

Research on Product Competitiveness of the Digital Music Platform: A Case Study of the QQ Music Platform

Tongxin Zheng*

College of Letters and Science, University of California, Davis, Davis, 95616, United States

*Corresponding author: bizheng@ucdavis.edu

Abstract. The advent of the information age has led to a gradual transition of the traditional music industry towards digital development. This report delves into product innovation strategies implemented by QQ Music, such as its copyright strategy and product features, in response to intense competition within the digital music market. Based on the key findings, this report discusses how QQ Music's innovative strategies have contributed to reinforcing the company's dominance within China's music streaming industry. A thorough SWOT analysis also serves as a strategic compass, highlighting the ways in which QQ Music strategically builds on its innate strengths and aggressively addresses its shortcomings. With a forward-looking perspective, this report provides insights into the future trajectory of QQ Music. The aim is to evolve strategies in response to changing copyright policies and to increase market competition. This research demonstrates QQ Music's current product competitiveness and serves as a strategic roadmap for the platform's future endeavors. Through constant strategy adjustments and grappling with the industry trend, QQ Music is positioned to both navigate and actively shape the changing digital music streaming marketplace in China.

Keywords: QQ music, digital music industry, product innovation.

1. Introduction

The emergence of the information age has ushered in the digital music industry and completely changed how music is consumed and distributed. Its arrival gave rise to music in digital form and granted users the freedom to access an abundant collection of music at any time, from anywhere. In 2023, the China Internet Network Information Center (CNNIC) disclosed the "52nd Statistical Report on China's Internet Development." As of June 2023, digital music users in China reached 725.83 million, with the Internet user usage rate at 67.3% [1]. Digital music continues to permeate people's lives, and music platforms are determined to use various technological means to offer users increasingly diversified, interactive, and more creative experiences. The study of the competitiveness of QQ Music products offers valuable insights into strategies for product innovation to meet the growing demand for digital music, serving as an insight into corporate strategy and industry development.

To investigate how QQ Music has consistently maintained at the top of such a fiercely competitive market, this research employs a competitive strategy, product innovation, and market dynamics response strategy to analyze how QQ Music has successfully navigated through the dramatic market changes, technological advancements, while continuously enhancing its leading position.

2. Competitive Strength

2.1. Brand Strength

A key component of QQ Music's competitive strategy in the digital music market, which positions it at the forefront, lies in its formidable brand power. As a product of Tencent, Tencent's immense market influence as well as brand power are incredibly advantageous to the launch and performance of the product. The company can further amplify its market impact by using Tencent's strong brand support and market capabilities.

Moreover, as Hong and Nie explained, Tencent's strict adherence to copyright compliance is complemented by its reputation for dependable and legal services [2]. This collaboration effort greatly appeals to artists and users looking for authentic content. Brand trust plays an important role in influencing consumer purchasing decisions, especially within the digital music sector. QQ Music's high reputation stems from Tencent itself, which leads to a massive user base due to millions of people using Tencent products every day. Such trust is sustained through prolonged brand recognition as well as satisfaction with its quality of the music, the user experience, and continuous service development. These factors increase the incidence of customer purchases and also contribute to customer satisfaction and influence repurchase behavior, ultimately fostering customer loyalty in the long run. Certainly, QQ Music preserves this trust by consistently delivering high-quality services, updating its music library regularly, and effectively responding to user feedback and concerns [3]. As a result, users place a higher level of trust in QQ Music. The establishment and acquisition of users are crucial for QQ Music to solidify its market dominance, which in turn relies on the construction of brand trust, and will help in its use of the subsidiary platform techniques.

User access is a vital component of QQ Music's ecosystem, which is greatly bolstered by its integration with the larger Tencent ecosystem. QQ Music capitalizes on Tencent's superior technical support and data analysis capabilities to improve the user experience. This integration facilitates effortless access to QQ Music through other Tencent services, such as WeChat and QQ. Users can log in directly using their WeChat or QQ accounts, synchronizing friends within QQ Music's community platform. This seamless integration strengthens user stickiness by allowing quick login without the need for creating new accounts while encouraging social interaction by enabling easy sharing and discovery of music among WeChat and QQ friends.

Furthermore, Tencent's products and services have a synergy that extends beyond merely giving users access. It encompasses sharing resources, boosting brand influence, and obtaining financial support through Tencent's extensive business network. As a result, the Tencent ecosystem brings unique advantages for QQ Music in terms of content dissemination and solidifies its dominant position in the market. This strategic integration underscores QQ Music's innovative approach to enhancing user engagement and consolidating its market presence.

2.2. Product Power

Since the product features of most music platforms are very similar, they all aim to provide unique features that set them apart from the competition, as well as features that are already present but better than those of their competitors. For instance, most music platforms offer high quality sound-quality, personalized music recommendation, user-friendly interface design, and an effective integration of social features.

QQ Music and its user-centered service models exemplify its product strength. Liu discusses QQ Music's "User Listening and Paid Model," which is one of the key factors contributing to the platform's product capability. This model comprises two parts: free and premium listening experiences. It ensures rational income flow to the entire service platform while providing most services free-of-charge to users [4]. Besides, the "Music Socialization Model" is another example of product capability of QQ Music. At present, QQ Music has developed a range of socialization functions based on various social media platforms, such as WeChat and Sina Weibo, to promote user interactions and further expand the user base.

Apart from that, QQ Music's content production and promotion makes the overall ecosystem stronger. To improve the quality and diversity of products, Tencent Music jointly promoted emerging musicians to create music, thereby building a robust copyright organization. One prominent initiative involves cooperating with niche independent artists, assisting them in attracting and supporting their artistic endeavors while also providing the platform with distinctive and original content. This strategy also enriches QQ Music's music catalog and aids these artists in establishing their brands and fans base [5].

The “ear economy” represents the market for audio-based media, including music, podcasts, and audiobooks. It serves to emphasize the importance of audio in digital commerce and its integration into daily routines. Additionally, the “ear economy” has influenced people’s auditory experiences and transformed their listening preferences and perceptions across various audio mediums.

According to data from the Baidu Index [6], a notable proportion of QQ Music’s users are young adults (between the age of 20 and 29) with disposable income. These users are more likely to live in more developed areas characterized by greater leisure time, higher income levels and higher purchasing power on entertainment products. The penetration rate is relatively low despite QQ Music appearing to have reached most of its target audience. However, QQ Music has decent brand recall among its young population. There is potential for further growth as QQ Music expands its coverage to include other age groups.

To keep up with growing demand as more users’ transition to the “ear economy,” QQ Music has consistently extended its offerings. QQ Music introduced audiobooks and radio dramas, in addition to a wide selection of music. This strategic move will enable the company to attract a broader fan base, including listeners looking for contents beyond just music.

In the “fan economy”, the emotional bond between fans and the shared values they uphold creates numerous beneficial commercial opportunities. Nowadays, fans have become an active force in the music industry, forming communities driven by their admiration for artists and the music they listen to. Capitalizing on this trend, QQ music has merged dynamic serving functions along with those offered by social media, it acts as a bridge connecting fans and artists while expanding its business reach. In other words, QQ music provides an immersive experience that goes beyond limitless music content. The music sharing, following artists, and discussion forum have raised the engagement of users on QQ music and in return it has rewarded users with community involvement in the fan spaces. This boosts efficient utilization of the platform and fan loyalty [7].

To capitalize on the “fan economy,” QQ Music has developed innovative revenue models. In addition to traditional income streams like downloads and subscriptions, the platform has explored different ways to generate income, from offering exclusive content, organizing tours, and incorporating advertising [7]. This diversification reflects how profoundly the digital music industry is now influenced by the “fan economy.”

QQ Music demonstrates awareness and understanding towards the shift in consumer demands from the materialism to the spirituality. The platform’s emphasis on emotional engagement and community development has cultivated a loyal user base. Through its strategy of differentiation marketing, QQ Music has played a pivotal role in the music market by increasing user engagement, setting a new standard in digital music, and establishing a high barrier to entry. QQ Music has consistently strives to meet growing consumer demands and maintain market growth.

Nevertheless, the industry still faces significant challenges, particularly in the areas of copyright protection and raising copyright awareness. To make Music a true leader in the digital music sector, it is imperative to establish an intricate legal framework that protect the rights of copyright owners. Besides, fostering a strong public sentiment that supports protection of copyright and defends the musical works is equally important. Simultaneously, QQ Music should take further strides to improve this situation.

The rise of the fan economy has become the major force in digital music industry, and QQ Music adeptly capitalized on this trend to intensify its market leadership. QQ Music’s innovative strategy for user engagement revenues and revenue diversification, along with the strict copy right protection for the publishers and artists, highlight the evolving landscape of the industry and the critical role played by platforms like QQ Music.

2.3. Music Copyright

In the early stages of China’s digital music industry, stricter copyright laws were nominally in place but not effectively enforced. Consequently, pirated music was widely accessible, with unauthorized music easily found online and offering free downloads, The transformation has occurred

gradually and is indicative of a combination of heightened public awareness regarding the importance of copyrights and more stringent enforcement measures implemented by the government. Subsequently, under new rules put in place by the government's copyright regulatory, all digital music services in China are required to cease distributing unauthorized music.

QQ Music has established a mechanism for authorized music, actively collaborating with many copyright agencies and owners during the extensive acquisition of copyright. At the same time, efforts are intensified to prioritize the rights and interests of QQ Music's users. The platform generates revenue through advertising, downloads, and membership fees to provide legal and stable income sources for copyright owners. This collaboration model enables QQ Music to offer a wider selection of legal-sourced, high-quality music resources while expanding its copyright library.

QQ Music's first-mover advantage is closely related to its early implementation of music copyrights, which has paved the way for its success. By identifying and investing in copyright acquisition and management early on, QQ Music secured rights to a broad music catalog, including exclusive content and new releases of music. According to the "2016 China Online Music Industry Research Report" from iResearch, over 90% of the total market share for copyrighted music is held by Tencent Music Entertainment's streaming services, including QQ Music [8]. Because of its early market entry and copyright accumulation, QQ Music was able to build up a market barrier that was hard to replicate. This strategy allowed it to cultivate significant brand recognition and amass a substantial user base ahead of its competitors.

Moreover, QQ Music has initiated cooperation with domestic and international music production companies, individual artists, and copyright agencies. The objective is to secure music copyrights from these entities for distribution on QQ Music. Therefore, Tencent has made great efforts to promote copyright awareness and copyright action in China, great progress has been made in distribution of authorized music on QQ Music. To attract user, QQ Music leverages exclusive music copyrights such as those obtained from artists like Jay Chou, thereby restricting other platforms from playing their songs. Meanwhile, Tencent provided advanced technology to QQ Music for effectively curating and distributing full audio digitalization protection through an advanced DRM (Digital Rights Management) system. This technological advantage prevents illegal distribution of multimedia copies that other platforms may engage in due to their lack of this technology. By establishing this kind of highly effective protection system, QQ Music's position has been consolidated while showcasing how combining technological innovation with active copyright distribution can be a competitive edge.

3. SWOT Analysis

QQ Music's exclusive content and copyright strategy have helped it establish a significant market presence and user base. The integration of QQ Music with Tencent's ecosystem allows users to log in with WeChat or QQ and sync their friend lists, giving a unique user experience that competitors will find difficult to replicate. Because of its large user base and strong brand influence, the platform is well-positioned in the market.

QQ Music exhibits low levels of user stickiness, engagement, and retention. Its recommendation algorithms also need to be enhanced. There are fewer social integrations and lower-quality user-generated content (UGC) on QQ Music. Lastly, QQ Music's catalog lacks niche music resources.

Adding niche music to QQ Music can improve user retention and appeal to a varied audience. The growing willingness of users to pay for content increases the possibility of expanding paid premium services. Further integration with Tencent's ecosystem may result in innovative user experiences. Furthermore, the rise of the "ear economy" provides opportunities to expand audio content offerings and tap into new revenue streams.

Changes in copyright laws have driven up market competition, weakening QQ Music's previous competitive advantage, since exclusive content become less common. In addition, the rise of short-

video platforms become an increasingly popular option for music consumption and user engagement, creating a challenge to traditional music streaming platforms.

Here is a SWOT analysis that shows that QQ Music has made a solid reputation among digital music platforms. Nonetheless, QQ Music should be aware of the drawbacks as well as potential threats and challenges.

4. Challenges in Market Changes

In 2021, the State Administration of Market Regulation (SAMR) in China issued anti-monopoly regulations against QQ Music, requiring it to lift its practice of exclusive music copyrights. These regulations allowed other music streaming platforms, such as NetEase Cloud Music, to access music content that was once exclusively available on QQ Music, which led to QQ Music facing fiercer competition. As they can no longer rely solely on exclusive content to attract users, the platforms need to attract and retain users through other innovative services. This regulatory change has made QQ Music modify its business strategy, while at the same time promoting a more equitable environment for market competition.

The number of Premium Subscribers increased by 16% from September 2022 to September 2023, reaching 226 million, according to Spotify's third-quarter financial statement [9]. On the other hand, Tencent Music Entertainment's second-quarter financial statement for 2023 [10], reveals that there are only 99.4 million paying users of its digital music service, a significant disparity when compared to Spotify's paying user base. The discrepancy suggests that there is potential for an increase in user willingness to pay for the music content, given the infancy stage of the paid music market in China. QQ Music has the opportunity to tap into this potential expanding its offering of paid music content, aligning with global market trends and user preferences.

5. Conclusion

This research aims to thoroughly analyze QQ Music's product strategy and market performance, highlighting it as the leader in China's digital music industry. With QQ Music, Tencent has made great strides in the music sector. The company consolidated QQ Music's strong grassroots foundation to confront competitors and has established itself as a proven brand in the industry. The research also examines QQ Music as a brand founded and developed which offers differentiated content for different age groups. The company has implemented deep market intelligence to provide desire content for consumers within this growing "ear economy," fulfilling users' personal needs while spending time on QQ Music.

QQ Music's strategic integration within the Tencent ecosystem is pivotal to its success. By leveraging technical support and data analytics capabilities from various Tencent entities, QQ Music offers users a seamless, high-quality experience with convenient access and enhanced social interaction. Through enabling seamless login with WeChat or QQ accounts and establishing connections with the community platform by synchronizing friends, the company simplifies user access to the platform and fosters a stronger ecosystem, resulting in increased user retention and engagement. Moreover, QQ Music's emphasis on content and collaboration with original artists and copyright companies has cultivated an extensive music library that boasts both quantity and quality. The company positions itself as a patron of musical artists, a curator of premium original music, as well as a brand and product that enriches life.

To conclude, through an analysis QQ Music's strategic decisions in terms of branding, products, and ecosystem, QQ Music has already developed its market-based strategies. The measures taken by QQ Music clearly demonstrate its outstanding significance in the market. Given the unpredictable future of digital music, developing a clear roadmap for QQ Music poses challenges. However, QQ Music should be prepared to adapt to emerging trends in the music industry by further improving its product innovation and keeping on conforming to the appropriate business strategies. Meanwhile,

optimizing the business model of digital music platforms would be a valuable area for future research. As many studies have declared the significance of strategy planning in company development, it is essential for QQ Music to make a well-prepared roadmap to navigate the evolving platform and market dynamics.

References

- [1] Xinhua. The 52nd Statistical Report on China's Internet Development Situation released[J]. Young Reporter, 203(14):1.
- [2] Hong, BB., Nie, QH. Research on the Current Situation and Development Methods of China's Digital Music Industry. MICE Prospects, 2021,2(1).
- [3] Chai, JY., Ken, LKK., Chan, KH., et al. Digital Music: A Study of Factors in Influencing Online Music Streaming Service Purchase. International Conference on Digital Transformation and Applications (ICDXA),2021.
- [4] Liu, Jidong. Music Communication Strategies in the Era of Digital Culture Industry: An Examination Centered on QQ Music Platform. Media and Communication Studies, 2023.
- [5] Lyu, ZH., Nie, ZH., & Xie, YH. QQ Music Business Model Competitiveness Analysis: Social Economy Perspective. In Highlights in Business Economics and Management, 2023,11.
- [6] Li Hao. Analysis of User Behaviour on Online Music Platforms [D]. Hangzhou Normal University,2023
- [7] Yang, Xinyi. An Analysis on Driving Forces and Impacts of the Commercial Mode of Digital Music—A Comparison Between QQ Music and iTunes,2021 (6), 1-8.
- [8] iResearch Consulting Group. 2016 China Online Music Industry Research Report,2016.
- [9] Washington D. C.United States Securities and Exchange Commision[J],2023.
- [10] Tencent Music Entertainment Group. Tencent Music Entertainment Group's Performance for the Second Quarter of 2023.