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Premium Pricing Economics and SWOT Analysis of Cultural Markets

Yutong Xie

Room 1005, Block D, Zone 2, Runfu Phase II, China Resources CityYuehai Subdistrict, Nanshan District, Shenzhen City, Guangdong Province, China
xie15058599545@163.com

Abstract: The study aims at examining the concept of premium pricing and characteristics of supply and demand as well as behavior of the consumers of culture-based products in economics and business perspectives. Through the study of the different types of violins and concert tickets, it identifies the premium pricing rate in the market by comparison through SWOT analysis. It is found that rareness of supply and price inelasticity are the two key factors affecting the premium of culture-based goods while identity of the consumer, aesthetic preference and marketing strategies are instrumental in determining the premium pricing.

Keywords: Premium Pricing; Market Scarcity; SWOT Analysis; Cultural Consumption.

1. Introduction

1.1. Research Background

As a result of constant improvement in the level of spiritual and cultural consumption among residents, the classical music, cultural, and innovative industries have grown quickly [1]. Among the representative high-end cultural products, there exist different tiers in the violin market, ranging from practice violins, middle-tier produced-instrument violins, to high-end handmade vintage violins. At the same time, tickets for solo performances of famous violin artists always sell out, and considerable market premiums are observed for the second-hand tickets.

While the prices for normal industrial products are usually decided by the cost of production, market premiums beyond actual manufacturing and operation costs are common in artistic culture products [2]. Based on the author's personal experience in violin training, as well as mathematical statistics knowledge, consumer psychology, and marketing, the study will use the dual-case method in the combination of physical violin and violin recital products to study cultural commodity pricing and marketing strategies.

1.2. Research Significance

On the theoretical aspect, the research combines economic theory on supply and demand, price elasticity, consumer behavior, and SWOT analysis, addressing the limitation of a unidimensional approach to economic theory in understanding the premium pricing of cultural products [3]. In terms of practice, this study explains the market mechanism and unique marketing approaches of the classical music consumption sector, offering guidance to cultural businesses and event organizers. Moreover, the project highlights inter-disciplinary skills in economics, statistics, business management, and marketing, meeting the entry criteria of Economics, Economics and Statistics, and Business Management and Marketing programs offered in Hong Kong universities.

1.3. Research Questions

1. Can the SWOT marketing framework help analyze the operation and premium rationale in the violin instrument market and violin concert tickets?

2. What is the difference in price elasticity, supply-demand relationship, premiums, and other marketing aspects between physical art products and culture services?

2. Literature Review

2.1. Scarcity Theory

According to neoclassical economics, the price of goods at equilibrium is established through supply and demand within the market. One of the fundamental determinants of pricing is scarcity [4]. Goods whose supply is relatively inelastic have the ability to create lasting premiums in the market whenever the demand from consumers is high. Artistic goods have uniqueness and non-fungibility, making their supply relatively inelastic [5].

2.2. Price Elasticity of Cultural Consumption

Cultural and spiritual consumption is generally categorized as having low elasticity in demand. Consumers with high cultural identity have low elasticity of demand; they will be ready to pay higher prices in order to satisfy their aesthetic and spiritual needs [6]. The live performance industry can be categorized as an example of experiential consumption, which has a limited capacity and time slot for its supply [7].

2.3. Consumer Psychology in Art Consumption

The theory of conspicuous consumption developed by Veblen exemplifies the use of artworks as social markers and signs of taste [8]. Other psychological factors, such as affection, aesthetics, collecting, and speculation, also play an important role in making consumers accept premiums that defy normal economic logic based on cost theories [9].

2.4. SWOT Marketing Theory

SWOT is a basic marketing model that is employed to assess the strengths, weaknesses, opportunities, and threats for the target market. The model helps businesses to analyze competitive environments, improve pricing strategies, and develop promotional strategies in the market [10]. While SWOT analysis is extensively applied in the cultural and entertainment industries, there are limited academic analyses on how to utilize SWOT to compare products and services in the classical music industry [11].

2.5. Research Gap

The existing literature tends to focus on the price setting of artwork products through the economic or psychological angle, without including the comparison analysis in terms of marketing of tangible art products and intangible culture services [12]. The present study addresses this issue by adopting econometric calculations, psychology of consumer behavior, and SWOT analysis of marketing.

3. Methodology

3.1. Research Design

This research study adopts a methodology that involves dual case comparison through the choice of a tiered violin (materialized art object) and a violin concert ticket (service experience) [13]. The interdisciplinary approach will entail quantitative research analysis, theoretical reasoning, and SWOT marketing analysis.

3.2. Data Collection

Data for prices comes from websites where people buy instruments online, websites by music collectors, and websites selling concert tickets. Data for prices for all the observations come from the last two years only. Prices that seem abnormal and incorrect transactions are not included in the data collection.

3.3. Data Analysis Methods

Quantitative statistical approach: Apply the premium rate formula for determining the level of the market premium:

Premium Rate = (Market Price − Cost/Original Price) ÷ Cost/Original Price × 100%.

Comparative analysis approach: Analyze similarities and differences in terms of supply structure, demand features, price elasticity, and marketing aspects of both markets [14].

SWOT analysis approach: Perform a SWOT analysis to evaluate the internal strengths and weaknesses and external opportunities and threats of both markets.

4. Result

4.1. Supply and Demand Characteristics

In the case of violins, economy class and intermediate violins are mass-produced violins having elastic supply, whereas premium handmade violins and antique violins have fixed supply and perfectly inelastic supply. In the case of a violin recital, seating capacity is fixed; hence, inelastic supply exists for such concerts [14].

4.2. Quantitative Results

This section presents structured statistical data of commodity costs, market prices, and premium rates for dual cases [15].

Table 1. Tiered Cost, Market Price, and Premium Rate of Violin Products

Violin Tier	Production Cost (RMB)	Average Market Price (RMB)	Premium Rate
Entry-level practice violin	2000	15000	650.00%
Mid-range branded violin	15000	80000	433.33%
High-end handmade antique violin	50000	300000	500.00%

Table 2. Official and Secondary Market Prices of Violin Recital Tickets

Ticket Tier	Official Original Price (RMB)	Secondary Market Price (RMB)	Premium Rate
Standard grandstand ticket	1800	8000	344.44%
Front-row VIP ticket	2800	12000	328.57%

4.3. SWOT Analysis Results of Dual Markets

4.3.1. SWOT Analysis of Violin Instrument Market

Strengths: The products of the violin company have both practical use and collecting value, making them stand out from other consumer goods. Violins can be used as practical musical instruments by beginners for practicing skills and passing exams, whereas high-grade handmade and vintage violins can become alternative investments with stable value-retaining capabilities. From my experience with using violins and studying the industry, people who regularly use violins tend to develop strong loyalty to specific brands and willingness to buy again from them. This creates loyal user bases and valuable products that allow premium pricing and steady business success.

Weaknesses: The high-end violin industry has a very limited consumer base that consists of professional artists, members of institutional orchestras, and art collectors. In the meantime, low-end and mid-range produced violins have many competitors and face strong homogenization, meaning that most companies are concerned about the sound quality and design of the instrument. Moreover, unlike other modern music producers, most violin businesses are still relying on offline sales and oral advertising methods, which limits their marketing channel options.

Opportunities: In recent years, the popularization of quality-oriented art education has continuously expanded the number of violin learners, generating steady rigid demand for entry-level and mid-grade instruments. Furthermore, the overall upgrading of residents' cultural consumption has raised public awareness of art collection and asset allocation. Emerging online live streaming platforms, social media communities and e-commerce channels also offer new low-cost promotion methods for musical instrument merchants, helping brands break geographical restrictions and expand potential consumer groups.

Threats: The unstandardized secondary musical instrument market contains a large number of counterfeit and shoddy products, which disrupt formal market pricing mechanisms and damage consumer trust. Additionally, diverse recreational and artistic learning options, including piano, guitar and other performing arts activities, divert potential art consumption demand. Intense industry competition forces low-end violin brands to adopt price competition strategies, further compressing profit margins and limiting premium capabilities.

4.3.2. SWOT Analysis of Violin Recital Ticket Market

Advantages: Over the past few years, the growing acceptance of quality-oriented art education has steadily increased the number of violin students, thus providing steady rigid demand for starter violins and mid-range violins. Moreover, with the increasing cultural consumption levels among residents, more people are now aware of the need for art collections. New low-cost promotional tools provided by online live-streaming platforms, social media communities, and ecommerce are available to the music instrument retailers, allowing the brands to break the geographical barriers for reaching the consumers.

Disadvantages: Unlike physical goods that are scale-dependent, live performances are severely constrained by the limitations in terms of venues' sizes, performers time schedule, and other elements, hence making its supply perfectly inelastic and unscaleable. Most performers stick to traditional approaches to ticket selling; that is, they exclusively depend on official ticketing channels while ignoring marketing strategies. Furthermore, unauthorized ticket resale activities still go on in the secondary market.

Opportunities: With the resurgence of offline cultural consumption, offline performances have become popular in the marketplace, and there has been an increased participation among audiences for high-end classical music concerts. The speedy growth of social media marketing provides an easy way for recital promoters to promote the event before it takes place and to provide information about the artists and the program. In addition, cultural tourism can also offer exposure opportunities for high-end classical music recitals.

Challenges: With the help of online streaming of live concerts and recordings of performances in high definition, offline concerts have been replaced by inexpensive or free alternatives for some people. Moreover, regular supervision from relevant government policies is aimed at regulating the secondary market of tickets. The extremely high price of tickets and their premiums limit their accessibility to the public.

5. Analysis

5.1. Economic Logic of Premium Formation

The two kinds of cultural goods include a violin and tickets to recitals; both of them have low elasticity. Limited availability in the market is the key reason behind the high prices of the goods mentioned above [15]. Luxury violins have limited stock and investment demand. Concert tickets also have a short supply, resulting in temporary premiums.

5.2. Psychological Driving Factors

Factors affecting the violins include emotional satisfaction, collection preservation, and social identity. The concert audience needs immediate aesthetic satisfaction, emotional relaxation, and fan identity satisfaction. These psychological factors that have nothing to do with economics can enable cultural products to overcome economic constraints [16].

5.3. Marketing SWOT Interpretation

In terms of marketing, the premium concept is simply the outcome of value-based marketing. The violin sellers utilize the principles of product rarity and collectibility to adopt different pricing tiers. The recital organizers make use of their famous intellectual property and the principles of scarcity marketing to arouse consumer purchasing interest. However, both markets have the problems of monolithic promotion and disorganized second-hand market competition [17].

5.4. Comprehensive Dual-Case Comparison

Table 3. Multi-dimensional Comparison between the Violin Market and the Recital Ticket Market

Comparison Dimension	Violin Instrument Market	Violin Recital Ticket Market
Product Attribute	Physical durable goods, collectible, and circulable	Instant experiential service, non-storable, and one-time consumption
Supply Feature	Flexible supply for low-tier products, inelastic supply for high-tier products	Completely rigid short-term supply
Premium Cycle	Long-term stable premium with asset appreciation potential	Short-term speculative premium, zero residual value after consumption
Price Elasticity	Extremely inelastic for high-end consumers	Low elasticity for fan groups
Core Consumer Psychology	Emotional attachment, collection value, social identity	Aesthetic experience, emotional relief, fan worship, and speculation
Core Marketing Focus	Craft scarcity, brand value, and tiered pricing	Celebrity IP, scene experience, and limited scarcity promotion

6. Limitation

Data limitation is one of the major limitation. The majority of data originates from quotations in the public market, and private transactions are not accessible, resulting in minimal deviation in calculation [18]. Scope limitation secondly. This paper only concentrates on the cultural products of violins and thus has a limited scope. Methodology limitation thirdly. This study only uses basic statistical and marketing analyses without econometrics or questionnaires [19].

7. Recommendation

7.1. Industrial Marketing Recommendations

The seller of violins should differentiate by stressing the significance of collecting violins when selling high-end violins and stressing the need to be cost-efficient when selling low-end violins. Recital management must ensure consistency in the ticketing process and prevent scalping through social media marketing strategies [20].

7.2. Future Research Recommendations

More studies can also be conducted with larger samples, the use of surveys and questionnaires, the application of marketing principles such as 4Ps, and the examination of different types of cultural products [21].

7.3. Consumer Recommendations

The consumer should also develop a sensible perspective towards consumption, avoid buying impulsively based on fan psychology and speculations, and focus on the aesthetic and functional aspects of art products [22].

8. Conclusion

In this research, a comparison is made between the premium strategy of physical violin products and violin recital experiential services by applying supply-demand theory, price elasticity, consumer behavior, and the SWOT marketing model from an economic perspective. This paper shows that the scarcity of supply is the basic economic force driving the premium of artistic products, while consumer needs and marketing play a significant supportive role.

There are distinct differences between physical artistic products and experiential cultural services in terms of supply flexibility, premium durability, price elasticity, and marketing logic. The physical violin products have sustained premium potential due to their collectible assets; on the other hand, live recital tickets can only produce transient premiums based on experiences. From the SWOT analysis, I discovered that competition and premium potential are greatly affected by product internal strength and the industry environment externally.

The interdisciplinary study helps me build analytical skills, critical thinking, and business marketing insight. It also integrates my academic passion for economics, statistics, business administration, and marketing [23].

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