

Brand Community Engagement in Business Model of Online Video Platform: A Case Study of Bilibili

Shun Li

Haerbin Songbei No.9 School International Department, Heilongjiang, Haerbin, 150000, China
Corresponding Author: Shun Li, Email: 1335172240@qq.com

Abstract

The online video industry developing rapidly and facing a fierce internal competition. This paper explores how brand communities can help online video platforms build a competitive advantage. This paper mainly uses the research methods of literature review and case study. I choose Bilibili as a case to analyze its business model from the perspective of the brand community. I found that brand community is conducive to improving user stickiness and loyalty and helping the platform build a business ecosystem. To build a brand community, strengthening user communication and producing brand related content is important. This research can help online video platforms realize the importance of brand communities and increase user stickiness in response to market competition.

Introduction

Online video platforms in China

As internet and video technologies evolve, video streaming is not limited to broadcast television platforms. More and more video content has been published through the internet

and attract more and more users to watch videos on the platforms. Online video platform has entered a stage of rapid growth. According to *The 44th Statistical Report on the Development of China's Internet*, the number of internet users in China was 854 million, and the internet penetration rate reached 61.2%. The number of online video users reached 759 million, accounting for 88.8% of the total internet users¹. With the development of the information streaming technology, video websites are no longer limited to providing videos, such as live broadcasting. Watching video websites have become an indispensable entertainment in people's life.

Definition of online video platform

Different with the pay television platform, the online video platform directly provides users with video services and billing through the internet (Ning, 2020). It is a digital entertainment center that users can access audio and video contents (Si & Huang, 2020). According to the U.S. Federal Communications

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¹ Source: The 44th Statistical Report on the Development of China's Internet

Commission, an online video platform is defined as an entity that distributes video content to consumers over the internet (FCC, 2013). In this paper, an online video platform is defined as a digital entertainment platform that allows users to access video content without downloading.

Online video platforms can be distinguished as one-side model and two-sides model (Hagiu, 2007). With the one-side model, such as Netflix and iQiYi, the platform buy content from the third party and reselling to subscribers. With the one-side model, for instance, YouTube and Bilibili, platforms enable sellers to sell video content directly to the users. On the two-side platforms, user-generated content enables the deep interaction between users, so that users can establish connections between them and further from brand communities.

Definition of brand community

Muniz, J & C.O'Guinn (2001) define that brand community is based on a set of structured social relations among brand's consumers, it is specialized and no geographical restrictions. Inside the community, members share common sense, rituals, traditions and more importantly, they have a sense of moral responsibility to the community. Community members are connected to the brand with symbolic ties, they embrace and assimilate the qualities of the brand (Morandin et al., 2013).

They gather out of interest and have a common sense of pride and emotional identity for their community. Internet technology allows the members to communicate with a high frequency, which gradually builds a strong emotional link between users and higher brand loyalty.

Definition of business model

Business model is a structure differentiation of an enterprise constructed by image, which connects some elements of an enterprise, such as customers, products, and resources, to construct the overall structure diagram of the enterprise (Jones, 1960). Business model shows the architecture of the product, service and information flows within a firm (Timmers, 1998). Chesbrough & Rosenbloom (2002) emphasizes the connecting function of business model, that it enables transferring technical potential to the realization of economic value.

The Diamond Model is an analysis model developed by Porter in 1990. This model is designed to identify factors of competitive advantage of countries and sectors (Porter, 1990). It uses elements as nodes, explore the links between nodes and further construct a simple strategic analysis system. Based on Porter's diamond model, Ren et al. (2015) propose diamond business model, it decomposes the enterprise structure in terms of business process, business object and business structure, and conducts business model analysis on it. In this paper, a business model is defined as a business activity system for an enterprise to create and obtain value.

Research purpose and research question

The purpose of this paper is to explore the participation of brand community in the business model of online media video platform. I found that online video platforms have difficulties in retaining users and keep users active. While Bilibili, an online video platform in China, adopts the brand community and has an outstanding performance. Hence, I propose the research question: how Bilibili integrate the brand community to its business model and establish competitive advantages? To respond to this question, a review on brand community, business model and a case study on Bilibili will

be conducted. Case study means that when you study something, you need some facts to support your research, so you can take an example and bring the item you want to study into the example and see how the example represents the situation of the item you want to study.

As diamond business model can help find the important elements of a firm, so I choose diamond business model as the analysis model of the case study.

Paper content

In this paper, I study the brand community and business model, to find out the answer to the research question, I conduct a case study on Bilibili, using the diamond business model analysis to explore how this company integrates the brand community into its business model. The rest of this paper unfolds as follows: Section 2 introduces resource used in this paper; Section 3 reviews relevant literature on brand community and business model; Section 4 studies the case of Bilibili; Section 5 reaches a discussion regarding the case study and offer my own suggestions from the main findings; Section 6 summarizes this paper; Section 7 is my personal reflection on the EPQ.

Literature review

Brand community

Research on services-dominant logic and consumer culture theory suggest that customers are exogenous to the firm or passive recipient, they can cocreate value and collaborate in the firm's business process (Etgar 2008; Prugl and Schreier 2006). Research realizes the power of customers and their community. Hillery (1955) indicates that three core criteria can explain a community: locality, social interaction, and bond. Muniz and O'Guinn (2001) pointed out

that the brand community is a no regional restrictions community, members have a strong emotional link with each other and the brand, they share the same consciousness, rituals, traditions, and moral responsibility. This concept of brand community can be identified three major components: (1) an internal emotional connection that only exists between community members; (2) shared rituals and traditions that inherit by the members; (3) common identity of moral responsibility, duty and obligation. It integrates the brand with consumers by the brand image and customer's emotion (Ren, 2014).

According to the host of brand communities, they can be grouped into two major types: consumer-initiated communities which is voluntarily built by their members, and company-initiated communities that built by and run by the brand (Hillery, 1995; Kozinets, 1999). Whether consumer-initiated or company-initiated, the brand-centered community enables firm facing customers to create value for the firm (Schau et al., 2009). In the community, communication between members generates emotional compensation for brand perception (Zhao, 2015). Empirical evidence shows that brand activities led to increases in feelings of integration into the brand community and the positive impression about the brand and its products (McAlexander et al., 2002). Member's participation also increases willingness to pay (Franke and Piller, 2004).

Business model and diamond business model

Schumpeter (1936) put forward the concept of business model, which he defined as a model to find out some business situation based on more facts; Jones (1960) also pointed out that business management is a project that requires many sets of tools to run, which requires computers to collect a lot of data and ultimately frame these

data into an action system with many business elements, which we can roughly call "business model". Osterwalder et al. (1960) proposed the famous Canvas model, and his definition of a business model is: what a company offers, to whom it offers, and how it implements this representation (supported by statistical data). Zott (2011) reviews literature on business model and summarizes that business model is a new unit of analysis, it centered on a focal firm and its internal and external resource. Business models seek to explain the value creation and value capture.

The diamond model was first proposed by Porter and was used to analyze the industry's international competitive advantage and internationalization strategy. Four corners of the diamond are four core factors that affect the competitiveness of the industry (Porter,1990). Ren et al. (2015) draw on the concept of the core elements of the diamond model and believes that business activities include three main factors: objects, business processes, and business performance; the three factors are further decomposed into five elements: product/services, stakeholders, resource integration capabilities, income, and risks.

Figure 1 Structure of diamond business model

	Factor	Element
Diamond	Business	Income
	Performance	Risk
Business	Business Object	Product/Service
		Stakeholder
Model	Business Process	Process

Case Study of Bilibili

In this paper, I choose Bilibili and conduct a business model analysis on the firm.

Introduction of Bilibili

Founded on June 26, 2009, Bilibili is a video platform based on user-made videos, and its mature "bullet screen culture" is popular among Chinese young people. The initial Bilibili was a website based on ACG (animation, manga, and games) culture. Initially, the founders of Bilibili wanted to create a platform for users to communicate about ACG culture. This interest community has strong connections among members. With the development and expansion of Bilibili, the platform is no longer an ACG cultural-only community, it has already covered more than 7,000 interest circles. These interest circles are connected to the output of user-generated content through interaction between their members, attract users through user-generated content, and ultimately consolidate the brand community base.

Bilibili's main business is a platform for user-generated content and user interaction, it makes money from other non-core businesses, such as mobile games. The Q4 financial report of 2020 shows that the revenue of mobile game business is 1.13 billion yuan, the revenue of value-added services such as live broadcasting is 1.25 billion yuan, the revenue of advertising business is 720 million yuan, and the revenue of e-commerce and other businesses is 740 million yuan. In addition to the game business revenue, the rest of the business growth is not less than 100%. This suggests that Bilibili has now entered a period of rapid growth. In the fourth quarter of 2020, it had an average of 202.0 million monthly active users, an increase of 55.0% from the same period in 2019. The user base has demonstrated strong engagement and loyalty to the communities. The average daily

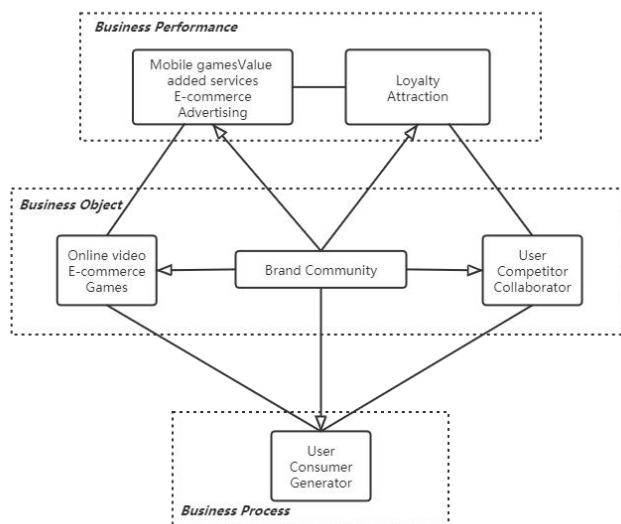
² Source: Bilibili 2020 Q4 Report

time spent per active user on its mobile app remained above 80 minutes in 2020³.

Bilibili business model analysis

As the discussion in previous section, diamond business model contains 3 main factors: business objective, business process and business performance. Figure 2 shows the diamond model of Bilibili.

Figure 2 Diamond Business Model of Bilibili



Business Object

Business object explains product/services provided by the firm and stakeholders of the firm. As an online video platform, Bilibili has three pillars in its services: online video, e-commerce and game. The stakeholders are: users, competitors and collaborators.

Product and service of Bilibili

Bilibili was created based on the common interest on ACG culture of a small group. With the expansion of the group, the community has been gradually built. As community scale expands, the common interest of used is not

limited in ACG. More types of video have been published, such as pets, education, film etc. Users of Bilibili is no longer limited to ACG fans, the community becomes more diversified. In this diversified community, users gather and generate small interest groups. In this case, the common interest of the whole community has been diminished, brand becomes their common identity. Bilibili, based on streaming media, has developed a "bullet screen". It is a real-time commentary system, appears in the form of scrolling captions at the top of the video screen. The most significant characteristics of the culture of bullet screen are high interactivity, high timeliness, high sense of presence (belonging) and high sense of pleasure (Li and Wang, 2015). The unique culture of bullet screen enhances the communication in the community.

Different from other e-commerce shopping platforms, e-commerce platform of Bilibili is very special as its products are all ACG related, such as commodities and exhibition tickets. Bilibili identifies the interests of different user groups and deliver targeted recommendations. The consumption on ACG shows fanatical consumption addiction, strong spiritual enjoyment and concentrated consumption behavior. Emotional identification is the main consumption motivation (Liu, 2021). The interaction and integration of addictive consumption behavior, emotional identity and purchase behavior of community members, the brand community effect is formed. This also increases the stickiness of community members to the brand. This attracts more ACG fans to order on Bilibili e-commerce platform and deepens people's impression of Bilibili brand's cultural link with ACG.

Mobile game is an important part of Bilibili's business model. By the end of year 2020, mobile game revenue still accounts 40% of the

³ Source: Bilibili Annual Report 2020

total revenue⁴. In line with Bilibili's brand image, the firm cooperates with several ACG-style game companies. New games are constantly produced, and Bilibili makes profits from the top-up business among them. Bilibili has its independent servers to host the game users, which deepens users' sense of community and makes them feel a sense of belonging and identity to the brand of Bilibili. This forces users to download from Bilibili only if they want to log in to the Bilibili server. Bilibili games are also mostly related to subcultures that users are interested in. These games tend to be ACG style or subculture style games. This gives users a sense of belonging, emotional connection and pride which finally enhance user stickiness.

Stakeholders of Bilibili

User is core stakeholder of Bilibili. Bilibili relies on user generated contents to attract more watchers. Usually, the interest group fragmented and closed off. While Bilibili provides a communication platform for the interest group and stimulates the enthusiasm of its users and potential users. By combining the brand Bilibili with users' interest, the brand has been enforced in the communication process of Bilibili. Benefit from integration of minority interest groups that community members have been stuck into Bilibili.

Competitors of Bilibili including iQiyi, Tencent Video, etc. They are professional in occupationally generated content area. In this market, the competitive advantage of Bilibili is ACG related topics especially on user generated contents. Promises of no pre-roll adverts and Bilibili's unique barrage culture, these characteristics are in line with the habits of young and further enhance the user stickiness on the brand community.

Besides the competition, Bilibili also build partnership with ACG related companies. For instance, it collaborates with mobile game and animation companies to promote the production of organization generated content. Besides watching or playing games, users form the community are encouraged to create and publish content on Bilibili's platform. These contents contribute to the community by enriching the diversity, soft advertising and enhances the brand community.

Business Process

Business process refers to the ability of integrating internal and external resources of the firm. Advertising income is an important component for online video platforms. To fulfill the promising of no pre-video adverts, Bilibili advertises by containing commercial videos during the precise delivery of favorite videos to the users. In this process, the users may be attracted to subscribe member service. The users convert to creators in this process. When users and creators are attracted by mobile games or figures on e-commerce, they are high probably download the game or buy figure. Then their identification adds "consumers", and such consumers may conduct open-box reviews, game reviews due to interest. Part of the users might be inspired by the video to create their owns. The contents publish again attract more new users and thus expand the brand community. It also creates a virtuous circle of "user - consumer - creator". The community of Bilibili platform will be wider, and the user stickiness will be enhanced.

Business Performance

Bilibili's revenue sources include value-added services, mobile games, e-commerce, and advertising. In 2020, Bilibili derived 40% of

⁴ Source: Bilibili Annual Report 2020

revenues from mobile games, 32% from value added services, 15.4% from advertising and 12.6% from ecommerce⁵. Users establish emotional links with their favorite creators and are likely to subscribe Bilibili premium membership for a better experience. With the creators' videos, users may be influenced to download mobile games or order on the e-commerce platform. This increases the indirect interaction between video creators and users and allows Bilibili to benefit from. Bilibili also increase subscriptions by enriching paid content. Users with subscription will be more loyal to the community. Moreover, multiple privileges after subscribing can make users more rely on Bilibili platform. This enables businesses to interact with each other to form synergistic revenue growth.

Bilibili depends on users' stickiness and emotional binding to their interest group and to the brand: if users lose their interest, the community cohesion will decrease. In addition, Bilibili takes ACG culture as its brand, which requires additional funds to cultivate ACG culture, which will cause additional operating costs. To prevent this from happening, Bilibili need continuously reinforce the appeal of other products/services to hold users' interest, a Another risk point is that users' attitude towards Bilibili brand community are sensitive, Users have strong and also sensitive emotion to the community, if the atmosphere of Bilibili make them feel betrayed, there will be a high possibility to face problems of users losing and cohesion decreasing.

Discussion

Importance of engaging brand community in business model of online video platforms

⁵ Source: Bilibili annual report 2020

The first reason is that brand community will bring a higher stickiness and loyalty to the platform. When online video platforms use the brand community as part of the business model, it means that in addition to striving to enrich the content, the company is also strengthening the interest-based connection between users, and this process is carried out under the influence of the company's brand. Just like my analysis in the case study, users get satisfaction when communicating in the community or watching videos, which will make them browse the platform more frequently, become dependent on the brand, and increase user stickiness. In the process of users' mutual exchange of interest, in addition to their common interest being strengthened, they also have a sense of responsibility and ritual to the community, and their loyalty to the platform is enhanced.

Another reason is that the brand community helps companies find business connections and build a business ecosystem. When users are in the same brand community, users will spontaneously communicate and form a common interest circle. At this time, the online video platform can identify the main common interests of users and look for business development opportunities. Moreover, the common interests of users will help the company integrate different businesses. In the case study, Bilibili's user interest was ACG at the beginning of its establishment. With the in-depth communication of users, Bilibili identified users' purchase needs for ACG peripheral products and their interest in games, and then developed e-commerce and mobile game businesses and achieved profitability.

In summary, the brand community plays an important role by enhancing the user stickiness and user loyalty of online video platforms and helping the platform establish a sound business system.

Suggestions to engage brand community in business model of online video platforms

As discussed above, brand communities play an important role in online video platforms. So, in order to help online video platforms, integrate brand communities into their business models and establish a competitive advantage. I make the following suggestions:

First, strengthen communication between users and guide users. Through the establishment of user interest network, and then establish a brand community. In addition to providing rich video content, online video platforms must also strengthen technological innovation, allowing users to communicate during and after watching videos. And through big data, users with common interests will be guided to establish a circle of interest. Since users may have multiple interests, there are also connections between interest circles, forming an interest network. Since the video is provided on the platform, the interest network relies on the brand. In this process, brand communities have gradually formed.

Second, provide more content with brand characteristics, so that users can associate their interests with the brand and strengthen the brand community. Online video is the core content of user communication. If the video only focuses on content, it will be difficult for users to develop stickiness and loyalty to the brand. The establishment of brand community is premised that users are interested in the brand. Because the brand community effect depends on the communication between users and the connection between users and the brand, and these are connected by interests. Only when an emotional connection is established can the brand image be connected with users. After

watching the video, users only discuss the content of the video. The lack of emotional communication and resonance will make it difficult to have a positive feeling about the brand. Therefore, online video platforms need to produce more professional content and add their own brand characteristics, such as commercial sponsorship, investment in professional video production and other channels.

Conclusion

In short, this article studies the importance of brand community participation in the business model of online video sites, uses Bilibili as a case study to study the ways of brand community participation, and provides my suggestions for online video platforms. The research methods used in this article are literature review and case studies. Online video sites face the problem of low user loyalty and poor profitability, and the brand community provides potential solutions to the problem. The brand community is conducive to improving user stickiness and loyalty and helping the platform build a business ecosystem. In order to build a brand community, strengthening user communication and producing brand-specific videos is the key.

This research may help managers of online video platforms recognize the importance of brand communities. In future research, I think researchers can focus more on the influencing factors of brand community construction. This is because different platforms have different characteristics of users and content. Different situations are worthy of comparison and discussion.

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