

Function Mechanism of Brand in the Pricing of Artworks

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Keywords: Function Mechanism, Brand, Pricing, Artworks

Abstract: Brand is an important part of the whole concept of artwork and one of the key factors to be considered in the pricing of artwork. On the basis of summarizing the brand factors in the pricing process of general products, the function mechanism model of brand in general product pricing was established. On this basis, combined with the characteristics of art brands and works of art, the function mechanism model of brand in general art products pricing was designed. Finally, the influential factors in the mechanism model of brand pricing are systematically analyzed and summarized.

1. Brand in general product pricing process

The word "brand" derives from the word "brandr" of the ancient Norway, which means that the brand is left in the minds of consumers [1]. Generally, a brand is defined as the sum of intangible values such as product attributes, names, packaging, prices, historical reputation, advertising methods, etc [2].

Brand is an important part of a product. Philip Kotler, the leading authority of modern marketing, extends the product concept from three levels to four levels (core product, tangible product, additional product and psychological product). The fourth level of psychological product refers to the psychological satisfaction that product brand and image provide to customers [3]. According to Maslow's hierarchy of needs theory, consumers' pursuit of brands is actually to meet their own high-level needs, including respect for needs and self-fulfillment needs [4].

Brand is an important factor of product pricing. On the one hand, enterprises use their own brand value to formulate product pricing strategies; on the other hand, one of the important objectives of enterprise pricing activities is to maintain brand image [5].

There are generally six steps for an enterprise to set a product price (determining the target market, understanding the price elasticity of demand, calculating product costs, analyzing competitive product prices, selecting pricing methods, and determining prices). Brand is an important factor to be considered at all stages of the process.

The role of brand in product pricing process is defined as "brand environmental assessment", which includes two parts: internal environmental assessment and external environmental assessment. Brand internal environment assessment includes the evaluation of brand asset value, brand operating cost and brand resource conditions. Brand external environment assessment includes the evaluation of brand market size, market structure, demand price elasticity and competitive brand price. Based on the results of brand environment assessment, the appropriate pricing method is selected, and the price is formulated and changed on this basis.

2. The mechanism model of brand in the pricing of artworks

Based on the mechanism model of brand in the pricing of general products, combining the characteristics of artworks and art brands, the mechanism model of brand in the pricing of artworks is

constructed, as shown in Figure 1.

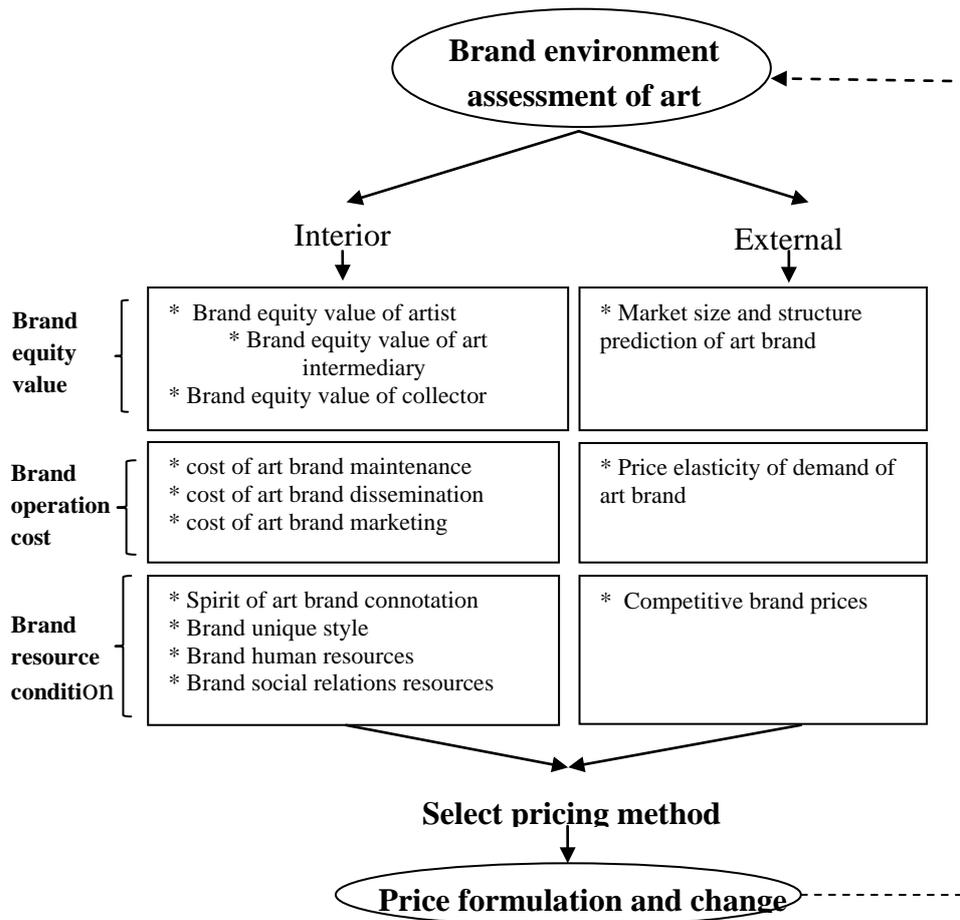


Figure 1. The function mechanism of brand in the pricing of artworks

The internal factors of art brand environmental assessment include the value of art brand assets (artist brand assets, art intermediary brand assets, collector brand assets), art brand operating costs (art brand maintenance costs, art brand communication costs, art brand marketing costs), Art Brand Resource Conditions (Art Brand Connotation Spirit, Brand Uniqueness Style, Brand Human Resources, Brand Social Relations Resources). The external factors of art brand environment assessment include the prediction of art brand market scale and structure, price elasticity of art brand demand and competitive brand analysis.

3. Art brand factors in the "brand - pricing" model

Good art brand reputation is an important condition to improve the added value of artworks to attract consumers [6]. A good art brand can undoubtedly provide consumers with better brand equity, that is, better consumption experience, lower search cost and purchase risk.

Art brand consists of brand reputation (quality, service, popularity, daily maintenance of customer relationship) [7], brand personality quality (relatively unique style), national spirit and cultural charm [8], labels and decoration [9]. According to the depth of the connotation of the brand, the connotation of the brand is divided into the surface connotation of the artwork brand and the deep connotation of the artwork brand. The surface connotation includes the name, logo, trademark and decoration of the artwork brand, and the deep connotation includes the unique style, reputation, national spirit and cultural charm of the artwork brand.

3.1 Internal environmental factors

- (1) Asset value of art brand

Artist brand, art intermediary brand and collector brand can add value to the art brand. Obviously, the width of the artwork brand determines that the value of the artwork brand assets is richer than that of the general products.

The value of a artist's brand assets is determined by the artist's social reputation, living conditions, the number of works in existence and other factors. Generally speaking, the higher the artist's social prestige and the fewer his works, the higher the value of the artist's brand assets. In addition, the value of the brand assets of a artist who has passed away is relatively high.

The value of art intermediary brand assets refers to the value of the brand assets of the organization or individual who deal with the artworks when these art works enters the market exchange, including the total value of brand assets of auction companies, galleries, museums, exhibition halls, art brokers, art agents and art trustees. The value of art intermediary brand assets is directly proportional to the popularity of art intermediary brands, such as Sotheby's and Christie's in auction industry.

The value of collector's brand assets is determined by the collector's social prestige. The collector's art criticism and art purchase behavior can affect the value of art brand assets.

(2) Operation cost of art brand

Brand operation cost is an important part of product cost, which accounts for a very high proportion in such spiritual products as art product. The cost of brand operation mainly includes the cost of maintaining and renewing the art brand, the cost of spreading the art brand and the cost of marketing the art brand.

The cost of maintenance and renewal of artwork brand includes the cost of strengthening the brand status and reputation of the art enterprise (the cost of dealing with the crisis of the artwork brand and maintaining the traditional artwork brand), and the cost of internal product innovation and quality management (the cost of management innovation, image renewal, positioning correction, technological revolution, etc) [10].

The cost of art brand communication mainly includes the cost of publicity (exhibition, individual art exhibition, group exhibition, joint exhibition), public relations (network media, magazines, television, newspapers, radio), business activities (travel expenses, staff services, communications costs, office space costs) [11] and so on.

(3) Resource conditions of art brand

The resource conditions of the art brand refer to the resources that the art enterprises have which can be used to plan, implement and control the brand strategy, including the connotation and spirit of the art brand, the unique style of the art brand, the human resources of the art brand, and the social relations resources of the art brand.

The connotative spirit of art brand refers to the cultural spiritual orientation contained in the art brand, including the humanistic value, historical value, leading value and symbolic value in the art brand.

The unique style of a work of art brand refers to the style and characteristics of a work of art brand, including artistic expression, artistic theme, artistic packaging, and artistic services.

The human resource of art brand is the human resource that serves the art brand, including artists, art planners, art marketing personnel, art brokers and so on.

The social relationship resources of art brand mainly refer to the relationship between art brand and social groups, including the relationship between art brand and government, news media, authoritative collectors, authoritative critics, art investors, art consumer groups and so on.

3.2 External environmental factors

(1) Market size and structure prediction of art brand

The overall size of the art brand target market refers to the market's prediction of the demand for art brand., which mainly includes the analysis of high net worth groups (in China, high net worth groups refer to individuals with a net asset value of more than 6 million RMB), M1 and M2 (real and potential purchasing power), real estate and bond markets. (Real estate and bond market downturn will allow high net worth crowd to enter the art market) and so on.

The market structure of artwork brand mainly refers to the structural characteristics of the product

category, consumption area and consumption group of the artwork brand. For different types of art brands, their market structure will also be different. For example, to study the market structure of artist brand is mainly to study the market structure of consumer groups and regions, while to study the market structure of art intermediary brand is also necessary to study the structure of product categories.

(2) Price elasticity of art brand demand

Demand price elasticity is used to indicate the extent to which the relative change in demand of a commodity responds to the relative change in price of that commodity over a period of time [12]. Enterprises usually adjust product pricing according to demand elasticity to ensure total sales revenue.

The uniqueness of art brand is the main factor that affects the price elasticity of art brand demand. Generally speaking, the price elasticity of art brand demand is directly proportional to the substitutability of the brand. According to this principle, the substitutability of low-end artwork brand, middle-end artwork brand and high-end artwork brand is respectively strong, medium and weak.

(3) Brand analysis of art competition

Competitive brand analysis of artworks refers to the comparative analysis of the pricing of works by profit-oriented art intermediaries (auction houses, galleries, concerts, etc.) for the same period, the same subject matter, similar social prestige artists and art groups. The analysis of competitive brand price of artworks has a certain market reference value for the pricing of artwork brands, which can make the pricing more in line with market conditions.

Competitive brand analysis of artworks mainly considers two competing prices analysis. Firstly, taking the artist brand price as the object of competition analysis, the pricing of artist brand works with comparable social prestige is analyzed. Secondly, taking the competitive brand of art intermediaries (auction, galleries) as the object, the prices of works of art with similar themes, sizes and social influence in the same period are analyzed.

4. Conclusion

(1) This paper systematically summarized the role of brand factors in the pricing process of general products, and on this basis, established the mechanism model of brand in the pricing process of general products.

(2) Based on the mechanism model of brand in the pricing of general products, combined with the characteristics of art brands and works of art, considering the wide influence of contemporary art brands on related industries, this paper designs the mechanism model of brand in the pricing of general art products.

(3) In order to enhance the practicability of the mechanism model of brand pricing for artworks, this paper gives a precise definition of the influencing factors involved in the model, and systematically explains the application of related concepts.

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