

# THE BUSINESS OF ART

ARTIST BUSINESS MODELS - SNAPSHOTS

2019

# The Beginner Artist's Dilemma

## From „You-are-the-Greatest-Artist“ Fan Club ...

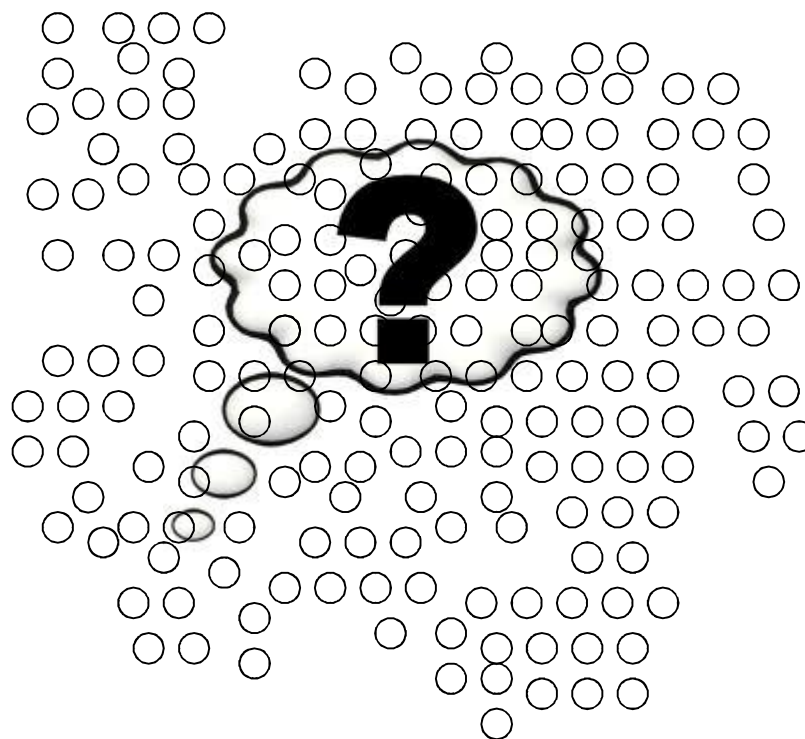


... - except, well ... - ...

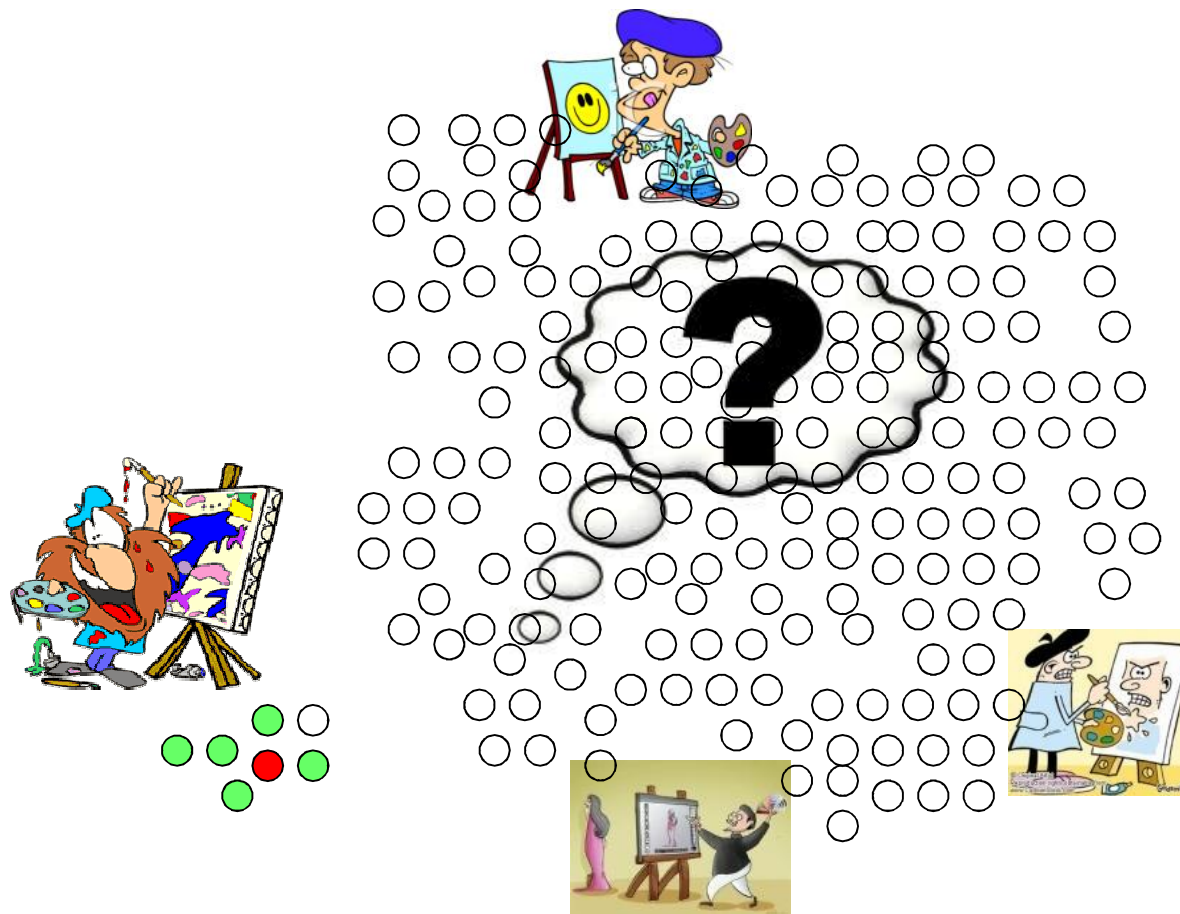




## ... to Broadening Your Audience ...



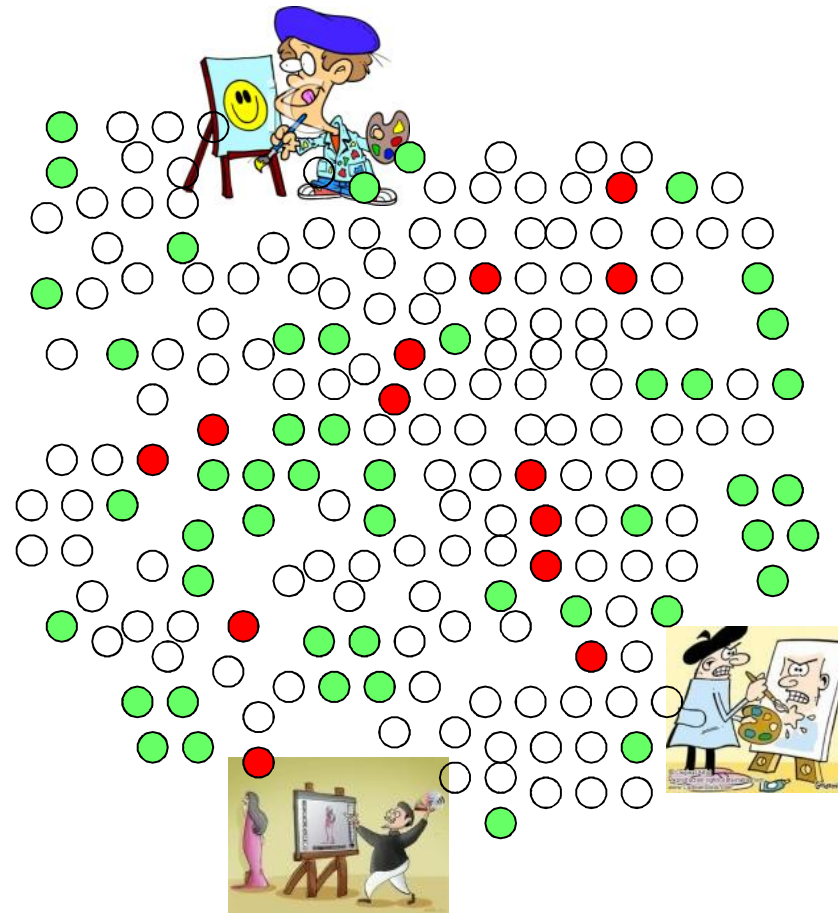
## ... Acting in a World full of Geniuses ...



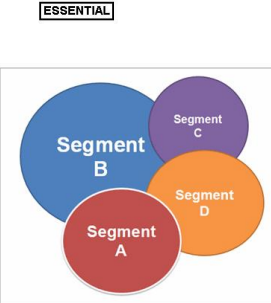
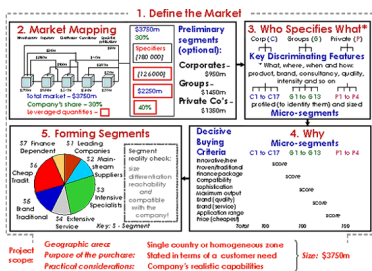
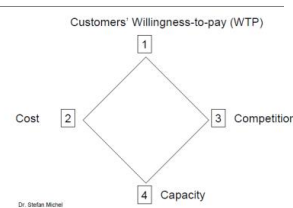
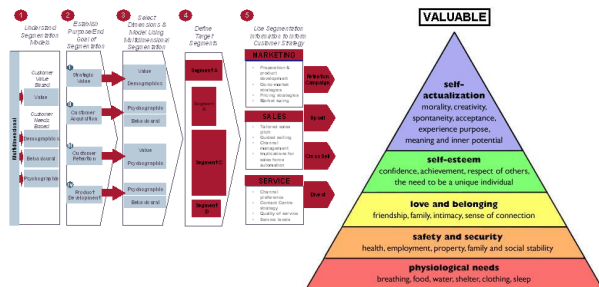
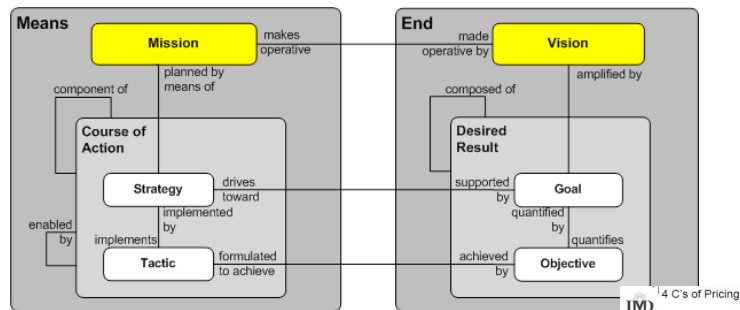
## Going for the Green Dots!

*"One is not born a genius, one  
becomes a genius"*

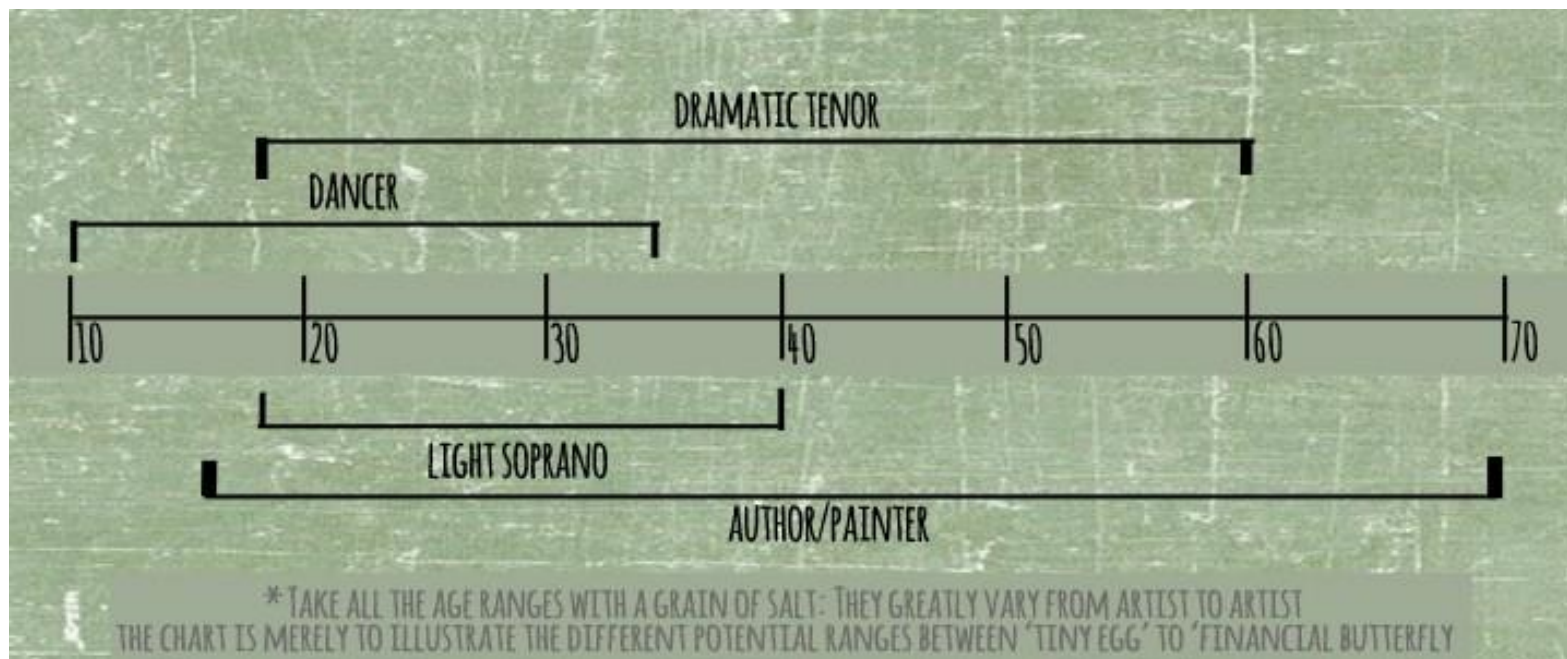
Simone de Beauvoir



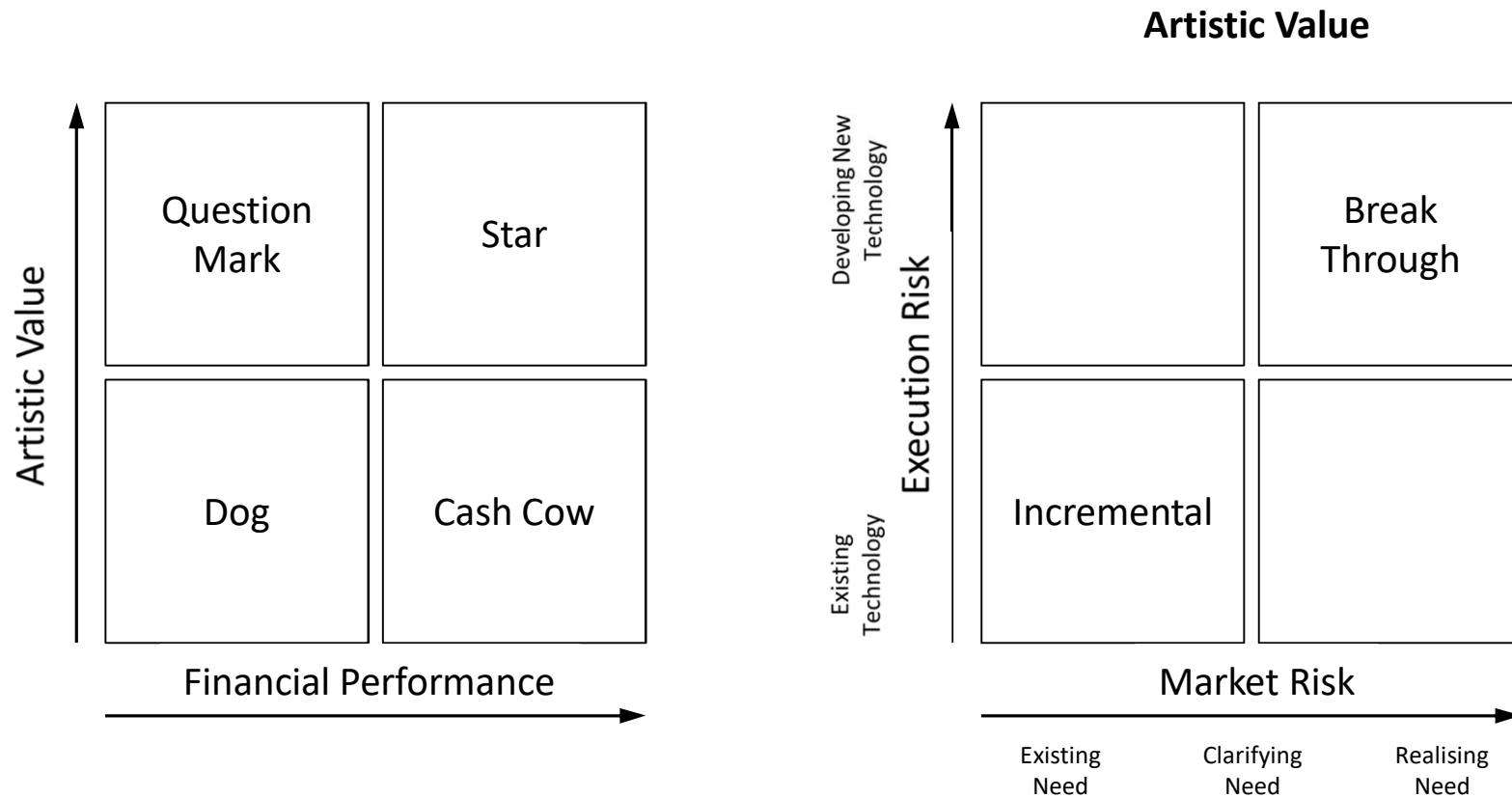
# How about a Plan, a Strategy, a Pricing Concept ...



## An Artist's Life along Time



# Strategic Positioning



## The Business of Art – Art Business



***“Business art is the step that comes after art...”***

*I started as a commercial artist, and I want to finish as a business artist.*

*During the hippie era people put down the idea of business. They’d say “money is bad” and “working is bad” ...*

***But making money is art, and working is art - and good business is the best art.”***

Andy Warhol, Artist

# A Renaissance Painter Business Model



## A 16th Century Artist Complaint ...

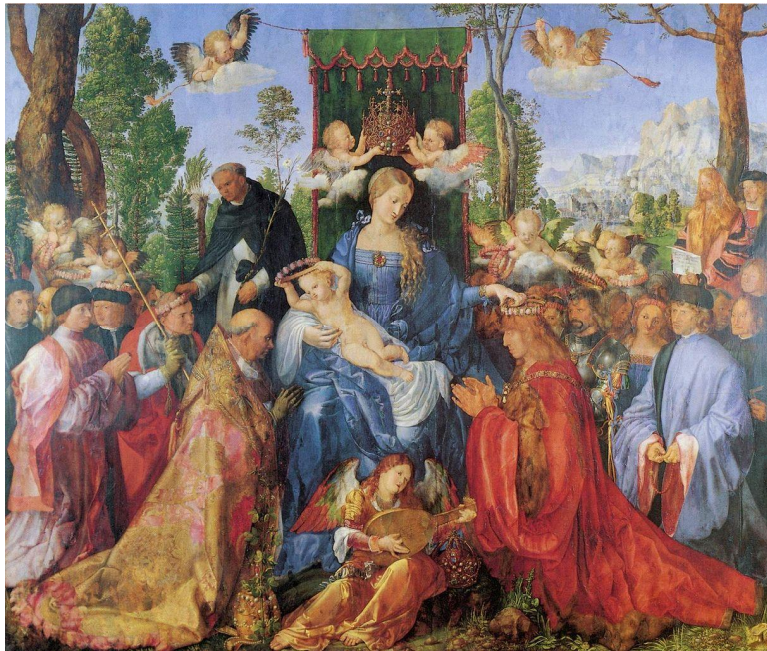


*"I shall stick to my engraving, ...*

*... and if I had done so before, I should today be a richer man."*



## ... and Another One ...



Madonna of the Rose Garlands, 1506

*“My picture ... is well finished and finely coloured [but] I have got ... little profit by it.*

*I could easily have earned 200 ducats in the time ...”*

## ... and his Pricing Clusters

- **You Can't Turn Down Kings: 30 fl**
  - Drawing + Oil Painting
- **Good Oil Painting: 10 fl**
  - ... but „slaving away for weeks over a panel..“
  - Porpoise-bristle brush (0.2 fl)
  - Grounding the colours (1fl)
  - 1 ounce of good ultramarine (12fl)
  - ... and only a few could see it
- **Prints: 0.25fl – 1fl**
  - Size ¼ sheet – 1 sheet



*“A wonderful artist  
should charge highly  
for his art. No money is  
too much”*

## The Albrecht Dürer Ges.m.b.H



- Independence
- Business Trips
- Marketing and Distribution
  - AIDA
  - Pricing
  - Sales Force
  - Logistics
- Production
  - Own printing press
- Branding
  - Monogram even on the smallest, roughest sketches
- Copyright



## When Copyright had Yet to Be Invented ...



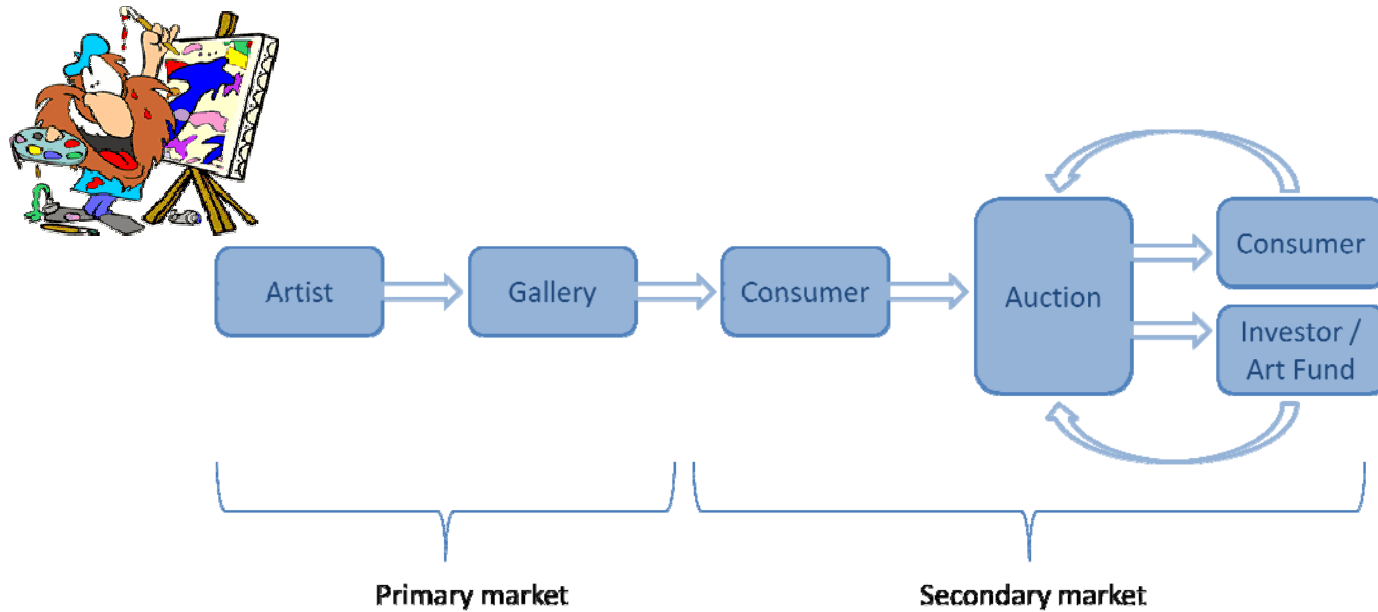
Melencolia I, 1514

*"Albrecht Dürer of Nuremberg, had done this, gemacht, with his genius and effort ..."*

- Dürer twice went to court to defend his sole use of his trade mark, in Nuremberg and in Venice, ...
  - ... and twice won the case
  - The guilty parties were made to remove his monogram from their prints
  - Merely copying "AD", however, was not adjudged a crime: The **crime** was **to sell the fake print as an original**
  - Ever since false monogrammed prints "after Dürer" kept appearing, confusing collectors to this day
- Another trade mark are Dürer's lines of commentary on the sketches
- Further, he gave finished engravings elaborate marble tablets explaining subject and purpose

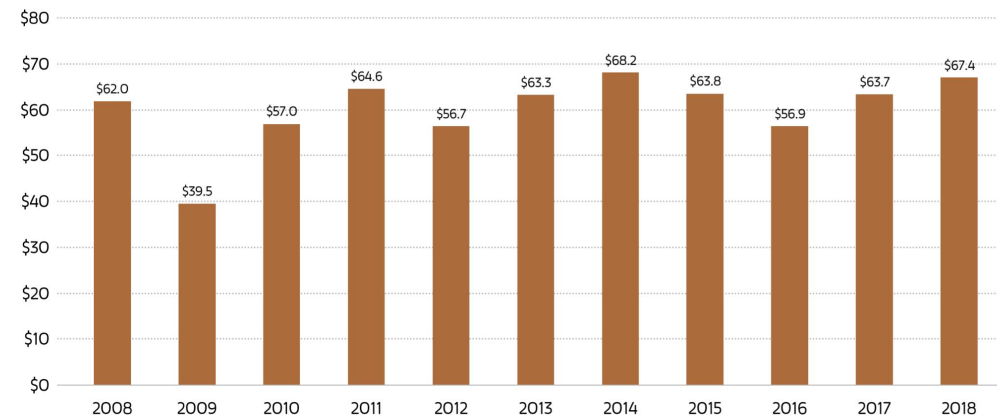
## Observations on Pricing

# Arts Markets



# Sales in the Global Art Market 2008–2018

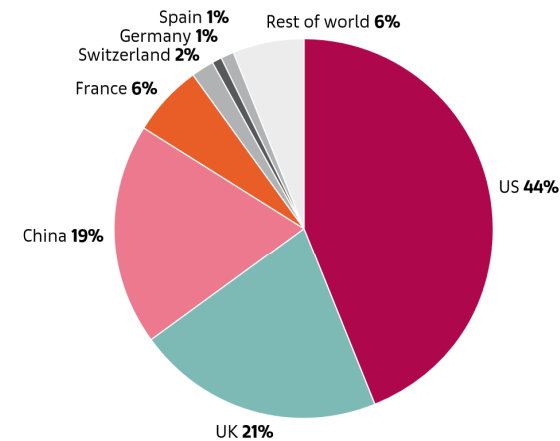
Billion \$



© Arts Economics (2019)

Year	Value (\$m)	Volume (m)
2008	\$62,020	43.7
2009	\$39,511	31.0
2010	\$57,025	35.1
2011	\$64,550	36.8
2012	\$56,698	35.5
2013	\$63,287	36.5
2014	\$68,237	38.8
2015	\$63,751	38.1
2016	\$56,948	36.1
2017	\$63,683	39.0
2018	\$67,380	39.8
Growth 2017–2018	6%	2%
Growth 2008–2018	9%	–9%

© Arts Economics (2019)



© Arts Economics (2019)



## Salvator Mundi / November 2017



## Banksy / October 2018

БИЗНЕС / ИСКУССТВО 26.12.2018 11:47  
Что продажа картины Бэнкси «Девочка с воздушным шаром» говорит о разнице между ценой и стоимостью

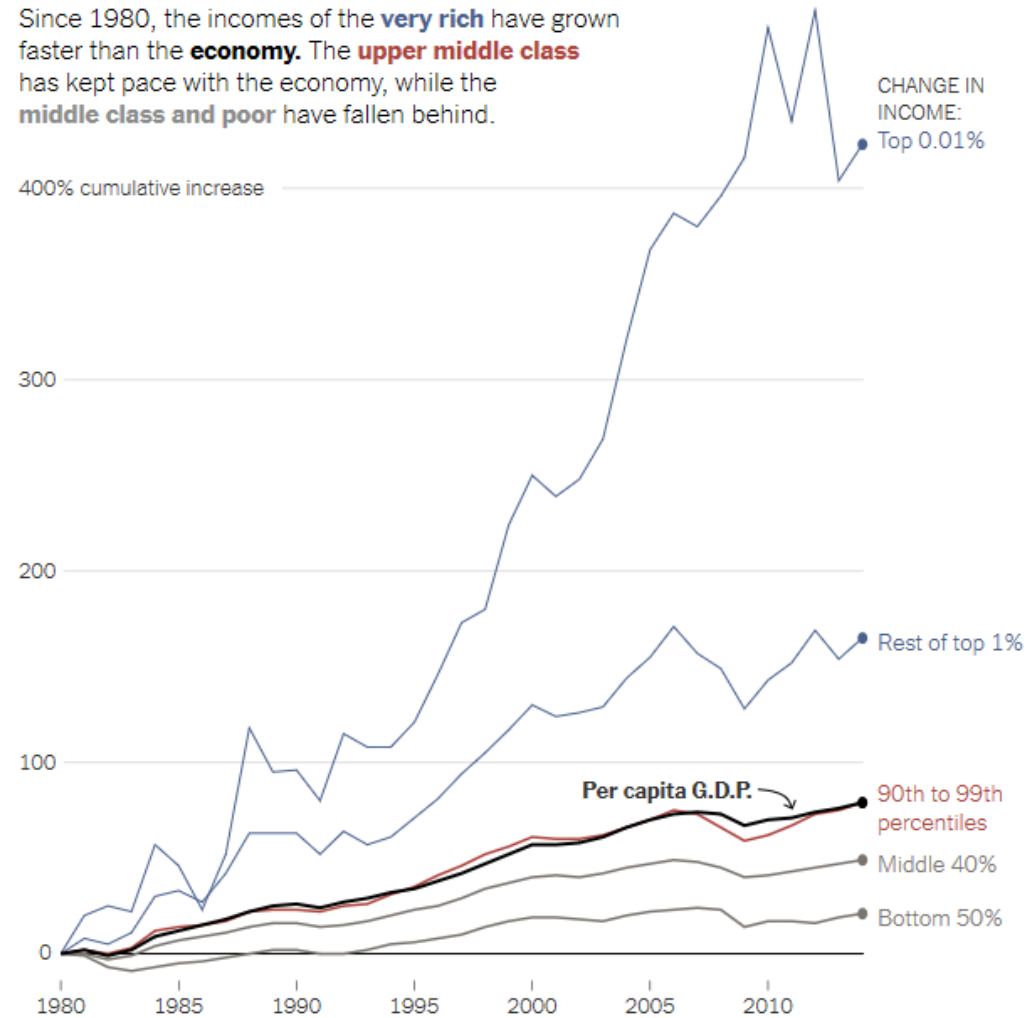


Цена – это то, что вы платите, а стоимость – это то, что вы получаете



# How Rich is the World ...

Since 1980, the incomes of the **very rich** have grown faster than the **economy**. The **upper middle class** has kept pace with the economy, while the **middle class and poor** have fallen behind.



Note: Incomes are after taxes and include government transfers. - Sources: Thomas Piketty, Emmanuel Saez and Gabriel Zucman (incomes); Bureau of Economic Analysis (G.D.P.) - By The New York Times

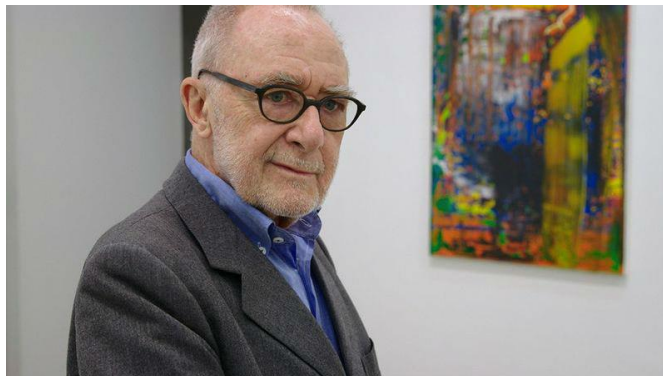
## ... and What Gerhard Richter Thinks



***“It’s not good when this is the value  
of a house ... - It’s not fair.***

***I like it, but it’s not a house”***

Gerhard Richter, Artist



***“... just a social-democratic way of  
avoiding rich people wanting to have  
[his paintings]”***

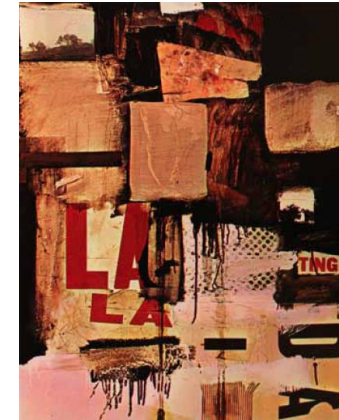
Amy Cappellazzo, Chairman Fine Art Division, Sotheby’s



## The Collector's Touch



- Robert and Ethel Scull Collection
  - In 1973, the Sculls auctioned off their collection of mostly living artists' work for - by then - unheard of sums
  - Robert Rauschenberg's *Thaw* (1958) had been acquired for \$900 and was sold for \$85,000 ...



*"I've been working my ass off for you to make that profit ..."*

Robert Rauschenberg



*"How about yours now ...  
... your work can sell for that too?  
I've been working for you. **We've been working for each other.**"*

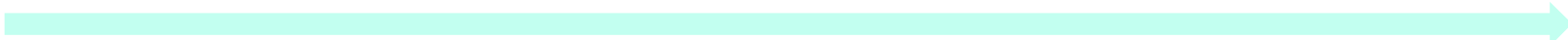
Robert Scull, Collector

***"Ownership is involvement. Ownership is.... acquisition is involvement. And with art, it's probably the most exciting kind of involvement."***

Robert Scull, Collector

## A Brief History of Art Pricing

- **Medieval Times**
  - **Labor** time and ...
  - ... **material** costs
- **Later Medieval Times**
  - **Composite script**
    - Number of hours
    - Size and number of **details**
- **Renaissance**
  - Next to material:  
**Pictorial skills ...**
    - ... individual, creative artists with a special standing in society ...
    - ... supported by the “**signature**”
  - Theme aspects
    - Religious **themes**, genre-paintings and historical paintings valued higher ...
    - ... than landscapes or still life
- **19<sup>th</sup> century**
  - Appraising art **shifted** from individual canvases towards the **careers of artists**
    - ... with **art critics** taking the life of an artist into account
    - Name of artist seemingly more relevant in determining a price than a work as such ...

- 
- **18<sup>th</sup> / 19<sup>th</sup> century**
    - Art increasingly positional good
      - Distribution of art as value driver opposed to how much of it available



## Knowing the Price of Everything ...



*“The surface is to die for because it has everything ...*

*It has spritzing. It has all the collage stuff, very rich ...*

*I bought it for \$10 million.*

*\$100 million.*

*Seems like a crazy amount of money.”*

Stefan Edlis, Collector



*„For \$10 million - in '97? - What would this piece be worth now?*

*Seems crazy amount of money.*

***Do you think it's worth it?”***

Nathaniel Kahn, Filmmaker

## ... and [Knowing] the Value of Nothing



*“Well, let's see. - The stretcher is probably worth \$80, ...*

*... and we have some high-quality canvas.*

*I don't know about the cost of the paints ...*



Jasper Johns: Target (1961)

***There's a lot of people that know the price of everything and the value of nothing. - So, apply that ...”***

Stefan Edlis, Collector

## A Collector's Advice



***“Red is better than brown.  
Don’t buy anything with fish.”***



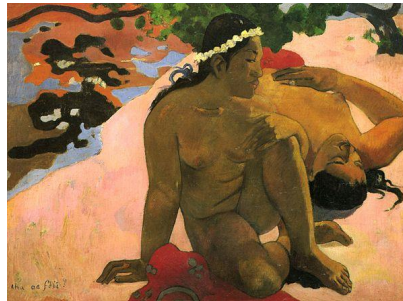
***“To be an effective collector, deep down you have to be shallow.”***

Stefan Edlis, Collector

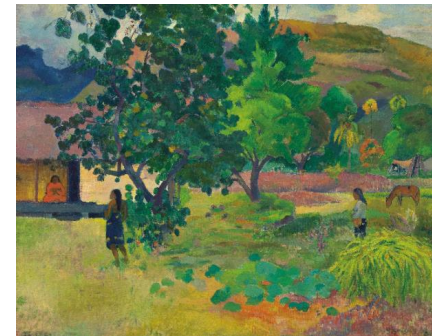


## Auctions in the Primary Markets – The Case of Paul Gauguin / 1891 & 1895

- Auction 1891
  - Prior to trip to Tahiti / Polynesia  
Gauguin auctioned off 30 works to quickly generate cash ...
- ... was **not** a **success**
  - Brought FF 10,000, ...
  - ... just about enough for a good engraving
- Sale of studio 1895
  - just before second trip to Tahiti
- ... was a **fiasco**
  - Exotic works were largely ignored
  - Highest price of FF 500 for *Aha Oe Feii* (1892)
  - *Te Fare* (1892) sold at knock-down price of FF 180 ...
- Claude Monet's view of *Rouen Cathedral* sold for FF 13,000 the same year
- Note: *Te Fare* sold for US\$ 25.3m in 2017



Aha Oe Feii (1892)



Te Fare (1892)

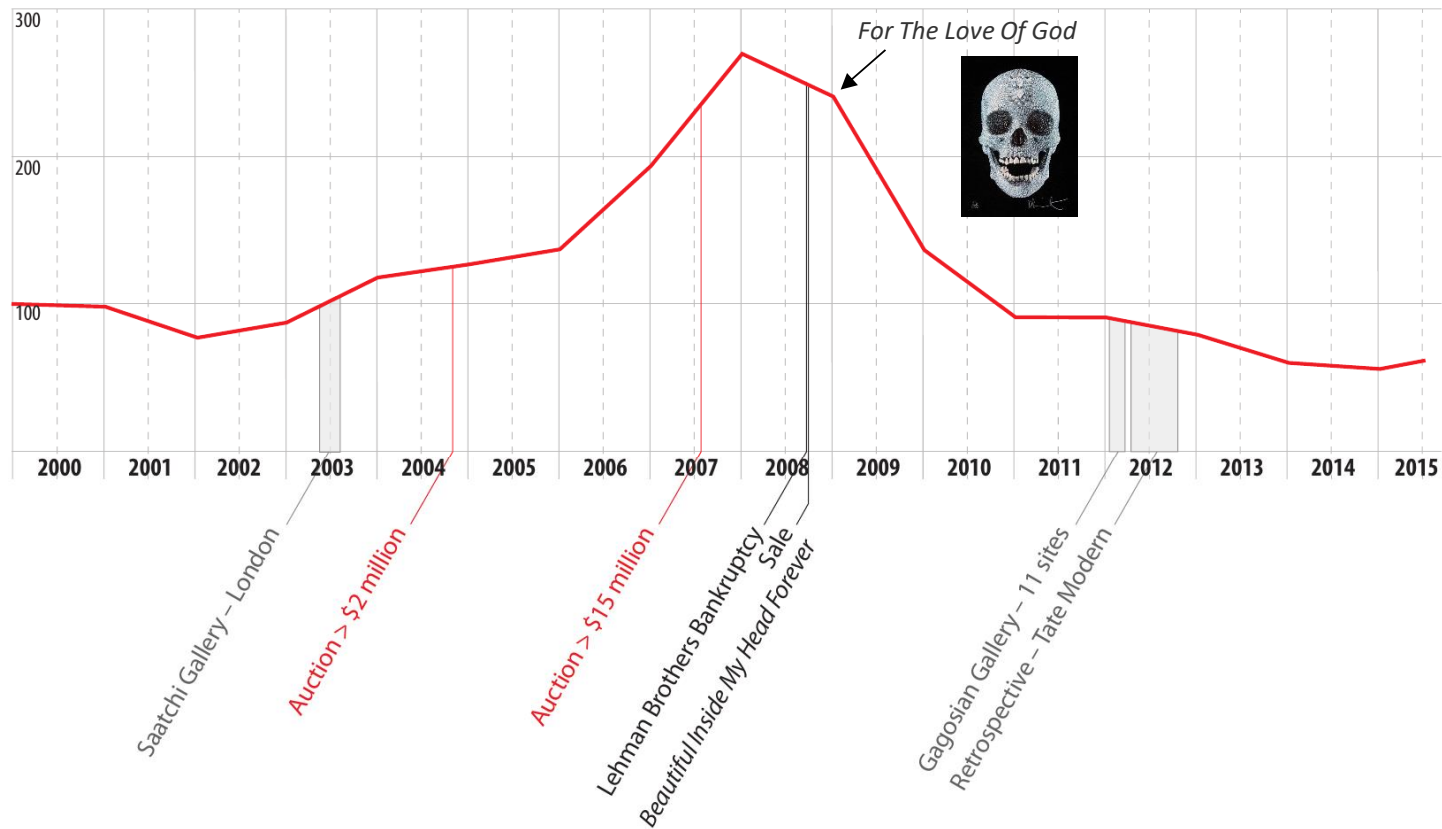
## Auctions in the Primary Markets – The Case of Damien Hirst / September 2008

### „Beautiful Inside My Head Forever“

- On 15 & 16 September 2008, Hirst auctioned off 223 works via **Sotheby's**
- ... generating a **record STG 111m**
  - All but 5 works sold
  - Hirst made more money in two days than all the artists in the National Gallery earned in a lifetime
  - ... doing dramatically better than if he had sold through his regular galleries, taking commissions (up to 50%)
- Prices were erratic, with some going for well below estimated totals
  - *Incredible Journey*, his first zebra in a tank, went for STG 1.1m, just under half the lowest estimate
  - Bidding was noticeably brisker under the STG 500,000 mark; over that price, only the anonymous phone bidders were left in the game



# Damien Hirst Index



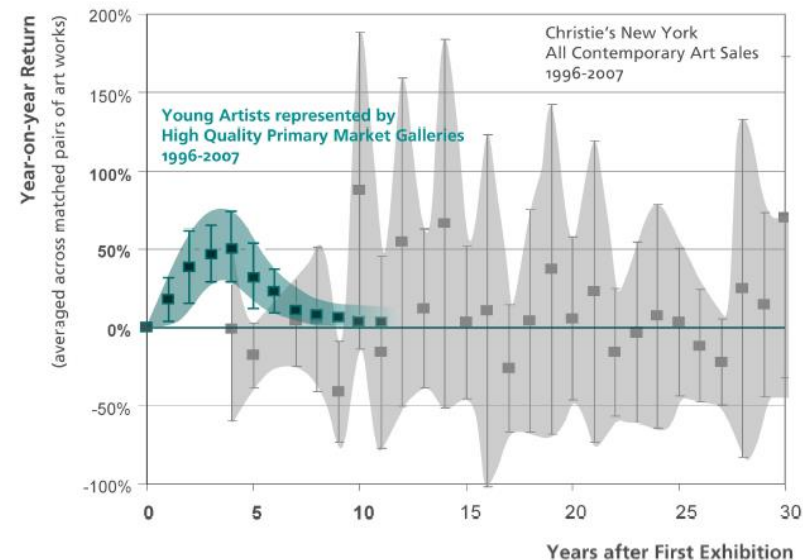
PRICE INDEX FOR DAMIEN HIRST *BASE 100 IN JANUARY 2000*

© ARTPRICE.COM

## The Dealer's Case against Auctions

Volatility and contingency of auctions are deemed harmful to the value of art

- ... with **price decreases** the least **desirable** outcome
- By fixing prices gallerists aim to exercise **control over the price development** of an artist ...
- ... whilst **auctions** deemed as “chancy”, “unpredictable” ...
- Gallerists also seek **control over the future biography of artworks**
  - ... whilst auctions undermine that



## Dealer's Price Fixing in the Primary Art Market

***"I just make up the prices ..."***

*.. "And then?" .....*

***"Then I pray ..."***

Gallerist 1

***"Price determination of an artwork has **nothing to do with anything**: Not the raw materials or production costs. You just say: **"This is worth that much"** ..."***

*.. "And then?" .....*

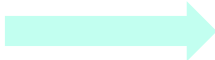
***"... – Then you have to **make sure** – of course – that you **can get away with it** ..."***

Gallerist 2

## Pricing Script

### Supporting pricing decisions along an artist's career by "reference values"

- Scripts lend **structure, consistency, stability** and **predictability** to the price ...
  - ... avoid "confusion"
- Therefore: "**Avoid pricing according to quality**"
  - ... at all times!
- Pricing scripts are an art in itself
  - ... acquired by learning by doing
- **Art dealers are price setters** in principle ...
  - ... but price **scripts** implicitly **reduce agency position** ...
  - ... **whilst allowing flexible adjustment** process of prices towards a market equilibrium
  - ...

- 
- Size
  - Technique
  - Museums
  - Artist's age
  - Residence of the artist
  - ... etc, etc

## Unique Artist Pricing Models



## Any Price Differentiation?





## The Edgar Degas Anecdote



Danseuse debout, les mains derrière le dos, 1887



Dance Class at the Opera, 1872

- An insistent American collector who made his way to the studio of Edgar Degas ...
- He was told by the artist that he charged a **fixed price** of FF 100,000 for every work he created, **no matter what size or technique**.

## The Salvator Rosa Anecdote



Philosophy (Self Portrait), ca 1645

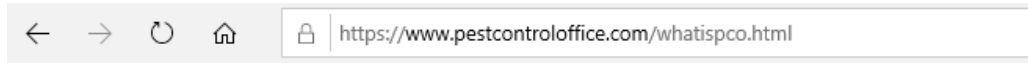
- Reportedly, Salvator Rosa (1615 – 1673) would **set prices strictly according to quality**
- Therefore, he refused any advance payments for his work
- After all, as per his reasoning, the collector could not predict the quality of the finished painting ...

# Unique Artist Business Models

## **Business Model 1 - Banksy**

# Banksy





Pest Control is a handling service acting on behalf of the artist BANKSY.

We answer enquiries and determine whether he was responsible for making a certain piece of artwork and issue paperwork if this is the case. This process does not make a profit and has been set up to prevent innocent people from becoming victims of fraud.

Please be aware that because many Banksy pieces are created in an advanced state of intoxication the authentication process can be lengthy and challenging. Pest Control deals only with legitimate works of art and has no involvement with any kind of illegal activity.

#### SALES

Pest Control is now the sole point of sale for new work by Banksy, of which there is currently ~~something~~ / nothing available.

Banksy is not represented by any other gallery or institution. All enquiries and complaints should be directed to the address below.

customerservices@pestcontroloffice.com

*"Given the demand, [Banksy] has never had to use third parties to sell his work. Once they **sell out**, which they do **instantly** as demand significantly outweighs supply (due to his huge and still increasing **popularity**, the **low price point** relative to the market value and the **investment potential**), then a buyer's only option is to source on the secondary market."*

Lougher Contemporary on artnet



- POW was started in 2003 by a loose **collection of artists, graffiti writers and illustrators** who were shunned by the controlling influencers of the day ...
  - ... so we set about producing and distributing our own art ...
- “However, inevitably **disaster struck** - and many of our **artists became successful ...**”
  - Street Art was welcomed into mainstream culture with a benign shrug and the art we produced became another tradeable commodity
- “**Despite attempts at price fixing** regrettably some POW prints have become worth tens of thousands of pounds ...
  - Either unable or unwilling to become part of the art market we once so self-righteously denounced - **we called it quits ...**”



## Acquiring Banksy's Art

- Consistent in backing up his anti-elitist rhetoric, sale of art work for considerably less than market value
- 2013: Small, anonymous **pop-up stall** in Central Park, NYC
  - Lucky passers-by could purchase original signed canvases for US\$ 60
  - Now at auction for US\$ 150,000+
- 2017: Release of 500 prints called *Sale Ends* via a **lottery by POW** for STG 500 each
  - Now trading for US\$ 25,000+
- **Primary market:** Editioned artworks made for the wall
  - Signed **prints** in varying edition sizes: US\$ 20,000-40,000
  - Open editions / offset **posters** (not signed or numbered): US\$500-1,500
  - '**Box Sets**' from Banksy's Walled Off Hotel
- **Secondary Market:** For example, *Girl With Balloon* (2004), the most sought-after print
  - Unsigned edition of 600: ca US\$ 50,000
  - Signed edition of 150: ca US\$ 165,000 (with artist proofs higher still)





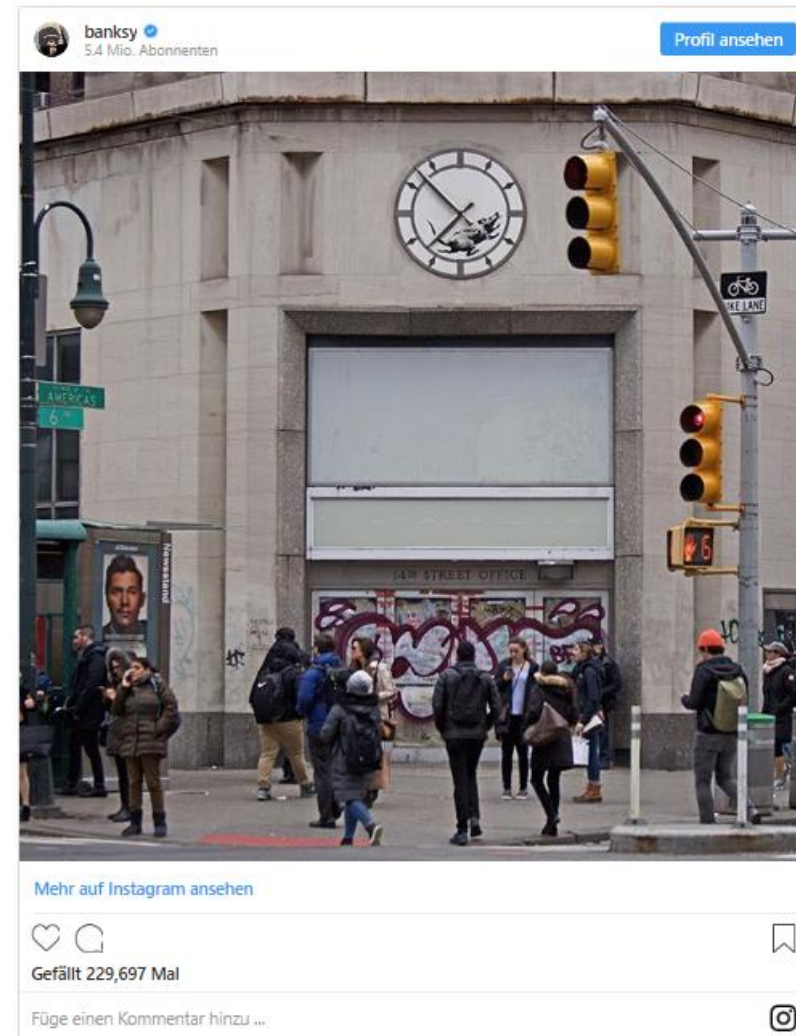
## Enjoying Banksy's Art

- Self-published **Books**
  - Contain photographs of his work, along with some of his own writing
  - *Wall and Piece* (2005)
    - Best seller in the arts category for several years
- **Film Documentary**
  - *Exit Through the Gift Shop* (directed by Banksy)
    - Documentary nominated for the Academy Award for Best Documentary Feature
    - Grossed more than US\$ 5m at the box office
- <http://walledoffhotel.com>
  - Banksy's hope for the hotel in Bethlehem was that it would draw a new type of tourism to the area and generate much-needed jobs
  - Rooms start at US\$ 60 and go up to US\$ 1,000 for the presidential suite



## Banksy Street Art – Who Makes the Money?

- March 2018: Banksy stencil on the exterior clock of a former bank building, 14th Street in Manhattan
  - Building slated for demolition
  - Less than a week after he painted it, piece was removed on behalf of the developer: *“Examining all of our options before making a decision about next steps” ...*



***„Street art shouldn't be bought and sold”***

Ron English

- Acquired for US\$ 730,000 Banksy mural *Slave Labour* (2012) in a November 2018 auction to protest the removal of street art
  - **Plans to resell the whitewashed piece** for US\$ 1m
- The work had been removed from the side of a London discount store
  - Executed by Banksy in May 2012 on the outer wall of a discount store in Wood Green, London, it was surreptitiously removed and put up for auction in 2013, angering local residents



## **Business Model 2 - Boggs**



J. S. G. Boggs



## **Business Model 3 - Koons**

## The Artist's Touch



*"So, does it matter that you don't physically touch the canvas with a brush?"*

Nathaniel Kahn, Filmmaker



***"Well, I am, in a way, physically doing it but it's physically through all these systems..."***

***In the end of the day, that mark is as if I would sit here and do it myself."***

Jeff Koons, Artist

## The Great Negotiator



***“Great artists of the future are going to be the great negotiators.”***

Jeff Koons, Artist



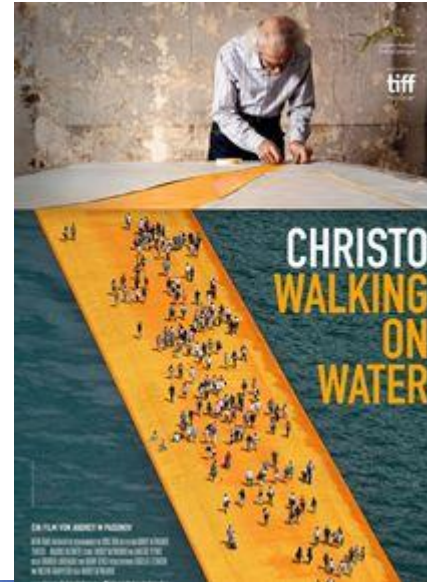
## **Business Model 4 - Christo**

# Christo

*"I cannot explain my art. Everything I do professionally is irrational and useless ..."*

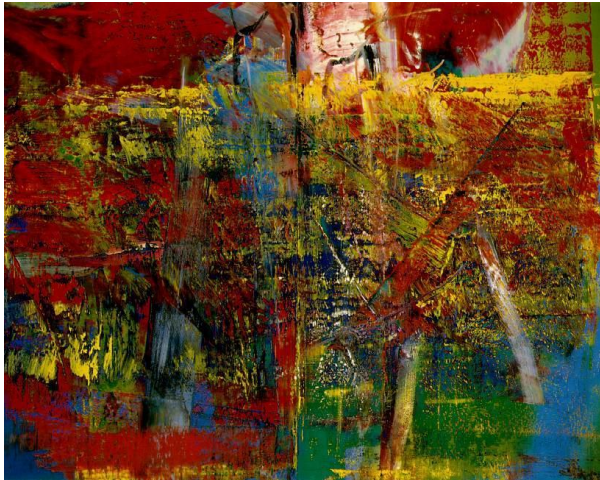
*"There will be no tickets, no reservations and no owners. **It will belong to everyone until it's gone.** It will be a landmark for a few months ..."*

Christo, Artist



# Quotes

## Pricing Gerhard Richter vs Larry Poons ...



*“What makes a Gerhard Richter so valuable and, say, a Larry Poons not so valuable?”*

***Who decides?”***

Nathaniel Kahn, Filmmaker

*“The simple answer would be supply and demand.*

*The real answer is ... - **financial interests of certain parties.**”*

Serge Tiroche, Art Investor

## What is Good Art?



*“Art and money have always gone hand-in-hand.*

***It's very important for good art to be expensive.***

***You only protect things that are valuable.***  
*If something has no financial value, people don't care. They will not give it the necessary protection.*

*The only way to make sure that cultural artifacts survive is for them to have a commercial value.”*

Simon de Pury, Auctioneer





## What is Good Art? (cont'd)



***“There are no rules about what is going to be good, and what is going to be bad.  
Art doesn’t give a shit. It never has.”***

Larry Poons, Artist



## ... And A Final Thought

## Frida Kahlo, Georgia O'Keeffe, Picasso ...

- They each shaped and protected their **personas as part of “the whole package”** that they “sold” ...
- They knew **who they were**
- They knew **what they stood for**
- They knew **what** parts of their personalities **enchanted people**
- They knew how to **present themselves** accordingly and **authentically**



## Contact

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