

QQ Music Business Model Competitiveness Analysis: Social Economy Perspective

Zhuoheng Lyu ^{1, †}, Zhenghong Nie ^{2, †, *} and Yuhan Xie ^{3, †}

¹ School of Mechanical Engineering, Beijing Institute of Technology, Beijing, China

² School of Business, Liaoning university, Shenyang, China

³ School of Foreign Languages, Tianjin University, Tianjin, China

* Corresponding author: 20200507115@smail.lnu.edu.cn

†These authors contributed equally.

Abstract. The social economy has played a significant role in the development of QQ Music. To explore the impact of the social economy on QQ Music's business model, this paper analyses two aspects: first, the type of community and the community demand existed in the platform of QQ Music; second, the procession embodied in QQ Music's business model to commercialize communities. The study shows that the competitiveness of QQ Music's business model lies in its platform set-up and user-paid service set-up. The user community sorting mechanism helps QQ Music users find the right community that suits them and fulfills their community needs. The "highly personalized service" and "highly enriched payment scenarios" reflected in the user payment settings can help users achieve an excessive amount of community demand, stimulating user consumption.

Keywords: Business Model Competitiveness, QQ Music, Social Economy.

1. Introduction

In the 1990s, digital music rose rapidly with the popularity of the Internet and the application of MP3. With first digital music platform QQ Music established in 2005, the market value of Tencent Music Entertainment reached over \$50 billion at its peak in 2021 for just 16 years. In the development of QQ Music, the social economy has played a significant role [1]. With the development of information technology, communities are no longer limited to blood and geographical ties but can be connected remotely through the Internet. Communities as the core social economy explore and meets the community members' demand through horizontal communication between the members of the community, thus raising economic value. Such satisfaction optimizes the community environment and attracts more members to join and increase their sense of identity and belonging to the community, thus gaining more robust expansion capital. With the internet as the medium, the social economy has a strong propagation effect and low marginal cost. Meanwhile, the community is linked by trust and emotional identity, which gives it a stable and lasting potential for realization and, therefore, a substantial economic effect.

To investigate the economic benefits of the social economy for QQ Music, this study examines the impact of the social economy on QQ Music's business model from two perspectives: firstly, the types of communities and the demand of community on QQ Music; secondly, the realization of communities' commercial value reflected in QQ Music's business model. Due to community economics, the QQ Music platform has developed an efficient user community sorting system. This kind of sorting system effectively enables the platform to accurately distinguish the specific communities to which users belong and allow the communities to fulfill their corresponding community needs. The two keys to QQ Music's community realization solution are "highly personalized service" and "highly enriched payment scenarios." They enable QQ Music to offer paid services that efficiently meet users' expectations and thus help them realize their community demand within their communities.

2. Research Review

The social economy has attracted the attention of many scholars with the rapid development of the Internet. Qianyun Liu and Da Shi (2022) summarize previous research and define a community as a community of people driven by common interests, carrying out social activities with IT, and sharing similar values and cultural backgrounds [2]. According to Yong Hu (2014), the community is the foundation of the social economy's economic model. The community's needs are identified and satisfied through horizontal communication among community members to create economic value. As a result, the community environment may be improved, more people may join, and they may feel more a part of the group, increasing the community's expansion capital [3]. Shao Jin and Ning Ni (2016) suggest three communication characteristics of the social economy: the external characteristic is the conglomeration and fission effect; the internal characteristic is the emotional value, which is the core and driving force that sustains the community; and the core logic is self-organized communication and collaboration [4].

Ji (2014) is the first to analyze QQ Music's business model using a case study, suggesting that QQ Music has three business models: the B2B advertising model, the B2C "green diamond" model, and the internal cooperation model [5]. Ma (2017) analyzes the characteristics of QQ Music from four aspects: copyright, profitability, users, and products [6]. Jiang (2017) describes QQ Music's business model from the perspective of the industry value chain, showing that in addition to the B2B and B2C models, there are also exclusive copyright models, authorization models, and the model of supporting musicians. She points out that the problem lies in the distribution of copyright and revenue [7]. Fan (2021) insists that the innovation of Tencent Music's business model lies in the extension of the music value chain, integration of corporate resources, and construction of content ecology [8].

3. Case analysis

3.1. Case description

3.1.1. History of QQ Music

The 1990s witnessed the rapid rise of digital music with the broader Internet and the application of MP3. Compared to other music carriers such as records and CDs, digital music has broken the limits of time and place by being "dematerialized." The convenience and cheapness of accessing and sharing music have fundamentally altered how music is produced and consumed. With the continued development of digital music, digital music platforms have emerged as one of the core segments of the music industry. As the leader of digital music platforms in China, Tencent Music Entertainment (TME) took only 16 years to reach a market value of more than \$50 billion in 2021. This is a remarkable achievement in the current situation where major digital music companies generally lose money.

The period from 2013 to 2016 was a period of rapid growth for Tencent Music. During this period, the initial construction of QQ Music's social entertainment segment was completed, strategic cooperation was reached with several domestic and international record companies, and the platform's resource pool was expanded through copyright acquisitions and collaboration. Besides, its merger with China Music Corporation was completed through an asset-for-equity swap to establish Tencent Music Entertainment. TME has comprehensively grown its music business from 2016 to the present. During that time, TME has been expanding the boundaries of the music industry through continuous innovation and a comprehensive business layout. In 2018, TME obtained a large amount of capital by launching overseas, and its business scale gradually expanded from music platforms to short-form video, live streaming, long-form audio and online performances, and other content segments, with the scale effect of the company beginning to emerge.

In 2021, with the end of Xiaomi Music, Ali Music gradually withdrew from the music entertainment arena and was replaced by Tencent Music, which is developing rapidly with its

copyright advantage, and NetEase Cloud Music, which broke new ground with its community ecology, forming a competitive market pattern of “one super and one strong.”

From the PC side of music to the mobile side, digital music in China has undergone a process of free piracy to paid simple themes in a particular development context. TME, as a witness and pioneer, has rapidly risen in the more than ten years it has been deeply involved in China’s digital music market, transforming itself from an initially monolithic music platform into China’s largest digital music culture enterprise and establishing its leading position in China’s digital music market. At the same time, TME has become one of the three giants in the global music market alongside Spotify and Apple Music, thanks to its good market performance.

3.1.2. QQ Music Business Model

Based on Osterwalder’s commercial canvas model, QQ Music’s business model can be divided into nine segments: customer subdivision, value, access, customer relationships, revenue sources, core resources, key businesses, central cooperation, and cost structure.

Customer subdivision. QQ Music users can be divided into music connoisseurs, social music lovers, and fans based on their individual value needs. Users on the QQ Music platform are provided with different services based on their individual value needs. For music connoisseurs, QQ Music mainly provides differentiated music-playing services to satisfy these users; for social music lovers, QQ Music offers interactive services such as live streaming and karaoke; for music fans, QQ Music provides services related to idol activities such as music albums.

Value. QQ Music focuses on “building a digital music ecosystem” and “continuously extending consumption scenarios around discover, listen, sing, watch, perform and social.” “Building a digital music ecosystem” ensures that the natural music resources on QQ Music are effectively utilized, enabling QQ Music to make a continuous profit from the entire industry chain; while “extending the consumption scenarios around discover, listen, sing, watch, perform and social” not only provides users with a novelty of “closely combining online music and social entertainment,” but also highly customized and convenient services.

Access. QQ Music reaches its users through its own and partner access. In terms of its own access, users can log in through WeChat and QQ, which are Tencent’s social media; QQ Music’s users can pay through WeChat Pay and QQ Wallet, which are its payment access; in terms of partner’s access, QQ Music’s cooperation with related companies in the production of musical variety shows and the distribution of music copyrights can also increase its exposure and attract new users.

Customer relationships. QQ users mainly provide “automation and self-service” and “community” services to users. Regarding “automation and self-service”, most of the content within QQ Music platform is set up in multi-level modules so that users only need to automatically select modules based on their needs to receive the appropriate services. As for “community”, QQ music platform try to maintain the healthy development of the communities to ensure users can interact with partners sharing the same interest to realize their social community need. In addition, commenting and anchors can also be seen as a “co-creation” service that the QQ Music platform offers in collaboration with its users.

Revenue sources. QQ Music’s profitability is mainly based on the B2B advertising model and B2C value-added services. About B2B advertising, QQ Music can attract a large number of advertisers to advertise in the APP because of the vast number of active users, thus making a profit; in terms of B2C value-added services, QQ Music has both internal and external value-added services [9]. The interior value-added services are in the form of subscription-based paid membership and non-subscription-based paid services, while the external value-added services are in the form of products launched in collaboration with the rest of the music supply chain.

Core resources. QQ Music has the industry’s leading library of licensed music, a complete cooperation program for original musicians, a large number of users, many domestic original IPs owned by Tencent, advanced IT and platform-building technology, and a complete entertainment ecosystem owned by TME.

Key businesses. The core feature of QQ Music is a social platform for music, providing music playing, product sales, and diverse user interaction channels to meet the needs of different communities.

Major cooperation. QQ Music's partners can facilitate the QQ Music platform in terms of overseas song distribution, ecosystem construction music rights, and spillover effects. In terms of overseas song distribution, APPLE MUSIC can help QQ Music distribute its music abroad; in terms of digital music ecosystem construction, various brands (e.g., Xiaomi smart speakers, NIO Cars, etc.) have partnered with QQ Music to develop devices and services; in terms of music copyright, several music companies have partnered with QQ Music in the copyright and record distribution sectors to build multi-dimensional music content; and in terms of spillover effects, other popular internet products could benefit QQ Music. For example, Tik Tok and Kuai Shou's hit songs can attract many new users to QQ Music.

Cost structure. QQ Music's operating costs are mainly reflected in music copyright costs and management costs.

3.2. The impact of social economy on QQ Music's business model

To study the impact of the social economy on QQ Music's business model, it is necessary to learn the types of communities and community needs among QQ Music users before getting down to the research question, the procession of commercializing communities reflected in QQ Music's business model. Regarding the research object, the former question focuses on understanding the impact of the social economy on QQ Music. The latter question, however, examines the QQ Music business model within the framework of the community realization theory.

3.2.1. The impact of social economy on the QQ Music platform

The primary question that Internet music platforms need to consider under the influence of the social economy is how to design a practical platform layout to transform discrete users into a unified community and to integrate the individual needs of users into the whole community's community needs. Under the influence of the social economy, QQ Music has developed an effective user community sorting mechanism, which enables the platform accurately distinguish the specific communities to which users belong and to help communities achieve their corresponding community needs. Users of QQ Music are divided into three categories, "Music connoisseurs," "social music lovers," and "music fans," respectively, based on their values: "music appreciation," "music socialization," and "musician pursuing."

QQ Music's user community sorting mechanism is based on setting up multi-level functional sections and building interactive content and communication platforms that match the theme of the areas, ensuring that users can find the corresponding community in the multi-level section selection and ultimately realize the community needs. The core of the user community sorting mechanism lies in the columns, the interactive content, and the underlying communication platform.

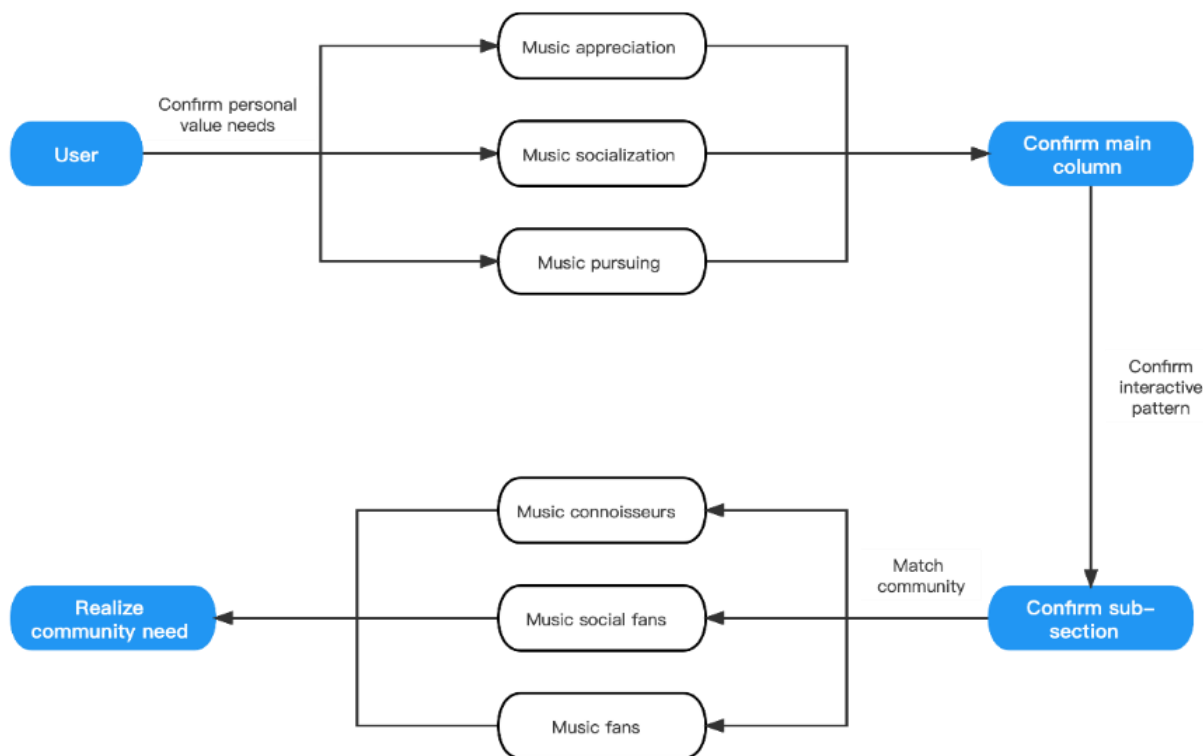


Figure 1. Operational diagram of the QQ Music user sorting mechanism

As shown in Fig.1, the user community sorting mechanism has five primary columns and multiple sub-columns below the five primary columns. The selection of the main columns corresponds to the user’s value needs. The multi-level column setting helps users narrow down the choice to find the most miniature column that suits them according to their own value needs. The three types of personal value needs are divided into five main sections: “Home”, “Live”, “Radar”, “Community”, and “ME”. Each of these is reflected in “ME”. Each sub-section of the QQ Music platform has specific interactive content and an underlying communication platform. Users can realize their diverse community needs in the interactive content of these sub-sections and match specific communities through social interaction with other users in the underlying communication platform of the sub-sections. For example, people for “music socialization” can achieve their “music dating” community needs by interacting in the “dating” sub-section of the leading live section. The live sub-section of the “Dating” sub-section is the corresponding underlying communication platform.

3.2.2. QQ Music’s business model embodies community realization

How to effectively design a payment model to help users to achieve excess community demand within the platform by payment is the fundamental question that needs to be answered. The process of converting the community needs of community users on a platform into the corresponding business value of the platform is known as “commercializing community”. Not all venues can achieve the goal of “commercializing community”. For internet music platforms, having many active users and forming many organic communities is only a prerequisite for commercial profitability.

In this regard, the key to QQ Music’s community realization solution is the “highly personalized service” and “highly enriched payment scenarios.” These two enable QQ Music to offer paid services that meet the expectations of paying users in efficient payment access and thus help users realize their community needs.

(1) Highly personalized services. The high degree of personalization of paid services is reflected in the variety of paid services. The diversity of paid services can fulfill the diversity of community needs of users. The high payment rate of users is mainly because highly personalized payment can increase different users' value and fulfill different groups' community needs.

Firstly, subscription-based services. The essence of QQ Music’s subscription-based paid services is to reorganize the single essential service as various kinds of sets, then offer diversified sets to users.

In particular, QQ Music VIP is a differentiated service that regroups a series of crucial uses within QQ Music. At the same time, joint VIP is a paid differentiated service that regroups the primary benefits of QQ Music and other products. According to statistics, QQ Music has five categories of subscription-based paid services with varying prices. In terms of target users, the Music Pack service, the Deluxe Green Diamond service, and the VIP service. The Super Subscription service is geared towards QQ Music platform users, while the Joint VIP is geared towards multiple platforms users who need many platforms' services including QQ Music platform. Then, the non-subscription service, which by its very nature sells fundamental rights directly to users. This is a more liberal approach to payment than the subscription-based approach.

The multiple choices in QQ Music's subscription-based and non-subscription-based services have helped QQ Music set many adequate price discrimination levels. This effective price discrimination has allowed users to choose the corresponding paid services to enhance community demand while allowing the QQ Music platform to earn more revenue, which overcomes the bad effects of the single profit model in the standard social economy business model.

(2) Highly enriched payment scenarios. The highly enriched payment scenarios are reflected in QQ Music's expansion of the consumption scenario through the construction of the digital music ecosystem.

The construction of the QQ Music digital music ecosystem is not only reflected in its promotion and distribution but also in the entire digital music industry chain, including content production, copyright services, user access, etc. The construction of the QQ Music digital music ecosystem provides the premise for highly enriched QQ Music payment scenarios.

Firstly, promotion and distribution; QQ Music, as a digital music platform, provides users with music playback services but also enhances the interactivity of the music playback function through features such as music zone, m-pet, and listen together. In addition to the music-playing role, QQ Music has also expanded its karaoke and live music streaming functions, making it a more interactive digital music platform.

In content production, QQ Music's layout lies in the "Tencent Musicians" program, the large number of original domestic content IPs owned by Tencent and music brands co-established by domestic and international music copyright companies. QQ Music cultivates many original musicians through "Tencent Musicians". According to statistics, by the fourth quarter of 2021, more than 300,000 musicians had been enrolled in QQ Music through the assistance of Tencent Musicians in distribution advantages, revenue settlement, song promotion, and singer development. In terms of original IPs, the original IPs owned by Tencent can provide QQ Music with the ability and rights to develop copyrights upstream for its future development, thus giving it a more decisive competitive edge. According to public data, Tencent is currently the company with the most significant accumulation of IPs in China: of a total of 274 original IPs in China, Tencent owns 110, 7 in the Top 10, 12 in the Top 20, and 23 in the Top 50, covering games, animation, films, literature, and other fields. In terms of active cooperation with domestic and international music rights companies, TME has formally entered into deep strategic cooperation with Universal Music, Peer music, Merlin Network, and The Royalty Network and has upgraded its cooperation with SPACE SHOWER. The cooperation is a win-win situation for both music copyrights companies and QQ Music: QQ Music will be able to incubate more music brands, co-create content, and innovate in multiple scenarios online and offline; in contrast, music copyrights companies will be able to promote artists and quality music content in China. This "strong partnership" could make QQ Music a new model for the industry.

In terms of copyright services, QQ Music's advantage lies in the fact that Tencent has the most significant commercial license for music in China. This substantial investment in copyright enables Tencent not to be constrained by others and even gives it a head start in the music commercial licensing market. As awareness of intellectual property rights grows in China and more and more users and enterprises continue to standardize their use of music, there is a widespread demand for commercial licensing of music in China. To address this issue, QQ Music, which owns the most significant number of music rights in China, has launched "Music Easy to Buy," a commercial

licensing platform. It holds the music works of many domestic and international music brands, copyright companies, and Tencent musicians, providing customers with a one-stop solution for commercial music copyrights, from selecting songs on demand, paying for the transaction to obtaining digital copyrights and making proof of copyrights readily available.

Regarding user access, QQ Music continues beyond mobile and PC music platforms. Still, it actively crosses borders, striving to “unite all musicians, record companies and copyright holders, and connect music to all devices that could play songs.” On the intelligent speaker side, QQ Music has established music content cooperation with Xiaodu smart speakers and Xiaomi smart speakers; on the car side, QQ Music has successively provided a large number of audio content services for dozens of car brands such as Tesla, Mercedes-Benz, Audi, BMW, Volkswagen, and Volvo. Beyond the mobile side, QQ Music has expanded its user growth access with its IoT ecology. Ultimately, the construction of the multi-port platform has enabled QQ Music users to grow beyond mobile users by a considerable amount.

It is QQ Music’s complete digital music ecosystem that encompasses the entire digital music supply chain, including content production, promotion and distribution, copyright services, and user access, which has enabled QQ Music to develop its business beyond music playback to include music social networking, music e-commerce, event performance, music hardware sales, artists and independent musicians, music distribution and program production. This has allowed QQ Music to develop its business comprehensively. Only through the promotion of social economy can QQ Music create a super product that runs through the entire digital music supply chain—Tencent’s idol-raising online variety show. Based on the social economy, this is the ultimate payment outlet of the QQ Music digital music ecosystem, which also surpasses the low level of commercial value exploitation in the social economy business model. The creators of Tencent’s idol-raising online variety show are no longer confined to the shackles of traditional TV variety shows where they only contemplate production, broadcasting, and commercial advertising, but are about the all-round ecological layout from the perspective of the digital music ecologies, such as contestant cultivation, copyright of music video works, distribution of contestants’ works, program derivative merchandise and co-branding [10]. The business model of this online variety show is also no longer the one-way business model of traditional TV variety shows but the ecological business model. In other words, the show is born out of the entire digital music ecosystem. Each part of the ecosystem will eventually merge into the presentations and original profitability.

4. Conclusion

Based on the above analysis, this paper argues that the competitiveness of QQ Music’s business model is reflected in both the platform setting and the user-paid service setting. The platform setup aims to help users find the right community for themselves and realize their community demands. The core of the platform setup is the user community sorting mechanism. The heart of the user community sorting mechanism lies in the columns, interactive content, and the underlying communication platform. User-paid services help users to realize their community needs and stimulate their consumption. Under the influence of the social economy, paid services are characterized by highly personalized services and highly enriched payment scenarios. The highly personalized services are rooted in the diversity of community demand for QQ Music. The highly enriched payment scenarios rely on QQ Music’s digital music ecosystem, which runs through the entire digital music supply chain.

There is room for expansion in this study, such as exploring the profitability mechanism of excellent products in the QQ Music digital music ecosystem and the empowerment mechanism of original IPs on business models from the perspective of the social economy.

References

- [1] Liu Qiyun, Shi Da. From community to social economy: the conception and realization path. *Journal of modern economy*, 2022 (8): 55 - 61.
- [2] Hu Yong, Song Yuqi. Community Economy and Fan economy. *China Book Review*, 2015 (11): 13 - 17.
- [3] JIN Shao, Ni Ning. Communication Characteristics and Business Model of “Community Economy.” *Modern Communication (Journal of Communication University of China)*, 2016, 38 (04): 113 - 117.
- [4] JI Qian. Analysis of QQ Music Business Model. *Contemporary Economy*, 2014 (20): 26 - 27.
- [5] MA Dongli. The Way to create the features of QQ Music APP. *Media*, 2017 (01): 45 - 47.
- [6] JIANG Xiaoyan. Research the business model of China’s online music Industry from the perspective of the industrial value chain. Beijing Institute of Printing, 2017.
- [7] Fan Xiuping. From Music Platform to content Ecology: Business Model Innovation of Tencent Music. *Beijing Cultural Creativity*, 2021 (04): 22 - 28.
- [8] Zeng Jie. The joint production of multiple subjects of network variety Show: with “This!” Take a series of variety shows as an example. *New Media*, 2019. (10): 70 - 72.
- [9] XU Yijing. Research on Business Models and Competitive Strategy of Online Music. Southeast University, 2020.
- [10] Tang D, Lyons R. An ecosystem lens: Putting China’s digital music industry into focus. *Global Media and China*, 2016, 1 (4): 350 - 371.