



A STUDY ON THE APPLICABILITY OF PWYW PRICING MECHANISM BASED ON SWOT ANALYSIS IN CHINA

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ABSTRACT : *The study of PWYW pricing mechanism is of great significance for consumers, businesses, and social welfare undertakings. It helps to explore new business models and marketing strategies, promote the development of economic theory, and improve the efficiency and transparency of social welfare undertakings. Based on this, this study adopts the SWOT matrix analysis from a macro perspective to explore the application of PWYW pricing mechanism in China. The aim is to provide reference for businesses to develop their own pricing strategies and risk management plans, and to demonstrate the future potential of this pricing mechanism to readers.*

Keywords: *pricing mechanism, pay-what-you-want, strengths, weaknesses, opportunities, threats*

INTRODUCTION

In recent years, with the rapid development of the digital economy and continuous innovation of internet technology, the PWYW (Pay What You Want) pricing mechanism has been increasingly applied by more and more businesses and organizations in digital products, cultural and creative industries, and service industries^[1]. The PWYW pricing mechanism allows consumers to independently determine the price they pay, which can not only meet consumers' personalized needs but also enhance the market competitiveness of businesses^[2]. In foreign markets, the PWYW pricing mechanism has been widely applied and achieved certain success. However, in the Chinese market, the applicability of PWYW pricing mechanism still remains a controversial issue due to different factors such as consumer behavior, cultural background, and legal regulations.

As a non-traditional pricing method, the PWYW pricing mechanism is of great significance to consumer decision-making, business operations, and the promotion of social welfare undertakings. At the same time, the PWYW pricing mechanism challenges traditional economic theory. Studying the PWYW pricing mechanism can promote the innovation and development of economic theory and help better understand the operation mechanism of the market. In order to explore the applicability of the PWYW pricing mechanism in the Chinese market, this paper will adopt the SWOT analysis method to evaluate this pricing mechanism. SWOT analysis is a common strategic management tool that can help businesses and researchers systematically analyze their strengths, weaknesses, opportunities, and threats. In this paper, we will combine the definition, characteristics, and application areas of the PWYW pricing mechanism to conduct an in-depth analysis of its SWOT factors in the Chinese market, in order to provide targeted suggestions and measures to promote the effective implementation of this pricing mechanism in the Chinese market.

The structure of this paper is as follows: First, we will introduce the definition, characteristics, and application areas of PWYW pricing mechanism, as well as the current situation and issues in the Chinese market. Then, we will use SWOT analysis method to evaluate the strengths, weaknesses, opportunities, and

threats of PWYW pricing mechanism in the Chinese market, and summarize the applicability and limitations of this pricing mechanism in the Chinese market. Finally, based on the results of SWOT analysis, we will propose implementation recommendations and measures for PWYW pricing mechanism in the Chinese market, as well as future research directions and prospects.

RESEARCH BACKGROUND AND CURRENT SITUATION

2.1 Introduction of PWYW pricing mechanism

PWYW (Pay What You Want) pricing mechanism is a non-traditional pricing strategy that allows consumers to independently decide the price they want to pay for goods or services. The core idea is to give decision-making power to consumers, allowing them to independently determine the price based on their needs, evaluation, and payment ability^[3]. Compared with traditional pricing mechanisms, PWYW pricing mechanism can better reflect the dominant position of consumers, improve the satisfaction and value of goods or services, and also increase the market competitiveness and brand awareness of enterprises.

The characteristics of the PWYW pricing mechanism include: First, it emphasizes consumer initiative. Under this mechanism, consumers have greater autonomy in deciding the price of goods or services, and can independently determine the price based on their own needs, evaluation, and payment ability. Second, it emphasizes quality and trust. The price consumers pay for goods or services is proportional to the value they receive, and the evaluation and payment behavior of consumers also affect the quality of goods or services and the credibility of the enterprise. Third, it emphasizes market dynamics. The PWYW pricing mechanism can adjust prices flexibly at different time periods and among different groups, which can better adapt to market changes and the diversity of consumer needs.

2.2 Application areas of PWYW pricing mechanism

The PWYW pricing mechanism has a wide range of applications in digital products, cultural and creative industries, and services. In the digital product field, such as music, e-books, software, etc., the PWYW pricing mechanism can help consumers better evaluate the value and quality of products, while also encouraging consumers to pay reasonably^[4]. In the field of cultural and creative industries, such as museums, art exhibitions, performances, etc., the PWYW pricing mechanism can help cultural institutions better meet consumer needs and increase participation. In the service industry, such as catering, tourism, and medical care, the PWYW pricing mechanism can help service providers improve service quality and satisfaction, and increase consumer loyalty.

2.3 The Current Situation and Issues of PWYW Pricing Mechanism in the Chinese Market

Although the PWYW pricing mechanism has been applied to some extent in the Chinese market, there are still some issues. Firstly, consumer payment behavior is unstable. Due to cultural background, consumption concepts, and trust factors, some consumers are skeptical of the PWYW pricing mechanism or engage in malicious payment behavior, which poses risks and challenges for businesses and cultural institutions. Secondly, there is a lack of reasonable pricing strategies. Under the PWYW pricing mechanism, businesses and cultural institutions need to develop reasonable pricing strategies based on different products, services, and market environments to avoid excessively high or low prices that may affect consumer purchasing behavior and business profitability. Thirdly, there is a lack of an effective evaluation mechanism. Under the PWYW pricing mechanism, consumer evaluation behavior has a direct impact on the quality and reputation of businesses and cultural institutions, thus requiring the establishment of an effective evaluation mechanism that accurately

reflects the quality and value of products and services.

Overall, the PWYW pricing mechanism has broad prospects and challenges in the Chinese market. In fields such as digital products, cultural and creative industries, and services, this pricing mechanism is expected to further increase consumer participation and satisfaction, while also contributing to brand building and market competitiveness of businesses and cultural institutions. However, in the practical application process, it is necessary to overcome issues such as unstable consumer payment behavior, a lack of reasonable pricing strategies, and evaluation mechanisms, and establish a virtuous PWYW pricing ecosystem. Therefore, studying the applicability of the PWYW pricing mechanism in the Chinese market has important theoretical and practical significance.

SWOT Analysis

The Pay-What-You-Want (PWYW) pricing mechanism has broad application prospects and challenges in the Chinese market. In the following, we use SWOT analysis to evaluate the strengths, weaknesses, opportunities, and threats of PWYW pricing mechanism in the Chinese market.

3.1 Analysis of the strengths of the PWYW pricing mechanism

Flexibility: This is mainly reflected in meeting the personalized needs of consumers. PWYW pricing mechanism provides consumers with greater flexibility, allowing them to make autonomous decisions based on their personal economic situation and value assessment of the product. This pricing mechanism allows customers to choose the amount they pay within a reasonable range, which is usually more attractive than a fixed price. It meets the personalized needs of consumers, improves their satisfaction and loyalty.

Establishing good customer relationships: PWYW pricing mechanism helps establish a closer relationship with consumers. Consumers can express their recognition of the brand and product by paying what they consider reasonable, thereby building a more trusting customer relationship. At the same time, it enhances the consumer's sense of participation, making them participants and decision-makers in pricing, and enhancing their sense of participation and autonomy, improving the consumer experience and brand identity.

Exploring price sensitivity: PWYW pricing mechanism can help companies explore consumer price sensitivity and understand the consumer's actual perception of the product's value. This can help companies price their products better to attract more consumers.

Marketing effects: PWYW pricing mechanism usually attracts consumers' attention, thereby increasing brand exposure. It can become part of the brand marketing strategy, thereby gaining higher recognition and better reputation in the market. Consumer payment behavior and evaluation directly impact the revenue and reputation of enterprises or cultural institutions, prompting them to continuously improve the quality and value of their products or services.

Social benefits: PWYW pricing mechanism can also generate positive social benefits, as it provides an opportunity for consumers to choose the amount they give autonomously and can make them feel that they have participated in a public welfare cause. This may make consumers more willing to support companies with stronger social responsibility.

In conclusion, PWYW pricing mechanism can provide multiple advantages for enterprises, thereby achieving greater success in the market.

3.2 Analysis of the Disadvantages of PWYW Pricing Mechanism

Unstable revenue: PWYW pricing mechanism may lead to unstable revenue for businesses. Since consumers can freely choose the payment amount, the business may receive less income than expected. This may affect the financial situation of the business and thus impact its operations.

Difficulty in setting prices: Due to the fact that consumers can choose the amount they pay, the PWYW pricing mechanism lacks pricing standards. Consumers setting their own prices can easily result in overpricing or underpricing, making it difficult to establish reasonable pricing standards. This may result in uncertain profit margins for the business, making it difficult to determine costs and benefits.

Controversy over the value of payment: PWYW pricing mechanism may trigger disputes among consumers over the value of products or services. Since everyone perceives the value of products or services differently, some consumers may think that the product or service is not worth the amount they are paying, which may cause dissatisfaction and complaints.

Market performance issues: PWYW pricing mechanism may lead to questions about the business's performance in the market. Some consumers may see this pricing mechanism as a sign of the business's lack of confidence or inability to determine the true value of its products or services. This may affect consumer trust and loyalty towards the business.

Possibility of abuse: The PWYW pricing mechanism may be abused by some consumers who may choose to pay lower amounts instead of paying according to the true value of the product or service. This may cause losses to the business.

In summary, although the PWYW pricing mechanism has some advantages, it also has some disadvantages. Businesses need to carefully weigh its pros and cons when using this pricing mechanism, and decide whether it is suitable for their business model and market positioning.

3.3 Opportunity analysis of PWYW pricing mechanism

Increase market share: The PWYW pricing mechanism can attract more consumers because it can provide a more flexible and autonomous shopping experience. This may increase the company's market share and help the company gain more business in a competitive market.

Build brand loyalty: The PWYW pricing mechanism can help companies build better brand loyalty. Consumers will feel they have a better shopping experience and establish a closer connection with the company, which may make them long-term loyal fans of the brand.

Explore new markets: The PWYW pricing mechanism can help companies explore new markets and customer groups. Since the PWYW pricing mechanism can attract more consumers, this may give companies more opportunities to reach new customer groups and expand their business.

Increase social responsibility: The PWYW pricing mechanism can allow companies to better demonstrate their social responsibility. Consumers typically view this pricing mechanism as a more fair and transparent way of shopping and are willing to support more socially responsible companies.

Improve customer relationships: The PWYW pricing mechanism can help companies improve customer relationships because it can provide a better shopping experience and build more trust and loyalty in customer relationships. This may make consumers more willing to recommend the company to their friends and family.

In conclusion, the PWYW pricing mechanism has multiple opportunities in today's business environment. Companies can carefully weigh these opportunities, decide whether to adopt the PWYW pricing mechanism, and how to apply it in their business.

3.4 Threat Analysis of PWYW Pricing Mechanism

Risk of Decreased Revenue: Due to the fact that consumers can choose to pay any amount, the PWYW pricing mechanism may lead to a decrease in a company's revenue. If consumers generally choose to pay lower amounts, the company may face the risk of insufficient revenue.

Uncertainty in Profit Margin: The PWYW pricing mechanism may make it difficult for a company to determine its profit margin. Since consumers can choose to pay any amount, the company may have difficulty determining its costs and benefits, making it difficult to determine its profit margin.

Quality Control Issues: The PWYW pricing mechanism may present challenges for a company in terms of quality control. If consumers can choose to pay any amount, they may believe that the quality of the product or service is proportional to the amount they pay. This may make it difficult for the company to ensure the quality of its products or services.

Brand Image Damage: The PWYW pricing mechanism may affect a company's brand image. If consumers generally choose to pay lower amounts, this may be seen as a lack of trust in the company's quality and value, thereby affecting the company's brand image.

Financial Instability: The PWYW pricing mechanism may cause a company's financial situation to become unstable. Since consumers can choose to pay any amount, the company may not be able to determine its income and expenses, making it difficult to ensure its financial stability.

In conclusion, the PWYW pricing mechanism may face multiple threats. When deciding whether to adopt the PWYW pricing mechanism, companies need to carefully consider these threats and ensure that they have strategies and capabilities in place to address them.

CONCLUSION AND DISCUSSION

Based on the results of the SWOT analysis and the actual situation of the PWYW pricing mechanism in the Chinese market, the following implementation suggestions and measures are proposed:

Strengthen marketing and publicity. Enterprises or cultural institutions should strengthen the promotion and marketing of the PWYW pricing mechanism, improve consumer awareness and trust, and increase consumer willingness to participate and pay.

Establish reasonable pricing standards. Enterprises or cultural institutions should establish reasonable pricing standards based on the actual situation of their products or services to ensure the feasibility and sustainability of this pricing mechanism.

Strengthen payment security and risk management. Enterprises or cultural institutions should establish a sound payment system and risk management mechanism to ensure consumer payment security and reduce the risks faced by enterprises or cultural institutions.

Continuously improve product or service quality and innovation capabilities. Enterprises or cultural institutions should continuously improve the quality and innovation capabilities of their products or services to increase market share and consumer satisfaction.

Through the SWOT analysis of the PWYW pricing mechanism in the Chinese market, it can be seen that the PWYW pricing mechanism has certain advantages and opportunities in the Chinese market, such as meeting personalized consumer demands, enhancing consumer participation, and improving product or service quality. However, there are also some disadvantages and threats, such as a lack of pricing standards, unstable payment behavior, and difficulty in applying to all industries. Therefore, when adopting the PWYW pricing mechanism, companies or cultural institutions should combine their own situation and market environment, comprehensively

evaluate strengths, weaknesses, opportunities, and threats, and develop pricing strategies and risk management plans that are suitable for themselves. The SWOT analysis of the PWYW pricing mechanism in the Chinese market also provides direction and prospects for future research and exploration. In the future, research and exploration can be conducted in the following directions:

Study the applicability and limitations of PWYW pricing mechanisms in different industries. Products or services in different industries have different characteristics and market environments, so research and exploration should be conducted for different industries.

Study the relationship between PWYW pricing mechanisms and consumer behavior. Consumer behavior and decision-making have an important impact on the implementation and effectiveness of PWYW pricing mechanisms, and research should be conducted on the impact of consumer behavior and decision-making on this pricing mechanism.

Study the impact of PWYW pricing mechanisms on the economic and social benefits of companies or cultural institutions. This pricing mechanism not only affects the economic benefits of companies or cultural institutions but also has an important impact on social benefits, and in-depth research is needed.

Explore the combined application of PWYW pricing mechanisms with other pricing mechanisms. PWYW pricing mechanisms can be combined with other pricing mechanisms, such as discount pricing, bundled sales, etc., to further improve the effectiveness and feasibility of this pricing mechanism.

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