users is relatively low, and there is still room for improvement in the number of monthly users.

2.2.2 Insufficiently balanced revenue structure

Since the listing of Station B in 2018, the problem of an unbalanced revenue structure has begun to receive attention and questions from the capital market. According to its annual report, game revenue in 2018 accounted for 80% of its total revenue. Compared to YouTube and Aiqiyi, YouTube's core revenue comes from advertising, which accounts for about 90% of its revenue, while Aiqiyi's membership revenue as well as online advertising revenue accounts for 80% of its revenue. The key is that B station for the sake of viewers, promised never to do patch advertising, which makes its main revenue method had to be different from the traditional video site's profit model, needs to explore its own. At that time, B station did not have self-developed games, the game mainly relied on agents and co-development. At the same time, B station needs to pay a huge annual revenue sharing costs for the game business, so if only rely on popular games as the main source of income, in the long term, there is a greater risk. Not only is there no independent research and development of unstable factors, but also the game of the wind at any time in the change, a long-lasting game is rare, at the same time a good business model has its own unique business model, rather than overly rely on a short period of time in the wind on the luck of the draw.

2.3. Opportunities

Capital is the key to the development of an enterprise, and the growth and development of an enterprise can not be separated from the promotion of capital. The addition of capital can make the enterprise obtain more development power and opportunities, and the support of the capital market is very crucial to the survival and development of B station. Since the listing of B station, although in the early days by the capital market on its revenue structure of the question, once was not optimistic about the capital market, but with the continuous growth of the B station business, the number of active people per month and revenue are constantly approaching the first tier of competitors, more and more capital gradually began to look favorably on the B station. Tencent was the first domestic capital to invest in B station, and after the listing of B station in 2018, Tencent added \$318 million to B station. In the same year, Alibaba Group also invested in B station. Before B station, only a few outstanding companies such as DDT can get the favor and investment of two domestic Internet giants at the same time. In foreign countries, B station is also favored by the capital market, the well-known investment institution Gao Tilt Capital in the B station operation of the case of continuous losses still choose to increase the shares of B station, which shows that it is very optimistic about the business model and future development of B station. In the stock market, the share price of B station, from the initial public offering of \$11.5 per share, rose to more than \$100 per share by the end of 2020, which shows that the capital market is more optimistic about the development of B station.

2.4. Threats

2.4.1 Tightening external regulatory environment

B station on July 27, 2018 specifically set up a “wind discipline committee” mechanism to mobilize users to self-check and self-cleaning of the community and content, but after the rectification of the B station has caused some netizens as well as UP masters of strong dissatisfaction. First, more than 4,000 UP owners were either banned from their accounts or had their content taken off the shelves, causing many UP owners to collectively rebound and troll the B-station. And then a large number of users also expressed strong dissatisfaction with such a ban, that “B station's rectification did not catch the point. In the rectification process did not recognize the problem, blindly banned a number of creators and movers, so that many fans are greatly disappointed”. This is also B station need to pay energy to balance the place, long years of accumulation of problems, directly across-the-board to part of the creators and viewers who have been accustomed to the creators are not quite able to adapt to, the audit becomes more stringent will also lead to a reduction in the diversity of creativity, creators of the enthusiasm will also cause part of the blow.

2.4.2 Single profit model (game)

Since Bilibili's listing in 2018, the imbalance in revenue structure has begun to receive questions from the capital market. According to 2018 game revenue alone accounted for 80% of its revenue. Comparing YouTube and Aiqiyi, YouTube's core revenue comes from advertising, which accounts for about 90% of its revenue, while Aiqiyi's membership revenue as well as online advertising revenue accounts for 80% of its revenue. Since Bilibili has no self-developed games, it mainly relies on agency and co-development of games. As Bilibili has no self-developed games, the games are mainly generated through agency and co-development. Bilibili needs to pay a huge revenue sharing fee for the game business every year as its main source of income, which is a business model with a high degree of risk.

3. Product Innovation

3.1. Pop-up and Community Culture

One of the characteristics of B station culture is a strong sense of community and interactivity. On this platform, users can interact with other users through comments, pop-ups and likes to share their views and experiences. This sense of community and interactive cultural atmosphere makes users feel a sense of belonging and participation and promotes more communication and cooperation among users.

In addition, B Station culture emphasizes diversity and inclusiveness. On this platform, users can share various types of videos, including animation, games, music, life, technology and so on. This cultural atmosphere of diversity and inclusiveness allows users to freely express their interests and hobbies and allows more users to find content for their interests and hobbies.

Pop-up culture has a strong mass communication property, and pop-up interaction is a form of participation in the common presence. When users watch videos, launching and watching pop-ups will give them a sense of extension of their personal presence, and they will experience similar psychological agitation and various emotions as if they were in the situation where the person concerned is located. The real-time interactive effect of pop-ups can make users feel that they are not watching the video alone when sending pop-ups, but like directly interacting with others, generating a sense of interaction of “watching together”, thus creating a participatory atmosphere of common presence, and allowing many individuals separated by the screen to obtain the possibility of communicating under the same topic, thus increasing the enjoyment of watching the video. This creates a participatory atmosphere, allowing many individuals separated by the screen to communicate on the same topic and increase the pleasure of watching the video [2].

3.2. User Stratification

B station's practice is to target different points of interest, user stratification will be classified according to the different interests of the user, which is also reflected in the B station on the content of the fine division, this fine division, so that the two heavy B station users every day to brush to the content may be completely different. Except for the New Year's Eve party, which has to take care of all users, there will not be much sense of fragmentation in users' daily use.

At the same time, B station chairman Chen Rui said not to post, deliberately reduce its social attributes, and the B station into a content-centered community, each time the user discussed only in the video comment area, the purpose is to let the user more to watch, less quarrel. This reduces the impact on the original user experience due to the increase in user size.

On the basis of weakening socialization, B station's unique video medium can help the company better carry out user stratification operations. First of all, the video itself has a layering effect, in the video compared to the graphic, the length is higher, the user's tolerance of the content is lower, not interested in the video, and it is difficult for users to watch, not to mention the formation of interaction. Secondly, the user operation refinement, due to visualization, the video is more likely than the graphic to get a reward, coin, forwarding, collection, and other interactive behavior, the more interactive data, the more accurate content distribution. Finally can reduce the number of user meetings users, in the video through the pop-up and with the same hobby of the crowd interaction, but do not know each other ID. These measures, significantly help B station ease the conflict between the old and new users, reducing the strangers between the different views of the quarrel.

4. B station Business Model Innovation Strategy

The profit source of B station is mainly divided into three aspects: video copyright, online and offline brand activities, and brand cooperation. B station cooperates with domestic and overseas original animation content; online activities include the New Year's Eve festival, the B station New Year's Eve party which has a great reputation, etc.; on brand cooperation, in 2020, B station will open its ecology to all the brand partners, so that the brand has the opportunity to seize the dividends of the growth of Z generation, which means that B station will comprehensively This means that B-Site will fully promote in-depth cooperation with brands, and promote the commercialization of content marketing [3].

4.1. B Station's Clear Brand Positioning

Observing the 20 functional zones of B-station, we can see that B-station has changed from a video software that initially provided dramas for ACG users to a content community that provides a huge amount of videos, and personal IP and atmosphere have become the axis that connects the platform and users. There are no words related to "secondary yuan" in the video text, and what is emphasized are "uploaders", "creators", and "expression". which is also the second signal that B Station conveys to the outside world, B Station will continue to go to the secondary yuan action in the future marketing.

4.2. Planning and Execution of Brand Marketing Activities

In Bilibili's cross-border activities, the cross-border object with the highest frequency is the Rosen convenience store, according to the statistics of the currently available information, the cooperation between B station and Rosen has been carried out a total of seven times. In terms of layout, Rosen is centered around community life. These young people after the 80s and 90s are the main target consumer groups at present.

Rosen's user group and user base are larger than B station, and the core user population of the two is the same, are living in the first and second-tier cities after 80, 90 young people, have high requirements for life, and the pursuit of quality. This marketing campaign can better promote B station and expand the target group of B station. It can increase the exposure of B station in daily life

consumption places, and also can establish a good interactive experience with customers, deepening consumers' memory and goodwill towards B station.

4.3. Innovation Centered on User Growth

4.3.1 2019 new year's eve party

Bilibili hosted a New Year's Eve party with the theme of "The Most Beautiful Night" in 2019, which gained 130 million broadcasts and 40,000 pop-ups. The "2020 Most Beautiful Night" B station party was co-hosted by B station and Central Video, and co-produced by Wuhan Municipal Bureau of Culture and Tourism, Hubei Radio and Television Fusion Media, NEWTV, and TVB, and gained 140 million broadcasts. At the beginning of the planning of the 2020 B station New Year's Eve party, Li Ni, the COO of the station, once proposed that we should not please everyone, but the young people should like it. Young people should like it. This idea made the B station New Year's Eve party win the praise of "very understanding of young people", and the People's Daily and the Central Committee of the Communist Youth League have issued articles praising it. Afterward, there were a lot of pop-ups on the B station New Year's Eve party to "make up for the lessons".

4.3.2 Capture the characteristics of user groups

The main users of B station are mainly young people, so B station has the intention to get closer to them in the program content and design of the New Year's Eve party. In terms of program content, a large number of songs, cartoons, movies and music belonging to the era of "post-80s" and "post-90s" have been selected. In terms of program design, the party did not follow the flow star routine of some websites or TV stations but focused on games, movies, animation, and other topics of interest to young people, designing a mix-and-match effect with a strong contrast. Through these ways, B Station the New Year's Eve was more in line with the tastes of young people's programs, but also by virtue of this excellent party, B Station out of the young people's groups and the secondary circle, was a lot of media attention [4].

B station in the party program design, focuses on "empathy", around the empathy of young people, through a variety of forms to focus on creating young people's empathy, in order to stimulate resonance. Facts show that the B station to grasp the point of empathy is successful, fully mobilized the young people's emotions, caused by the onlooker effect. The program of the evening party at first glance, almost no popular "pop" face, especially with the major satellite TV competition star lineup, seems very thin, B station evening program list, are such as the "World of Warcraft" dance show, "I'm crazy about the song" theme song, "Game of Thrones" theme song, "The Thousand and Thousand Searches" theme song, "Harry Potter" movie theme songs. Although these programs are not the most popular works, they are the common memories of the "post-80s" and "post-90s". At this particular point in time, the first batch of "post-90s" entered the age of 30, stepping into a new period of life, these programs are just a kind of good memory of the lost youth. For example, Mayday sang "Stubbornness" at zero hour, even though it was an old song 16 years ago, the children who listened to the song have grown up now, and this way can effectively stimulate people's inner feelings[5].

In 2020, the "Wave Trilogy", as it was called, successfully broke through the circle and finally entered the mainstream cultural circle. The first promotional video, "The Back Wave", was launched on May 4 Youth Day in 2020, and so far the official video released by B Station has had 30 million plays and 260 million reads and discussions on Weibo.

The trilogy is a series of videos launched by B Station to create a new concept for the brand, and it has played an important role in helping B Station's marketing and user growth. The success of "The Back Wave" lies not only in its creativity and production quality, but also in B Station's linkage publicity on major media platforms, which made the video rapidly popular and key to B Station's emergence from the ring. Although "Into the Sea" did not spread as much as "The Back Wave", it still sustained B Station's existing user base to a certain extent and strengthened B Station's brand image in young people's minds. The Happily Ever After, on the other hand, further demonstrated the diversity and depth of B-station's content through a large number of UP masters' appearances, and

enhanced users' perception of B-station. Together, the trilogy builds a diversified image of B Station in the public's mind, not only as a video platform but also as a complex of learning, entertainment, and socialization.

4.3.3 OGV innovation

OGV, or Occupationally Generated Video, mainly refers to video content produced by professional organizations, including movies, TV dramas, and animations. Anime and anime provide a primitive synergy model: OGV attracts traffic, PUGV realizes retention; OGV provides material, PUGV occupies users' minds and is out of the circle. On top of this model, Li Ni, vice chairman and COO of B Station has said that from inside the PUGV content, it was found that a large number of users actually had a need for more refined content, so the transition from PUGV to OGV became an opportunity for B Station to enter self-produced content.

From 2017 to 2020, B station completed the four-level jump of OGV in four years in terms of national creation, documentary, variety, film, and television on the basis of the original Anime. Like "I'm repairing cultural relics in the Forbidden City", "UP Master Metamorphosis" and "Rap New Generation", etc., marking the gradual opening of the B station in various new areas, opening the door.

At present, B station OGV has six major categories. For instance, Anime, Chinese animation, TV drama, movies, variety shows, and documentaries. The birth of OGV can enrich the content ecology, and the introduction of its content can enrich the content ecosystem of B station, to provide more diversified video content, to meet the needs of different users. It can also enhance user stickiness and community activity, provide users with a more comfortable viewing experience, and enhance user stickiness and community activity.

This is because high-quality content can attract more users to stop by and increase their viewing time and interaction, thus enhancing community activity and user loyalty. Finally, it can promote commercialization, and OGV's content helps the commercialization process of B station. Through membership payment and advertisement placement, B Station can obtain more sources of income from OGV content to further support content creation and platform development.

5. The Influence of Network Effect on B station

As a platform with strong community attributes, Bilibili has a strong network effect. The biggest differentiation between Bilibili and other medium/long video platforms is its characteristic community operation. Bilibili users can feel the existence and influence of other users, and users can add value to each other through their own actions, which is the network effect under the social platform. Bilibili has a high degree of activity among users, and in the process of users' activities with UP owners, users can harvest high-quality content and gain spiritual/knowledge assets, while UP owners can gain emotional recognition and actual material rewards, so the network effect of the platform is strong. According to Reid's Law, the value of a platform with network effect will grow exponentially with the increase of the number of users. As a result, the user stickiness of social platforms is much greater than that of ordinary entertainment platforms, and the user retention cost is lower.

Bilateral network externality is an important feature of platform economy, which can promote the platform to attract more users and thus increase the overall value of the platform. For example, if the number of sellers increases on a shopping platform, the number of buyers will also increase accordingly. More sellers mean more choices of goods and lower price competition, which makes the shopping platform more attractive to buyers.

An Internet enterprise through the open agreement constantly with other diversified subject cross-border links, hoping to have a stronger penetration, wider links, in order to have more data, get stronger commercial realization. Zhang Zhian believes that this characteristic determines all the Internet platforms must be constantly cross-border, constantly expanding outward, that is, constantly breaking the circle, once it stops breaking the circle, it is the watershed of the rapid decline of its

commercial value. Under such a law, B-station becomes like TikTok, Weibo becomes like TikTok, and Baidu becomes like Headline. Internet platform competition has shown a new trend of breaking the circle of competition .

Positive feedback model as shown in Fig 1, shows the positive feedback model of the B-site community. Fig. 2 shows the positive feedback loop of B's user growth model

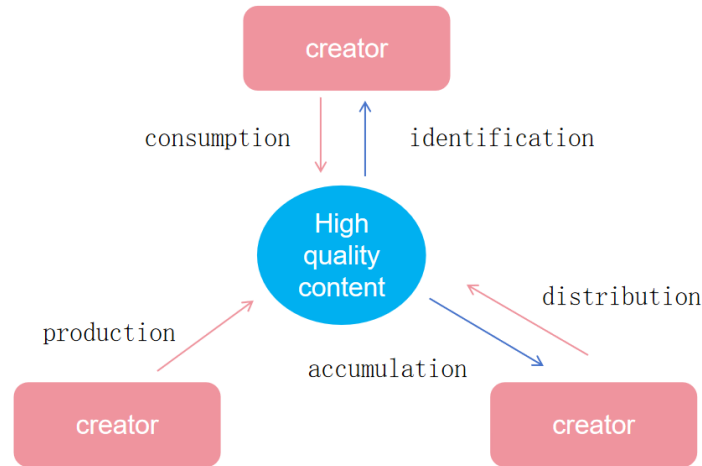


Fig. 1 The positive feedback model of the B-site community.

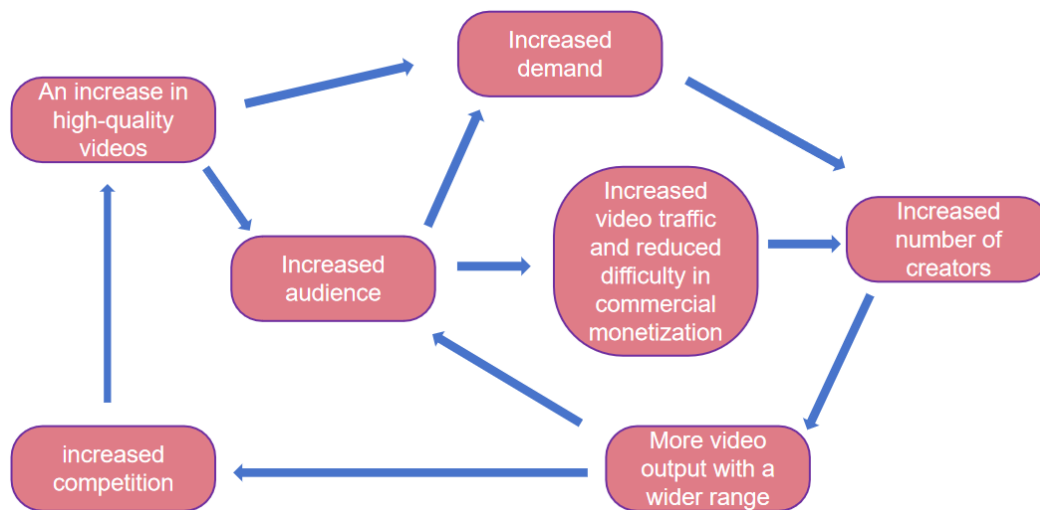


Fig. 2 The positive feedback loop of B's user growth model

When the demand increases, it leads to an increase in the number of creators, which in turn leads to more works in their PUGC output and a wider range of works, which on the one hand can lead to an increase in the audience and realize the cross-side network effect, and on the other hand, it will lead to an increase in the competition, which in turn leads to a higher number of fine works, and good works will attract more viewers, and an increase in the viewers will lead to a higher number of works they want to see, and at the same time, an increase in the traffic flow will lead to more advertisers to put in the advertisements, and the platform will incentivize creators, which will lead to a larger number of creators.

6. Conclusion

This study finds that for Internet platforms, when they encounter their own development reaching the upper limit and need to make a transformation breakthrough. Its transformation business model, need to accurately find the corresponding population, its customers and main audience, and then symptomatic for their favorite, such as to expand the search for new users is also the same, can not take the old way, follow the old examples, according to the past thinking for action, but to actively innovate. At the same time pre-designed platform content to avoid conflict between new and old users,

this study first assesses some of the advantages of B station's products, which is conducive to sorting out the impact of its existing factors on the results, and then examines some of its innovative moves to break the circle. Finally, there are some other factors that have not been considered such as the timing of its circle-breaking and the environmental policies at that time, which can be further deepened in the above variables for better in-depth research in the future.

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