The Influential Factors on Consumers’ Intention to Use NetEase Cloud Music

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Abstract. The Internet music sector has experienced significant growth in recent years due to advancements in electronic technology, the Internet, and the influence of the COVID-19 epidemic. NetEase Cloud Music (NCM) has successfully established a stable market position amidst this prevailing trend. As of the present year, 2023, the corporation under discussion has the position of the second-largest entity within the Chinese Internet music platform market, with Tencent Music being the sole entity surpassing it in terms of market share. The platform exhibits a substantial and enduring demographic of youthful users. The objective of this study was to investigate the factors contributing to the notable success of NCM in engaging Generation Z consumers. The analysis was conducted using the 4Is model, which encompasses an examination of the platform's historical background, present condition, distinctive attributes, and strategic approaches. The findings indicated that the utilization of the 'Interactive, Individual, and Interesting' approach, specifically through user comments, tailored recommendations, and topical ads, has contributed to the widespread appeal of NCM among the younger demographic. In order to preserve its competitive edge and foster sustainable growth, the company can consider implementing additional recommendations. These suggestions encompassed enhancing the efficacy of user communication, expanding the provision of tailored services across many facets of the application, and adeptly aligning with prevailing trends.

Keywords: NetEase Cloud Music, Interaction Strategy, Individual Strategy, Interesting Strategy.

1. Introduction

1.1. Research Background

In recent years, the music industry has experienced a significant transformation due to the evolution of digital technology. The distribution and consumption of music have altered as a result of the rise of online platforms that offer streaming services. The COVID-19 epidemic in 2020 intensified this shift, causing concerts to be canceled or postponed and CD and other physical music product sales to plummet. Despite these obstacles, music remained an important source of emotional expression and social connection for many individuals, especially during such a difficult period. As a result, the majority of demand shifted to Internet music streaming services, which offer users a simple and accessible method to enjoy music and connect with others. People's reliance on such services persisted even after the epidemic, showing a long-term impact on the music industry environment [1].

With a wealth of options to pick from, the expansion of digital music platforms has opened up a world of possibilities for music enthusiasts. From the early days of online music retailers to the contemporary era of music streaming networks, the industry has changed dramatically. Today, app rivalry extends beyond music content, with an emphasis on providing personalized suggestions, improving the user experience, and encouraging social interactions. On the creator side, they are constantly offering new features and services, as well as building a dynamic environment that encourages composition. It's an exciting time for music fans, with much more pleasure and diversity in this art form to look forward to.

Within the Chinese market, NetEase Cloud Music (NCM) currently ranks second in terms of revenue generation after Tencent Music Entertainment [2, 3]. Nevertheless, from 2020 to 2022, the
platform has experienced rapid growth in monthly active users, paying users, and user loyalty, at a much faster rate than Tencent Music [4]. The platform has a strong presence in the Chinese market.

The distinctive stance of NCM has led to the establishment of a robust user base, particularly among the younger demographic. The application extends its functionality beyond music streaming by functioning as a social platform wherein users may engage in the sharing of their music creations, opinions, and tastes, hence fostering connections among individuals with a passion for music. The group known as Generation Z, who came of age during the digital era, has displayed a notable inclination towards embracing the social dimension of this platform. The interaction on NCM has greatly contributed to its success and positive reputation among its youthful users, since it fosters high engagement and a strong sense of belonging.

1.2. Research Gap

More recent attention has focused on the impressive growth pace and overall success of NCM, and current studies are mainly based on two perspectives: One focuses on business models and marketing methods to analyze the strengths and weaknesses of the company and its development strategy. For example, Yang Zihan analyzed the business model of the company with consideration of various internal and external factors based on the data and some qualitative research [5]. Xiao and Lin focused on the unique ‘emotional marketing’ strategy of NCM, summarizing the benefits and drawbacks and its room for improvement [6]. The other perspective focuses on the community attributes of the platform, analyzing the relationship between people’s social interactions and their user behavior [7]. The study conducted by Wu and others analyzed people’s self-presentation behavior in the music community and how it affects users’ recognition of the application [7].

As can be found, few existing studies have comprehensively discussed the consumption value of NCM from a consumer perspective, and there is little attribution analysis about the youthfulness of its audience. Therefore, to fill the gap in this area, this paper will focus on Generation Z consumers and try to figure out the question of how NCM attracts and stabilizes its younger users. The aim is to summarize and review the success of NCM and analyze what factors affect the willingness of Generation Z consumers to start and keep using online music platforms. The contributions made should be of wide interest, including providing some reference for the future development of NCM as well as other online platforms.

1.3. Structure of This Paper

The paper will apply this model to explore the platform’s development history, strategies, features, user feedback, and current outcomes. The goal is to systematically analyze the competence of NCM in each dimension, based on which suggestions for future improvement of the company and other online platforms would be given.

2. Case Description

A well-known Chinese Internet technology company called NCM launched NCM in April 2013. It was introduced at a time when the music streaming industry in China was growing rapidly. The platform initially faced severe competition from many other relatively sophisticated international music services, such as QQ Music, Koowo Music, and KuGou Music, all of which later merged into Tencent Music.

To gain a competitive edge and survive under tremendous pressure, NCM adopted a user-centric approach that encourages user-generated content, such as playlists and comments, creating a strong sense of community among its users. It also went beyond the basic pursuit of more available songs or higher sound quality; it emphasized music recommendations and personalization. The platform managed to gain a foothold in the domestic market and amassed up to a hundred million users within two years [2].
In the subsequent years, despite the disadvantage of being a latecomer, NCM also survived the fierce copyright wars among major companies with its original musician support strategy, represented by the "Stone Project". The company actively promoted collaboration with copyright holders in an effort to make up for its relative weakness in this aspect compared to other competitors.

After nine years of development and steady rise, NCM has formed a duopoly with Tencent in the Chinese Internet music service market. According to the data at the end of 2022, NCM had 189 million monthly active users, ranking second only behind QQ Music with 283 million. Yet NCM held the highest user activity and loyalty among all competitors. NCM users’ average monthly usage time reaches 23.7 hours, which is about 1.5 times that of the second-ranked QQ Music [2, 3].

The users of this platform are generally very young. According to recent studies, most of the people who listen to music with NCM are below 33 years old, with more than 80% of them between 18 and 25 years old. Generation Z has always been its target group, and its popularity among young people is a significant advantage for the company.

3. Analysis on the Reasons

In order to explore the deeper reasons behind the platform’s impressive success among Generation Z consumers, the problem will be decomposed and analyzed based on the 4Is model in the subsequent sections of this paper.

Liu Dongming first created the 4Is model in 2019 as an expanded framework for the marketing mix theory. The primary emphasis is placed on addressing the requirements of users within the framework of Internet-integrated marketing. The four principles, namely 'Interesting, Interest, Interaction, and Individual', represent distinct aspects in the context of content delivery. These principles encompass the distribution of captivating and engaging material, prioritizing the user's interests, fostering active engagement and interaction, and promoting the expression of individuality. The approach has been utilized in several studies investigating Internet marketing issues across several domains, such as social media marketing and live-streaming marketing [8, 9].

3.1. Reasons on Interaction Strategy

The main manifestation of user interaction on this platform lies in the comment section, which provides Generation Z users with mental satisfaction and increases their willingness to use NCM. Users listen to the songs and leave their insights about the pieces, their personal feelings, or related experiences, for which they receive likes or replies from other users. This process often involves self-presentation, group identification, and emotional resonance, which corresponds to the social needs of Generation Z consumers in the online environment.

Generation Z lives in an era where the Internet and media technologies are highly developed. Online communication, as an efficient alternative to face-to-face interaction, has had a huge impact on Gen Z's social habits and needs. While this virtual interaction inevitably brings some real-life loneliness, for many young people, this type of socialization is often more within their comfort zone compared to others.

The NCM community's comment culture perfectly matches this trait of Generation Z consumers. Their conversation in the comment area is not directed at specific individuals, allowing them to speak freely and expect to meet people who are like-minded and can relate to one another among the many music fans. Thus, their demand for self-expression and group affiliation is met. Users who read the comments find resonance and reflection in the perspectives and stories of others, improving their listening experience and gaining an emotional connection.

Furthermore, meeting these requirements provides a sense of belonging. Users stick with NCM not only because of its benefits but also because they feel a sense of belonging and identification with the broader NCM community.

According to Wang Zhongyuan’s research, which was based on the analysis of word frequencies in the comment section of NCM, the most frequently occurring words include: love, autumn/fall, dad,
moved, and create, reflecting users' tendency to express their emotions, thoughts, and experiences [10]. And the study on people's self-presentation behavior in online communities by Wu and others demonstrated the positive correlation between users' communication on NCM and their recognition of the community and the platform [7].

3.2. Reasons on Individual Strategy

NCM's personalized suggestion mechanism gives young consumers a pleasurable experience, increasing their loyalty. Individualization is a fundamental ability for Generation Z consumers who grew up in a society where people are encouraged to develop their individuality and express their distinct identities. It is realized in NCM through two key features: daily recommendations and private FM. The program will offer 30 songs to each user that they haven't heard yet but might like based on the user's personal listening tastes and behaviors, as well as big data analytics, in Daily Recommendations. When users activate the "Private FM" mode, the software will automatically play the music that has been pre-selected for each user, including songs they have already listened to or favorited as well as new ones. This type of function that stresses "exclusive" and "customized" not only provides consumers with individualized service but also offers them the pleasant impression of being valued. This increases consumer happiness and increases their willingness to spend.

In addition, NCM will add style and mode options to these two features in 2022. Users can choose a specific style of song recommendations as well as adjust the "private FM" to "familiar mode," "exploration mode," or "medium" according to their personal needs. This improvement provides users with a more refined customization service and also increases their sense of engagement in the app.

Another function that has such an effect is its song list section. People can freely create their own song lists, share them, and publish them on the platform, in addition to accessing billions of different song lists compiled by a wide range of users. This allows great numbers of new high-quality song lists to emerge on NCM every day, and at the same time, users gain satisfaction from DIY in the process.

Overall, NCM's customization strategy has led to both quality content and a rich user experience. The company's big data technology and users' co-production complement each other, bringing benefits to both sides. Based on the user participation theory, further inferences can be drawn that NCM's customization strategy has a considerable positive effect on increasing its user loyalty.

3.3. Reasons on Interesting Strategy

Interesting content and marketing strategies capture the attention of Gen-Z consumers and help NCM convert potential users into actual users. In 2017, NCM implemented very successful and innovative advertising. The company selected 85 song reviews from users and displayed them as posters in the subway in Hangzhou, China. These sincere and infectious texts left a very deep impression on people running around on the subway, and NCM gained a large number of new users as a result.

NCM also has a unique tradition: the annual music report. Every user will receive this report when they open the application at the end of each year, which outlines how they have used this platform in the previous year. It displays information such as their listening duration, frequency, favorite styles, favorite performers, popular remarks, and changes in their taste over time. Although the campaign has been replicated by numerous Internet media platforms in China since its inception, NCM retains a unique reputation for this innovation as the original. Many people who prefer QQ music will still only submit their NCM Cloud listening reports on social media at the end of the year.

These types of engaging adverts and features, in addition to providing entertainment and anticipation for existing users, help to attract new users to the platform. Fun items that allow young Gen Z consumers to demonstrate their personality are extremely enticing to them. According to Angel Won's content marketing study, enjoyable, gratifying, and relatable information can efficiently capture the attention of potential customers, and the effect declines with the customers' age [11].
4. Suggestions

4.1. Suggestions on Interaction Strategy

As a music social platform dedicated to providing users with space for expression and discussion, NCM could consider improving the depth and diversity of interaction between users. Many music lovers on this platform want to have some professional analysis and discussion based on songs. The current user comments on NCM are mostly subjective emotional feelings and personal experiences. Therefore, the company can add some features, columns, or topics. Users can choose a specific section when posting comments or reading others' comments.

The topics may include music criticism, lyrics interpretation, energy sharing, song recommendations, and so on. This way, users can more easily find their preferred content and groups of people with similar tastes or interests. This can encourage more users to express themselves as well as increase the depth of discussion, which in turn promotes continuous and further communication. According to Man Lai Cheung’s study on social media marketing, in-depth content and discussion on an online platform can increase consumers’ favorability. In NCM’s case, this may help attract new users and improve user loyalty [12].

4.2. Suggestions on Individual Strategy

Although NCM has been leading the way in the customization of music recommendations, it could also try to provide some personalized services for other content on the platform as well as software usage. For example, based on the previously proposed strategy of encouraging more diverse user comments, the company could use big data technology to analyze each user's preferred subjects to make more accurate and targeted displays.

In addition, users' habits of software usage should also be taken into account. Currently, NCM's application has many features other than music playback, such as live streaming and audiobooks. For some users, these functions, which are rarely used, are redundant and complicate the app's interface.

Therefore, NCM could consider adding different layout options that allow users to choose which sections are shown or hidden, thus allowing users to have a more convenient and personalized experience. For reference, Microsoft Edge Browser offers options that allow users to decide for themselves whether the homepage is a simple style or an inspiring style that displays various information, such as news. This feature has been well received.

4.3. Suggestions on Interesting Strategy

NCM might strive to appeal to the tastes of young consumers by tailoring the themes of engaging activities and marketing campaigns to their interests and preferences. Generation Z today is both a trend-follower and a trend-maker. Therefore, NCM can expand to incorporate features frequently seen in promotional materials. For instance, in recent years, a growing number of Chinese youth have shown an interest in ancient practices. NCM may attempt advertising operations centered on Chinese-style music.

Besides, applying some new technologies is also a good choice. For example, using AR technology to add fun to advertisements, QQ Music once cooperated with some entertainment companies to sell idol AR photo cards. If fans scan these cards with the QQ Music application, they will see some GIFs on the back and hear voice packs recorded by the idols. This promotion activity, while utilizing novel technology, also caters to the idol culture of current Generation Z consumers. It's an ‘interesting’ strategy for NCM to learn from.

5. Conclusion

With the development of digital technology and the Internet, as well as the impact of the New Crown epidemic, the Internet music industry has progressed rapidly in recent years. NCM, one of the top online music platforms in the Chinese market, has beaten many of its rivals since it was founded.
in 2013, thanks to its unique positioning and competitiveness. So far in 2023, it’s not only the second-largest company in the market, but it also has a significant and stable young user base.

This leads to the main question of this study: why has NCM been so successful with the Gen Z audience? This paper studies the development history, current status, competitive features, and marketing strategies of NCM. Based on the 4I model, the paper investigates what factors influence young consumers' willingness to use online media platforms.

The paper found that in terms of the ‘Interaction’ strategy, the mature user comment culture of NCM has increased the willingness of Gen Z users to use the platform. For future suggestions, the company could consider further improving the quality of user communication. In terms of the ‘individual strategies’, this platform's personalized recommendations and song list features effectively increase user loyalty. To develop more comprehensively in the future, NCM Cloud should implement personalized services in other aspects, such as music comments and homepage layout. In terms of interesting strategies, the tradition of NCM’s annual song-listening report is widely known. In addition to that, to keep up with young people and stabilize their Gen-Z user base, the company can also add more popular elements to the design of various activities to attract young people's attention.

The main contribution of this paper is to analyze the reasons why NCM is popular with Generation Z users from a consumer perspective, which can be a reference for the development of similar platforms as well as the future progress of NCM. The main limitation of this study is that it only focuses on the user's experience perspective and lacks a comprehensive analysis from a company perspective. Future research on market and business factors might extend the explanation of NCM’s success and give sounder suggestions.

References