



The Usage of Emotional Marketing in the Online Music Industry – A Case Analysis of NetEase Cloud Music

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Abstract. Emotional marketing has gradually become a new development direction in the personalized service market, especially in the market of online music platforms. Based on the current highly competitive online music market, the article explores the market structure of online music platforms in China to provide context for the strategy used in the online music platform market. The article then examines the reasons for using emotional marketing as a strategy for NetEase Cloud Music and the effects brought by the strategy. It turns out that NetEase Cloud Music has helped its market expansion through emotional influence, and users are gradually increasing.

Keywords: emotional marketing, market structure, online music platform, NetEase Cloud Music, PEST analysis

1 Introduction

As consumers nowadays tend to favor more and more personalized services, emotional marketing has been gaining more and more attention from all sorts of service providers. The Chinese domestic market for online music platforms is an oligopoly market where there are mainly four platforms – Tai He Music Group, Tencent Music Entertainment Group (TME), Ali Music, and NetEase Cloud Music controlling a total market share of over 70%. [1] For a firm in an oligopoly market, if it wants to increase the price elasticity of demand for its product, the most efficient way for it to accomplish the goal tends to be product differentiation. Considering the high competitiveness in the online music platform market, it can be conducted that those oligopolists will and, most likely, must develop an effective way of product differentiation to avoid competition and attract more consumers. Among all strategies that have been used, one strategy turns out to be the most unique and commendable one – emotional marketing.

Starting as a small music platform that nobody knows, the growth of NetEase Cloud Music is startling. First launched on January 24th, 2013, the platform has attracted more than 20 million users during 2013 and 2014, and has recorded more than 5 million pieces of music. In 2015, NetEase Cloud Music has announced that the total number of its registered users has exceeded 100 million, and its rate of growth in market share has reached first place in the market for online music platforms. [2] Despite other common

strategies used by NetEase Cloud Music, emotional marketing may be the most unique method that NetEase Cloud Music has ever used. The red-themed advertisement featuring touching comments makes up the image of NetEase Cloud Music in most people's minds. The main purpose of the article is to explore how NetEase Cloud Music uses emotional marketing to thrive and survive in the harsh competition in the online music platform. Additionally, the essay aims to suggest a possible way of product differentiating and increasing competitiveness for other firms in the market, given the effects and conditions for emotional marketing.

2 Definition

2.1 Defining Emotional Marketing

Emotional marketing is messaging that companies use to target specific human emotions and persuade consumers. Companies that use this tactic hope to form a deeper connection between their brands and their consumers. Emotional marketing may persuade people to buy certain products, engage with a brand, share content or increase their loyalty.[3] By definition, it is clear that emotional marketing has several advantages over traditional marketing, including increasing customer stickiness and creating a better brand image.

2.2 Defining Customer Stickiness

Customer stickiness, also known as brand loyalty, is the propensity of customers to return to the product or use it more frequently. [4] Generally, if the customers are willing to return to the product more, they are more likely to contribute potential sales to the product. Also, when those consumers with a strong brand loyalty are likely to introduce the product to people around them, unintentionally promoting the product for the firm. Another core concept related to customer stickiness is the customers' price elasticity of demand (PED) for a particular product. It measures the percentage change in the amount of quantity demanded by customers to respond to the change in the price of the product. By measuring the PED of a product, the firm can be acknowledged to what extent their customers are sensitive to the change in prices. Hence, it can adjust prices in correlation to PED and increase its revenues

When emotional marketing is used, the firm is likely to build an emotional tie with customers. Customers are more likely to feel emotional resonance with the brand. Since then, customers' demand elasticity for the product will increase, meaning that when the price of the product rises, customers will still tend to purchase the product, instead of its substitute. The firm can then decide on price changes for the product to maximize the revenue from sales.

2.3 Brand Image

Brand image can be defined as the perception of the brand in the minds of the customers.[5] When emotional marketing strategies are used in the promotion of the product, firms may include content that tends to evoke the strong emotion of their target customers in all sorts of ways such as advertisement. For instance, a firm may show its engagement in philanthropy in advertisements. To be specific, scenes that show the employees aiding the wildlife or the statistics about the funds that are given to less developed regions may create an image that the firm is social-responsible. Customers, especially those who are deeply concerned about the environment, may be satisfied with the act of the firm and, hence, transfer this favorable impression onto the product that the firm sells, potentially boosting the sales of the product.

3 Analysis of Online Music Platform Market

3.1 PEST Analysis of the Online Music Industry

3.1.1. Political

The National Copyright Administration of the People's Republic of China (NCAC) announced the Public Service Announcement of the Music Copyright Protection in 2015, (NCAC, 2015) stressing the issue of protecting music copyright. According to the statistics, after the decision was made, 16 online music service providers take the initiative to remove more than 2.2 million unauthorized pieces of music. ("The strictest 'copyright order' in history took effect, and more than 2.2 million musical works disappeared overnight", 2022). The announcement initially aims to correct the abuse and embezzling of the music copyright in the online music platform. Nevertheless, it has dramatically increased the cost for small firms, which have not successfully managed to survive through the competition over copyright, causing them to either shut down or merge with others. Consequently, the number of firms in the industry will be reduced, accompanying an increase in the average size of the firms and the formation of an oligopoly structure.

3.1.2. Economical

The GDP in China increased by 8.1% in 2021, high above the goal of 6%. The GDP per capita of China is 12.5 thousand dollars, and the average disposable income for national residents has increased by 8.1% compared to that in 2020[7] As the disposable income of residents rising at the same time, services from the tertiary sector become more available and customers tend to spend a higher proportion of their income on entertainment services. This is represented as a large weight for education and entertainment.

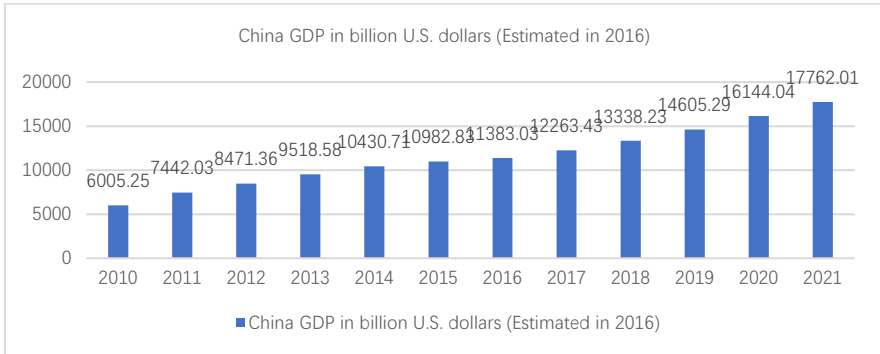


Fig. 1. Volume of China’s GDP versus date [9]

3.1.3. Social

The perception of protecting copyright has been increasing among the public. Especially under the frequent dissemination of the government's call for copyright protection, a consensus for protecting music copyright has been spreading among listeners of various ages. Generally speaking, people are more and more willing to pay for the music they like. Thus, firms with a greater possession of music copyright will more likely be favored by customers, as they provide customers with a music library with plentiful pieces of legal music. Accordingly, large firms are more likely to gain favor from customers.

On the other hand, due to the impact of the COVID-19 pandemic in the year 2019 and year 2020, many cities in China have experienced a lockdown. During this period, the demand for online entertainment services has drastically increased.

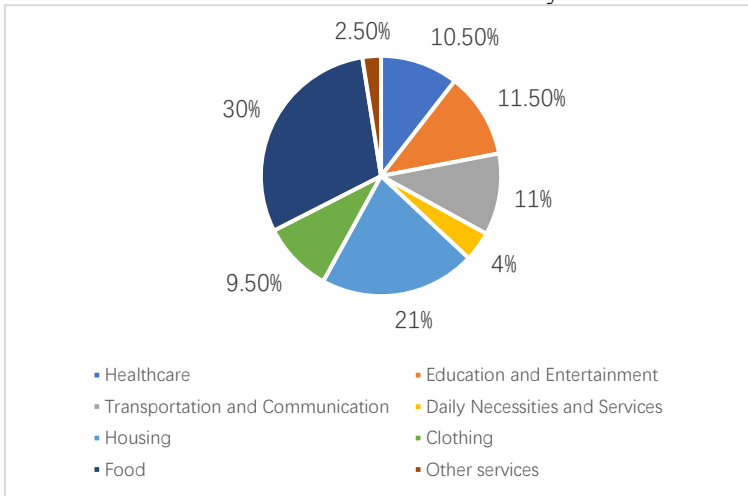


Fig. 2. CPI weight in China, 2021

3.1.4. Technological

With the development of machine learning, the ability of A.I. has been greatly boosted. Particularly, algorithms can be used to gather information about the listening references of a customer or generate personalized content for users. It is advantageous for many of the large firms in the industry. Equipped with the technology, they are more likely to precisely capture new customers or target customers with the help of features such as customized music recommendations. However, as the largest corporations have the access to the machine learning technology, small business entities, on the contrary, will be limited by the high cost of research, leaving them inferior to other large firms, which have an available source of funds, in the competition over features possessed by the software. Besides, the large cost of implementing complex algorithms may potentially, and usually, become high for the new firms that want to enter the online music platform market. Therefore, a barrier to entry will be formed due to high research costs, further strengthening the situation of oligopoly.

3.2 Analysis of NetEase Cloud Music's Emotional Marketing

3.2.1. Emotional Marketing

Currently, the market share of NetEase Cloud Music in the market for online music is 20%, significantly less than that of TME, which is 73%. With the overwhelming role of TME in the market, the most possible and viable way for NetEase Cloud Music to maintain its competitiveness in the market is product differentiation. While the majority of the SaaS (Software-as-a-Service) of TME focuses on the improvements in sound quality, NetEase Cloud Music focuses on the construction of a sense of belonging and recognition in a specific group.[8] In this case, NetEase Cloud Music has succeeded in using emotional marketing to fully implement product differentiation.

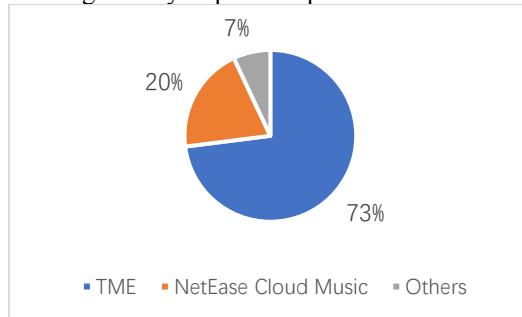


Fig. 3. Market share of Online Music Entertainment Market, 2020

Similar to its competitors, the majority of the revenue of NetEase Cloud Music comes from the fee charged on the premium and from advertisements. [10] Considering that premium is the only in-app purchase choice, it is hence more closely related to customers. Therefore, the partial goal of NetEase Cloud Music to use emotional marketing and increase customer stickiness may ultimately boost its revenue, in the way of pursuing more customers to purchase the premium unintentionally. This requires NetEase Cloud Music to correctly realize its position in the market, and more importantly,

use the correct way to influence its customers, making them feel that the application is worthwhile for them to invest in. Otherwise, customers may just discard the application and try to look for better alternatives at a lower cost.

3.2.2. Example 1 – The "NetEase Cloud Red" Metro

The most unique feature of NetEase Music is the comment area below every piece of music. The area is set for users to leave a comment, which is a form of creating UGC. Comments left by the user are then ranked in the descending order of the number of "likes" they get. Usually, the comments with the greatest number of "likes" talk about family, humanity, social changes, and other touching topics, and they are most likely to create a strong emotional resonance among people's hearts. In advertising, these high-quality UGCs are then used by NetEase in advertising. On March 20th, 2017, NetEase Cloud Music started an initiative with Hangzhou Metro, and cover the whole internal of the carriages of the metro in Hangzhou with 5000 comments with the greatest number of "like". The initiative turned out to be unsurprisingly effective in the propaganda for NetEase Cloud Music due to the large number of people traveling by metro. Consequently, many of those who had not known or not used NetEase Cloud Music before were attracted and eventually became its users.

3.2.3. Example 2 – Annual Reports

NetEase Cloud Music generates personal annual reports for its users, the report shows statistics about the total listening time, taste, and other private aspects of a user. By looking at the statistics, users tend to be reminded of the time they spent listening to the music. At the same time, when they look back at their memories during a whole year, they may also feel a strong feeling that they have spent a sum of time with the software. Thus, they are more likely to spend even more time on the software, since the implicit cost for them to discard NetEase Cloud Music will be relatively high in their opinion. Consequently, the customer's brand loyalty toward NetEase Cloud Music can be built.

4 Conclusion

This essay examines the domestic market structure of online music platforms, which turns out to be an oligopoly market led by several large companies, including TME, and NetEase Cloud Music. Facing the overwhelming market power of TME, the best strategy for NetEase Cloud Music tends to be market differentiation, which is done specifically via the usage of emotional marketing. The limit of the essay tends to be that the majority of sources of information comes from the Internet and further primary sources of information (such as surveys) should be involved.

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