

# Analysis of Business Operation Model and Marketing Strategy of Online Music Platform: A Case Study Based on NetEase Cloud Music

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**Abstract.** With the rapid development of the Internet, the competition among online music platforms has become more and more intense. With its unique business model, operation strategy and marketing methods, NetEase Cloud Music has occupied a place among many music platforms. Through literature review and case study, this paper discusses how NetEase Cloud Music develops its product positioning and operation strategy by meeting users' needs, and how its profit model promotes the sustainable development of the platform. The study finds that NetEase Cloud Music's users are mainly distributed in the first and second tier cities, with young, active and music-loving users. The platform has successfully attracted a large number of users through precise user group segmentation and personalized services. Meanwhile, NetEase Cloud Music's community-based operation strategy and innovative marketing tactics have greatly enhanced brand influence and user stickiness. However, the platform also faces challenges such as copyright issues, user growth and stickiness, as well as community management and content quality. In order to cope with these challenges, this article puts forward the suggestions of increasing market share, integrating social elements, expanding copyright cooperation and improving membership system. Looking ahead, NetEase Cloud Music will continue to deepen its business model innovation centered on user demand, improve user experience, expand overseas markets, and contribute to the development of the global music industry.

**Keywords:** User demand; NetEase cloud music; Social media; Personalized marketing.

## 1. Introduction

With the continuous development of digitalization and the popularization of the Internet, the music industry is undergoing profound changes. At the same time, people's consumption level and aesthetic level continue to improve, and user needs are also changing. As one of the leading music platforms in China, NetEase Cloud Music has attracted a large number of music-loving users and stood out in the competitive market by aggregating a huge amount of music resources. The purpose of this paper is to analyze the user groups of NetEase Cloud Music, depict the user profiles, and analyze the business model of NetEase Cloud Music based on user demand. This paper adopts a variety of methods such as literature review, literature study, case study and secondary data analysis to study how NetEase Yunmusic develops its product positioning, operation strategy, and profit model through user demand to drive the development of the platform. Through NetEase Cloud Music, we understand the operation mode and marketing strategy of online music platforms, and predict the development trend of the industry. It is expected to provide useful references and lessons for the marketing of NetEase Cloud Music, and bring inspiration and reference value to other enterprises in the industry.

## 2. Introduction to NetEase Cloud Music

NetEase Cloud Music is a music product developed by NetEase and is the result of NetEase Hangzhou Research Institute. Relying on professional musicians, DJs, friends' recommendation and social functions, it focuses on such core elements as song lists, social networking, big brand recommendation and music fingerprints, with the main goal of discovering and sharing music, and



has a massive music library covering songs in multiple languages and music types. At the same time, it also has a social function. Users can interact and share through song lists, DJ programs, geographical locations and other ways. In addition, NetEase Cloud Music also provides users with personalized music recommendation services through music fingerprint technology. It is an online music service product with rich functions and excellent user experience. According to the financial report of Cloud Music Co., Ltd., the total revenue of NetEase Cloud Music in 2023 will be 7.87 billion yuan. The revenue from online music services was 4.35 billion yuan, and the revenue from social entertainment services and other services was 3.52 billion yuan. In terms of membership, the monthly number of member users of online music service is 44.12 million, the payment rate of online music service is 21.4%, and the monthly number of member users of social entertainment service is 1.6 million. In terms of monthly payment, the number of monthly paying users of online music services reached 44.12 million, up 15.3% year on year. The online music service payment rate reached 21.4%; By the end of December 2023, the number of social entertainment service monthly payment accounts has reached 1.6 million, with a year-on-year growth of 20.3% [1].

### **3. NetEase Cloud Music User Group Portrait and Demand Analysis**

#### **3.1. Geographical Distribution**

NetEase Cloud Music users are mainly distributed in the first and second tier cities, especially in Beijing, Shanghai, Guangzhou, Shenzhen and other cities. Among them, Beijing, Shanghai, Guangzhou and Shenzhen account for 7%, provincial capital cities account for 39%, small and medium-sized cities account for 32%, and villages and towns account for 22% [2]. With the promotion and coverage of NetEase Cloud Music in second and third tier cities, the number of users in these cities is also growing steadily. Users in the first and second tier cities are more busy working and have no time to explore new songs of their favorite types. NetEase Cloud Music's feature of recommending songs that are more suitable for users according to their preferences is welcomed by such people.

#### **3.2. Age and Gender**

According to Ai Rui data, 54.74% of the female users of NetEase cloud music is slightly larger than 45.26% of the male users [2]. Age is concentrated in the age of 35 years old, the overall tendency is to be younger, mainly after 90. Through the analysis of the users, it can be found that the platform mainly attracts young, active and music-loving users. These users not only have high consumption ability and strong social needs, but also have high requirements for music content and quality.

#### **3.3. Segmentation of User Groups**

- 1) Student group: mainly college students and high school students, they are young, active, pursuing fashion and new things, and have the social needs of looking for fresh music and meeting like-minded friends.
- 2) Young workers: Young workers are another large user group of NetEase Cloud Music. They need music to relax and regulate their emotions after a busy day at work. They need diversified music content, as well as convenient playback and sharing functions.
- 3) Music practitioners: music practitioners include songwriters, DJs, music critics, independent musicians, etc. They have deep feelings and unique views on music. They need a platform to show their talents and communicate with peers, so that they can participate in music creation and sharing more deeply.

#### **3.4. User Behavior and Habits**

After researching the behavior and habits of NetEase cloud music users, we found that NetEase cloud users have a high degree of activity. Users not only listen to songs, but also participate in various

interactions on the platform. For example, users will pay attention to their favorite singers or musicians, like, comment and share their favorite songs. In addition, users will also participate in the platform's song list recommendation, song list production and other activities to share their music preferences and experience. At the same time, users will also choose the right music according to their own needs. For example, when working or studying, users may choose light music with a soothing rhythm and beautiful melody; when relaxing or exercising, users may choose pop songs with a bright and energetic rhythm.

## **4. Study of Current Marketing Strategies of NetEase Cloud Music**

### **4.1. Current Situation of NetEase Cloud Music Market**

The scale of NetEase cloud music users continues to grow. According to NetEase's financial report, in the first half of 2023, the number of monthly active users of NetEase cloud music online music service will grow to 206.7 million, up 13.7% year on year; The number of monthly paying users of online music services reached 41.75 million, up 11% year on year. Thanks to the expansion of membership size and the growth of income per paying user, the subscription income of members increased by 16.7% in the first half of the year, and the monthly income per paying user of online music services increased to 6.8 yuan. With the increase of users, NetEase Cloud Music has greater potential in attracting advertisers and promoting member services. At the same time, competition in the domestic music market is intensifying. In the current digital music market, NetEase Cloud Music is facing fierce challenges from multiple competitors. As major market participants, Tencent Music and Kugou Music have established a significant position in the industry with their huge market share and user base. By 2022, the number of online music users of Tencent Music will reach 693 million, and the number of social entertainment users will reach 166 million. These competitors not only have strong brand influence and extensive resource networks, but also perform well in paid music services, copyright resource integration and other aspects, bringing considerable competitive pressure to NetEase Cloud Music [3].

NetEase cloud music marketing strategy: according to user demand, NetEase cloud music by creating a unique product positioning, operation strategy and profit model to attract users.

1) User demand-driven product positioning: Based on the construction of user profiles, NetEase Cloud Music accurately divides the market into multiple user groups, each with unique characteristics and needs. For example, students usually have a strong interest in music and a high willingness to pay, but due to financial constraints, they prefer preferential activities and free auditions; while working people may be under pressure from their work and the fast pace of life, they tend to use fragmented time to consume music, and have a higher expectation of convenience and personalized services. For different user groups, NetEase Cloud Music has developed personalized marketing strategies and service plans. For students, NetEase Cloud Music has launched campus music activities, campus discount cards and other special programs, aiming to enhance the brand influence and meet the music needs of the student community; for the working community, intelligent recommendations, private customized song lists and other features, to help them more efficiently find music content that meets their own tastes. NetEase Cloud Music also conducts in-depth analysis of market trends through user profiling, and continuously optimizes product features and user experience to ensure that it can maintain its leading position in the fiercely competitive market. By building multi-dimensional user profiles and analyzing market segments, NetEase Cloud Music realizes precise insights into and efficiently meets users' needs, laying a solid foundation for the company's sustainable development.

### **4.2. Social Platform Strategy**

Users not only want to get high-quality music playing experience, but also want to have social interaction, share music experience, and find more music content that meets their own taste on the music platform [4]. Based on these needs, NetEase Cloud Music positions itself as a "music community" rather than just a music player. This positioning emphasizes the social attribute and

community atmosphere of NetEase Cloud Music, and provides a platform for users to communicate, share and discover music. NetEase Cloud Music opens the service for singers and musicians. Certified musicians can publish Mlog, cloud music dynamics and other content on NetEase Cloud Music Platform. On this platform, users can follow their favorite musicians, view their updates, and click on their reviews and comments. Musicians will check the comment area and reply. In addition, NetEase Cloud Music has launched the function of "listening together". Users can not only interact with other users through the song comment area and cloud music dynamics, but also listen to the same song with others at the same time, thus establishing a music based social network. User needs for communication and interaction have become an important basis for NetEase Cloud Music to position its products.

### **4.3. Innovative Marketing Means**

NetEase Cloud held a series of music activities, such as concerts, music festivals, online live broadcasts, etc., through the combination of online and offline, attracting a large number of users to participate and improving brand exposure. NetEase Cloud Music has also actively carried out cross-border cooperation, and jointly held activities with other brands, media and institutions to expand brand influence. For example, a joint activity with MANNER Coffee enables users to receive coffee raffle tickets and participate in online free raffle through the total number of songs they listened to in the morning of the past week. At the same time, online and offline co branded theme stores will be opened, and users will be invited to the clocking music cafe of the stores to receive welfare and co branded cup covers. NetEase Cloud Music has also implemented cross-border cooperation with Yaduo Hotel to build a hotel full of music elements. In NetEase Cloud Music Yaduo Light Hotel, different rooms have different music theme styles, such as reggae style, age theme, etc. Each room is also equipped with a Bluetooth speaker, so guests can sleep in the music room and enjoy a unique experience. In terms of social media, NetEase Cloud Music makes full use of microblog, WeChat, Tiaoyin and other platforms to publish music information, promote activities, interact with fans and enhance user stickiness. Through precise positioning of target users, highlighting brand characteristics and innovative marketing methods, NetEase Cloud Music has stood out in the fierce market competition and become a music platform loved by users.

## **5. Explanation and Analysis of the Problems of NetEase Cloud Music**

As a well-known online music platform in China, NetEase Cloud Music has performed well in the market competition in recent years, but it also faces some challenges and problems. The following is an analysis of the main problems currently facing NetEase Cloud Music

### **5.1. Copyright**

Copyright is one of the important challenges facing NetEase Cloud Music. Although NetEase Cloud Music has established cooperative relationships with many well-known music companies and obtained a large number of high-quality music copyrights, there are still some deficiencies in some core music copyrights, which may limit the richness and competitive advantages of its music content. As a singer occupying a place in the Chinese music world, Jay Chou's music copyright affects many listeners' choice of music platforms. According to the search, Jay Chou's attention on qq music reached 44.237 million, and the sales of the album "Say Yes, Don't Cry" exceeded 20 million yuan, making it the highest selling digital single in the history of QQ music platform [5], while NetEase Cloud Music lacks music copyright similar to that of core musicians. Limited copyright may not only lead to loss of users, but also increase operating costs, posing a threat to the long-term development of the platform.

### **5.2. User Growth and Stickiness**

User loyalty and user growth are also issuing that NetEase Cloud Music needs to focus on. Although NetEase Cloud Music has a certain user scale, but in the fierce market competition, how to continue

to attract new users and maintain the stickiness of existing users has become the key. NetEase Cloud Music needs to continue to innovate and optimize product features, improve user experience to meet the diverse needs of users and differentiate itself from other competitors.

### **5.3. Community Management and Content Quality**

Although NetEase Cloud Music has led the trend in community many times, it has also caused some negative problems, such as the emergence of "net suppression cloud" and other network segments. NetEase Cloud Music needs to strengthen the supervision and management of community content to ensure that the content is healthy and of high quality, in order to maintain the good image of the platform and user experience. To summarize, NetEase Cloud Music is facing certain problems and challenges in terms of copyright, user growth and stickiness, losses, as well as community management and content quality. In order to cope with these problems, NetEase Cloud Music needs to formulate effective marketing strategies and business development strategies, and continuously improve its competitiveness and user satisfaction in order to realize sustainable development.

## **6. Suggestions for the Future Development of NetEase Cloud Music**

### **6.1. Increase Market Share and Influence**

The share of NetEase Cloud Music in the domestic music market is increasing year by year, and this change is reflected in the scale data of online music users at different time nodes. From the fourth quarter of 2020 to the fourth quarter of 2023, although the scale of online music users fluctuated, it showed an overall growth trend. In particular, from the second quarter of 2021 to the fourth quarter of 2021, the number of online music users has rapidly increased from 680.98 million to 729.46 million. NetEase Cloud Music, with its unique music recommendation algorithm, high-quality music content and continuous market expansion strategy, has increased its share in the domestic music market year by year, especially for young users. This trend is expected to remain in the future and may further consolidate and enhance the market position of NetEase Cloud Music.

### **6.2. Integration of Social Elements and Interactive Innovation**

As a music sharing platform, NetEase Cloud Music has been committed to improving the user's music experience and strengthening community interaction [6]. In the future, NetEase Cloud Music will continue to optimize the song list function, encouraging users to create various styles of song lists according to their personal preferences, and share these song lists to the community, strengthening mutual understanding and communication between users, forming a rich and diversified music culture ecology. We also upgraded the music comment section, enriching the form of interaction in the comment section, stimulating the enthusiasm of users to post comments, enhancing the interactive experience between users and boosting the activity of the community.

### **6.3. Broaden Copyright Cooperation and Enhance Content Richness**

Based on users' diversified demand for music, NetEase Cloud Music will actively adjust its copyright cooperation strategy, enter into exclusive cooperation with major music copyright holders, and strive to obtain more exclusive copyright resources to enrich the platform's content. By adjusting the copyright cooperation strategy, supporting original musicians, and introducing diversified music content, NetEase Cloud Music will continue to enhance the quality of the platform's content and its competitiveness. We will continue to improve the quality and competitiveness of our platform content by adjusting our copyright cooperation strategy and supporting original musicians and introducing diversified music content. In the future, NetEase Cloud Music will continue to uphold the development concepts of openness, cooperation and innovation, and work hand in hand with all parties to promote the prosperous development of the music industry.

#### **6.4. Improvement of Membership System and Expansion of Value-added Services**

In order to enhance the loyalty and satisfaction of members, NetEase Cloud should carry out an all-round upgrade of membership rights and interests. The specific upgrade program covers the increase of exclusive rights and interests and the development of diversified value-added services. Differentiated membership systems are designed for different user groups to meet their individual needs. For example, different types of members, such as student members and family members, will enjoy different benefits and privileges to meet the needs and budgets of different groups. This initiative will help us better meet the needs of different user groups and improve the attractiveness and competitiveness of our membership program. In the future, NetEase Cloud Music will upgrade its membership benefits and expand its value-added services to provide its members with a better and more personalized music experience, further enhance their loyalty and satisfaction, and promote the sustainable development of its music industry.

#### **7. Conclusion**

To summarize, NetEase Cloud Music's business model based on user demand is the key to its success. It adheres to the user-centered approach, constantly optimizes its product positioning and operation strategy, and meets the diversified needs of users by means of massive music resources, personalized recommendations, high-quality playback services and community-based operation. At the same time, NetEase Cloud Music is also actively exploring diversified profit models, providing a strong guarantee for the platform's sustainable development.

Looking ahead, with the continuous progress of technology and market changes, NetEase Cloud Music will continue to deepen the innovation of business model centered on user needs, and continuously improve user experience and service quality to cope with the fierce market competition and changing user needs. At the same time, it will also actively expand its overseas markets, share outstanding music works and unique music culture with music lovers around the world, and contribute to the development of the global music industry.

This study has limitations such as low data collection, insufficient data analysis, and lack of survey method. It is hoped that scholars conducting this study in the future can strengthen their grasp and understanding of the data and communicate with users of NetEase Cloud Music to better understand their needs.

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