

# THE PRICE OF ART

ARTIST PRICING STRATEGIES & BUSINESS MODELS

2021

**CorpFinCE**

Corporate Finance Central Europe

[www.christianschopper.com](http://www.christianschopper.com)

© Copyright – Christian Schopper

## How much?



# The Beginner's Dilemma

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

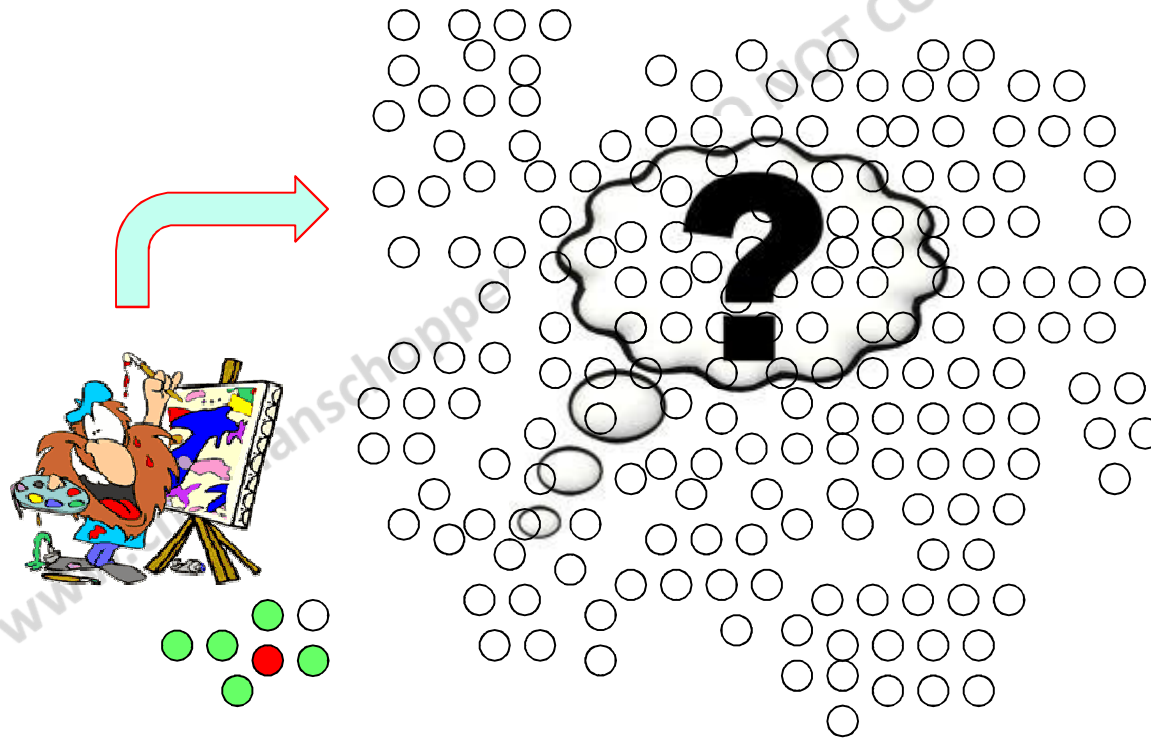




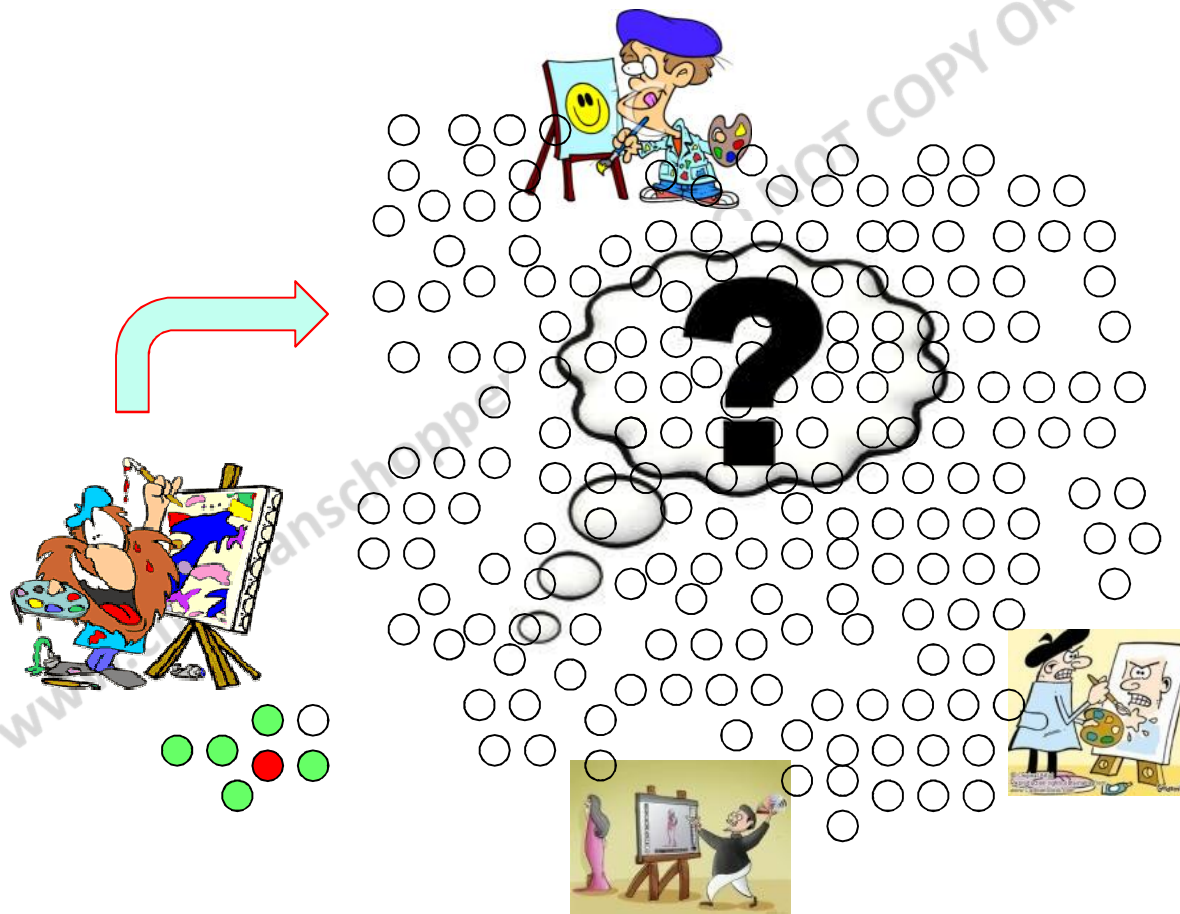
... - except, well ... - ...



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



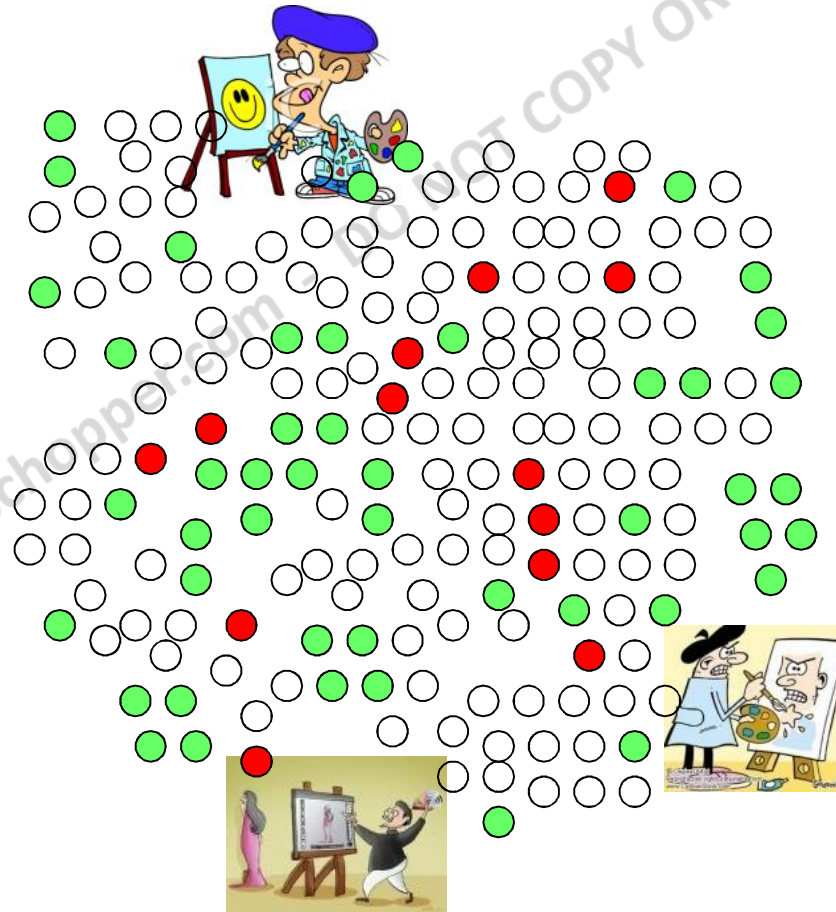
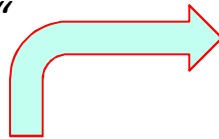
## ... Acting in a World of Geniuses ...



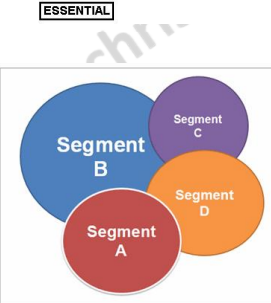
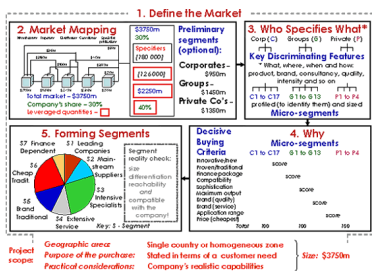
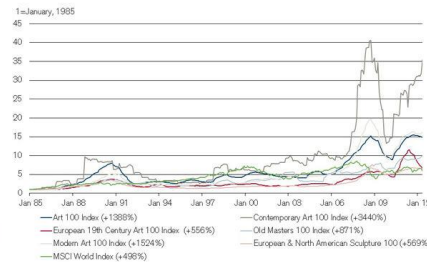
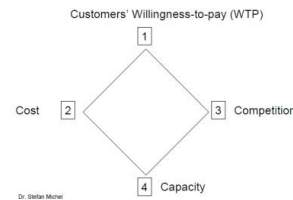
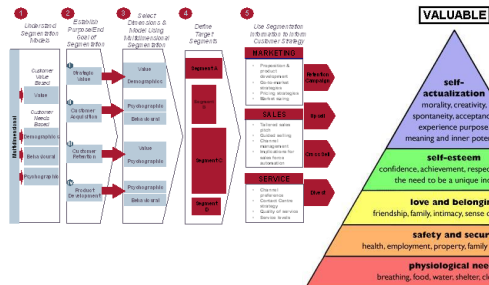
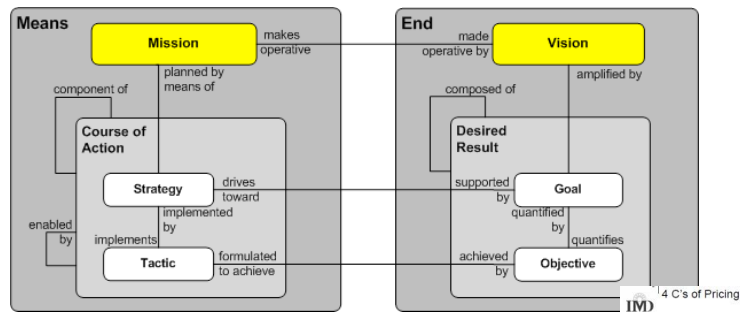
## Going for the Green Dots!

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

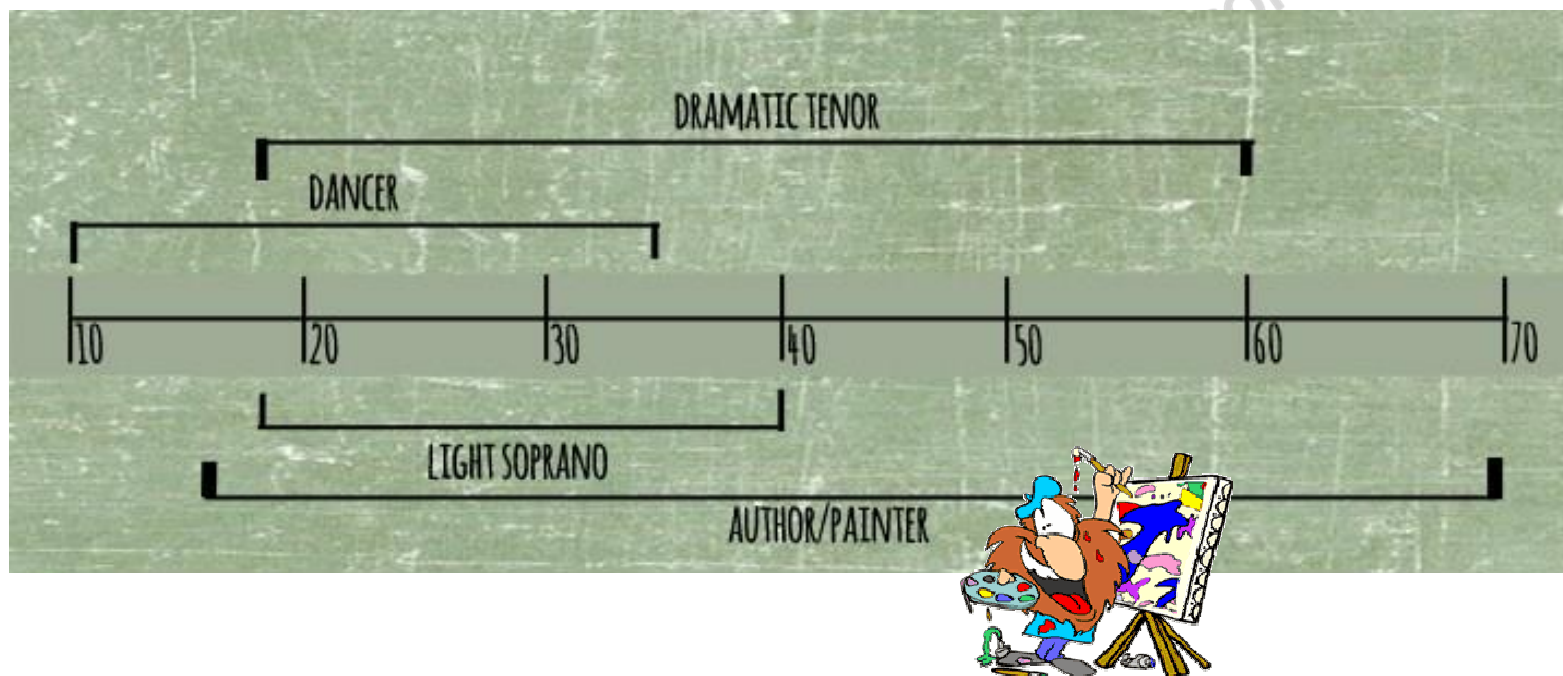
Simone de Beauvoir



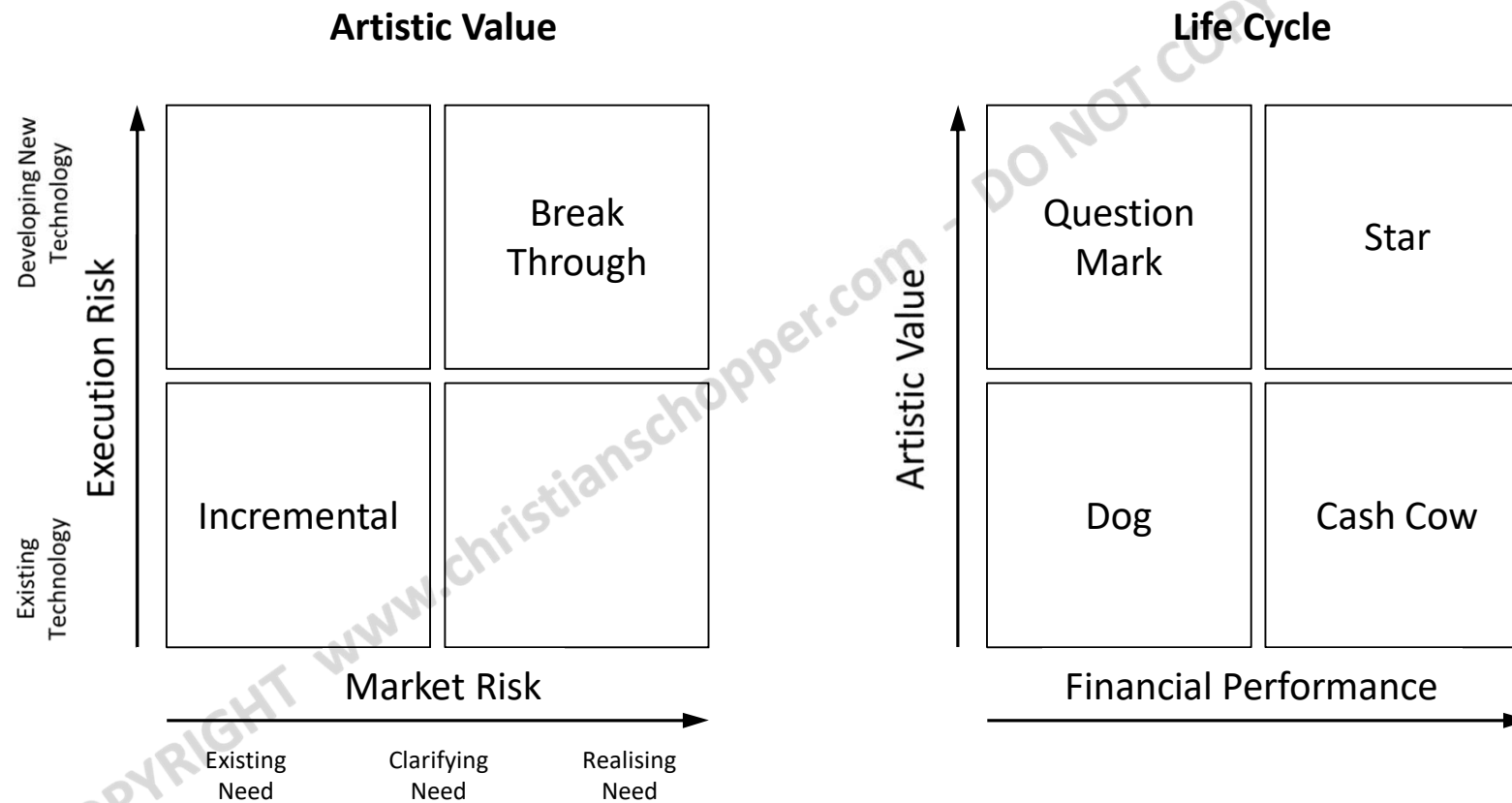
# How about a Plan, a Strategy, a Pricing Concept ...



## An Artist's Life



# Strategic Positioning





## Business and Art



*“During the hippie era people said  
“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's Insight ...



*"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 ...”*

## The Artist's 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

Exchange Rate  
1fl = 1 ducat



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

## The Albrecht Dürer Ges.m.b.H



Albrecht Dürer (1471 - 1528)

- 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 Wasn't Invented Yet ...



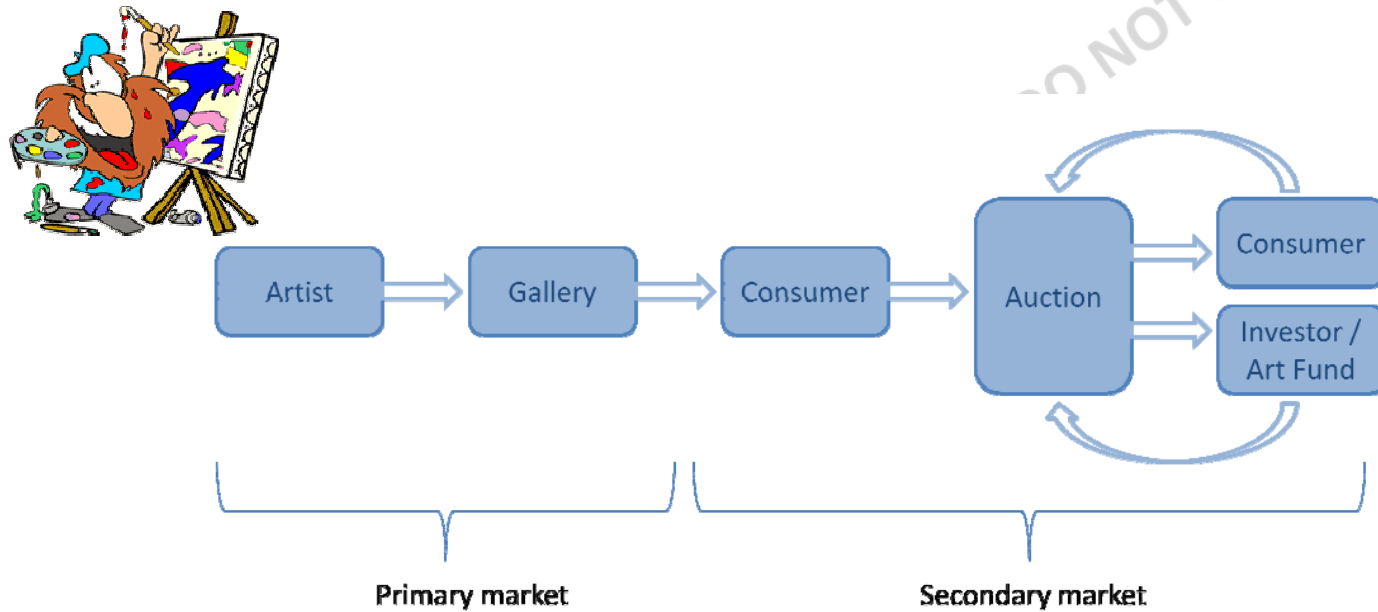
Melencolia I, 1514

*"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

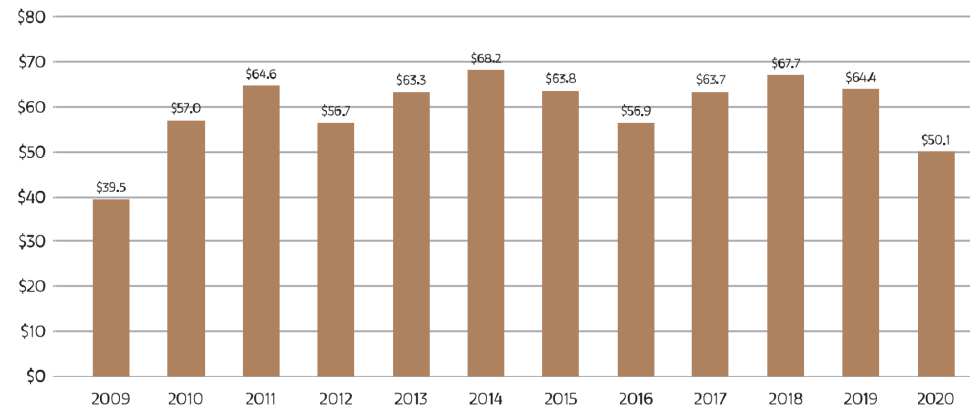
# Arts Markets





# Sales in the Global Art Market 2009–2020

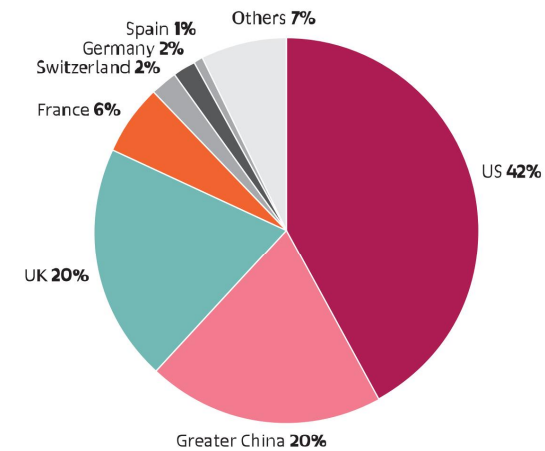
Billion \$



© Arts Economics (2021)

| Year             | Value (\$m) | Volume (m) |
|------------------|-------------|------------|
| 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             | \$67,653    | 39.8       |
| 2019             | \$64,350    | 40.5       |
| 2020             | \$50,065    | 31.4       |
| Growth 2019–2020 | –22%        | –23%       |
| Growth 2011–2019 | –22%        | –15%       |
| Growth 2009–2019 | 24%         | 1%         |

© Arts Economics (2021)



© Arts Economics (2021)

# Auctions in the Secondary Markets

Forbes

## Salvator Mundi / November 2017



## Banksy / October 2018

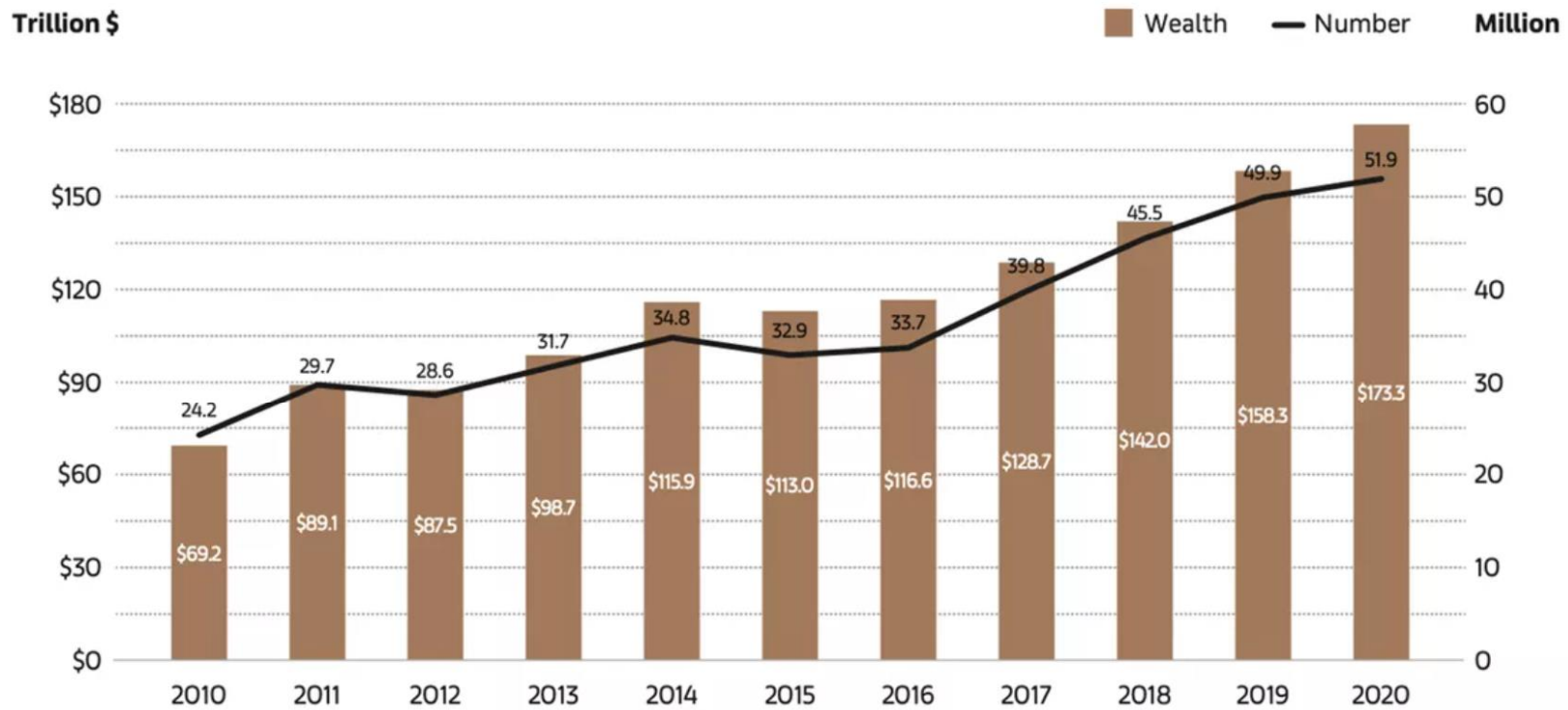
БАНКСИ / ИСКУССТВО 26.12.2018 11:47  
Что продажа картины Бэнкси «Девочка с воздушным шаром» говорит о разнице между ценой и стоимостью



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



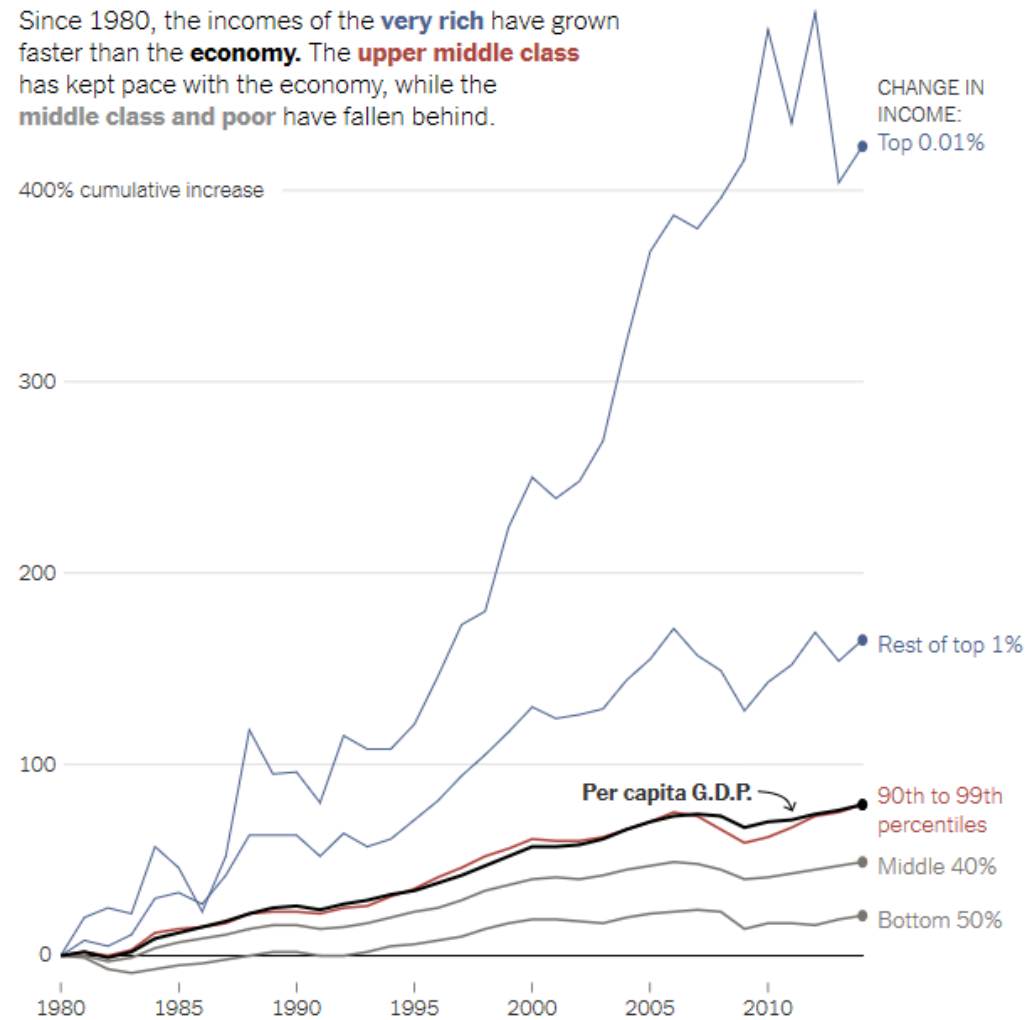
## With the Number of Millionaires Rising ...



Number and Wealth of Dollar Millionaires 2010–2020. © 2021 Arts Economics with data from Credit Suisse.

## ... and Global Inequality Widening ...

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

## ... Gerhard Richter isn't a Happy Man



***“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



***"You can sell for that, too!  
I've been working for you.  
We've been working for each other."***

Robert Scull, Collector

***"Ownership 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

## How much?





## 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 ...*

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

Stefan Edlis, Collector



Jasper Johns: Target (1961)

## A Collector's Advice



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

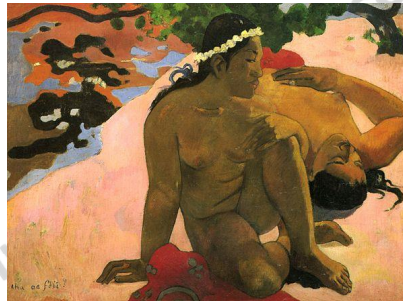


***“To be an effective collector, deep down you have to be shallow.”***

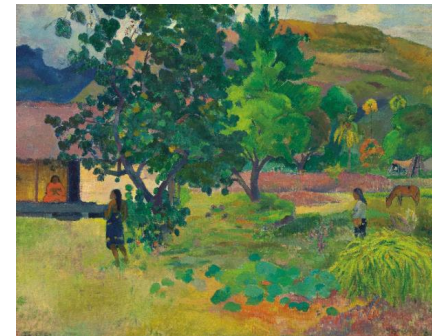
Stefan Edlis, Collector

## 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

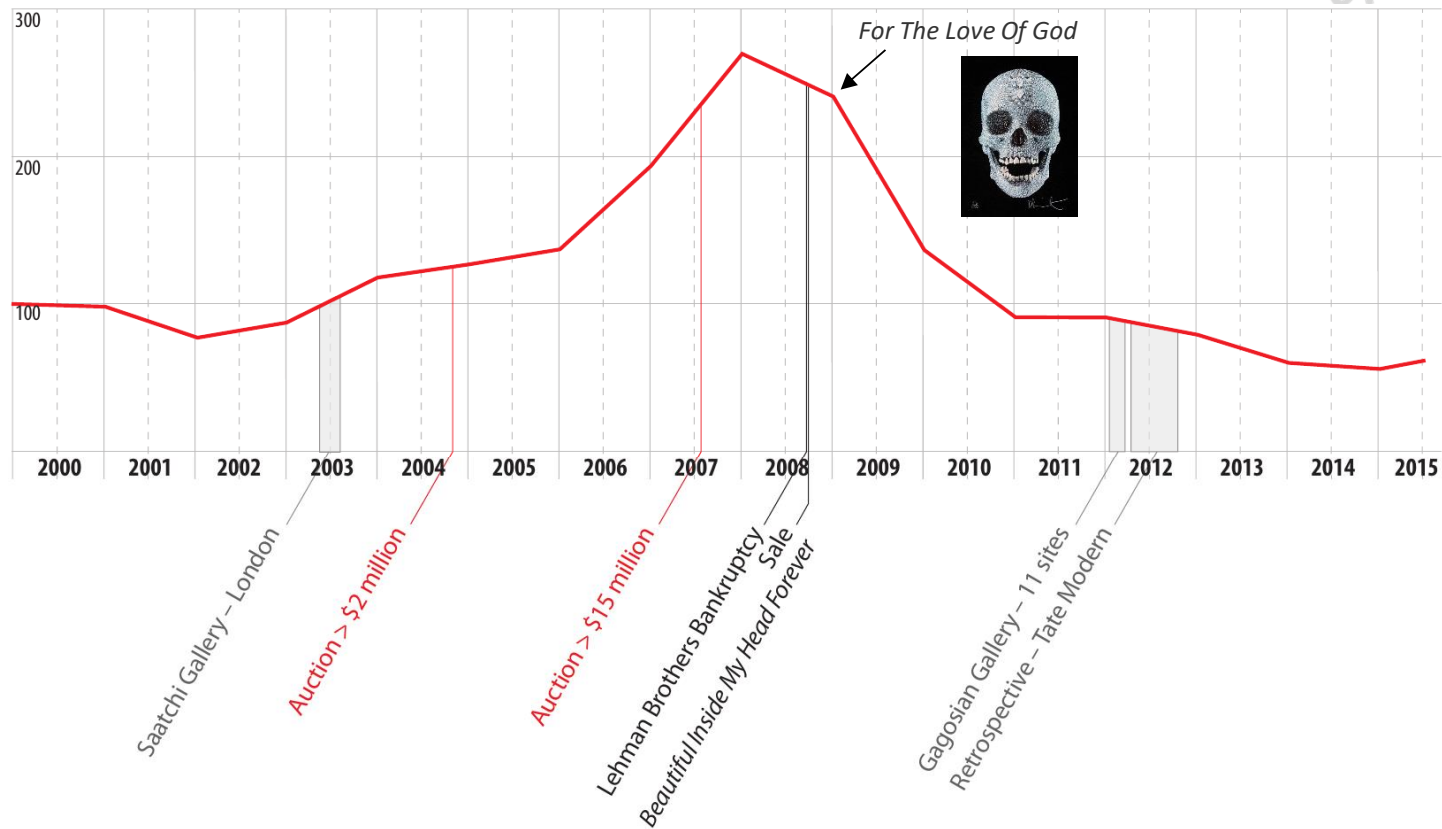
### „Beautiful Inside My Head Forever“

- 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 estimates
  - *Incredible Journey*, his first zebra in a tank, went for STG 1.1m, just under half the lowest estimate
  - Bidding was brisker under the STG 500,000 mark; over that price, only anonymous phone bidders were left in the game





# Damien Hirst Index



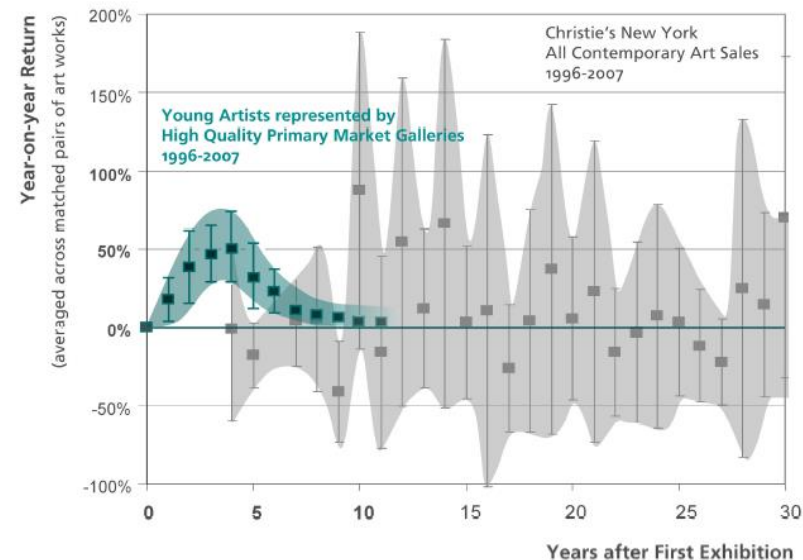
PRICE INDEX FOR DAMIEN HIRST *BASE 100 IN JANUARY 2000*

© ARTPRICE.COM

## 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*****  
***..."***

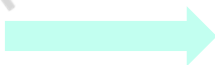
Gallerist 2



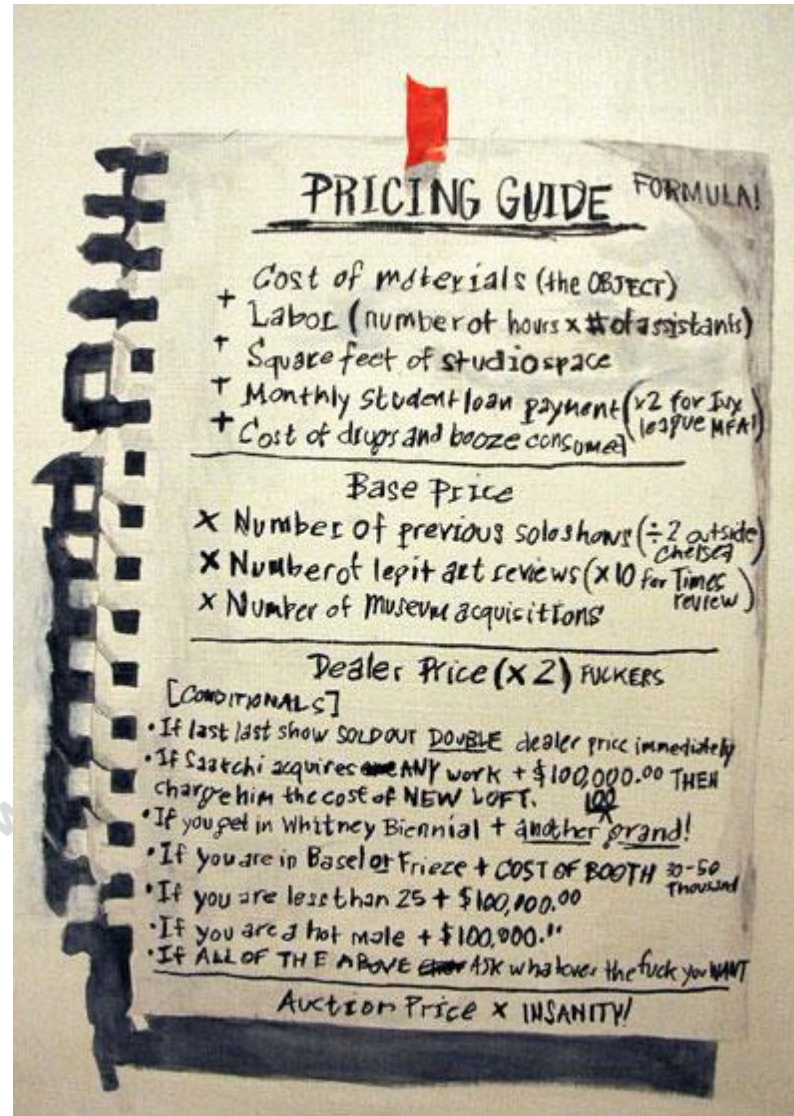
## Pricing Script

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** towards a market equilibrium ...

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

## Pricing Script - William Powhida *The Rules* (2007)



William Powhida *The Rules*  
(2007)  
graphite and gouache on  
panel 24" x 18"  
[detail of installation]

## Pricing Script - William Powhida *The Rules* (2007) (cont'd)

PRICING GUIDE FORMULA!

- + Cost of materials (the OBJECT)
- + Labor (number of hours x # of assistants)
- + Square feet of studio space
- + Monthly student loan payment (x2 for Ivy League MFA)
- + Cost of drugs and booze consumed

---

Base Price

- x Number of previous solo shows ( $\div 2$  outside Chelsea)
- x Number of legit art reviews (x10 for Times review)
- x Number of museum acquisitions

---

Dealer Price (x2) FUCKERS

[CONDITIONALS]

- If last last show SOLD OUT DOUBLE dealer price immediately
- If Saatchi acquires ~~any~~ ANY work + \$100,000.00 THEN charge him the cost of NEW LOFT. 100
- If you get in Whitney Biennial + another grand!
- If you are in Basel or Frieze + COST OF BOOTH 30-50 Thousand
- If you are less than 25 + \$100,000.00
- If you are a hot male + \$100,000.00
- If ALL OF THE ABOVE ~~then~~ ASK whatever the fuck you WANT

---

Auction Price x INSANITY!

## 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 made his way to the studio of Edgar Degas ...
- ... and Degas told him 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

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



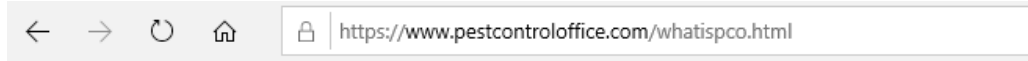
# Unique Artist Business Models

**Banksy**

# Banksy



Devolved Parliament



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** (due to his huge and still increasing **popularity**, the **low price** point relative to the market value and the **investment potential**), 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 ...
  - ... and the art we produced became another tradeable commodity
- “**Despite attempts at price fixing** regrettably some POW prints have become worth STG 10,000’s ...
  - 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 with his anti-elitist rhetoric, **sale of art work for (much) 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, some of his 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

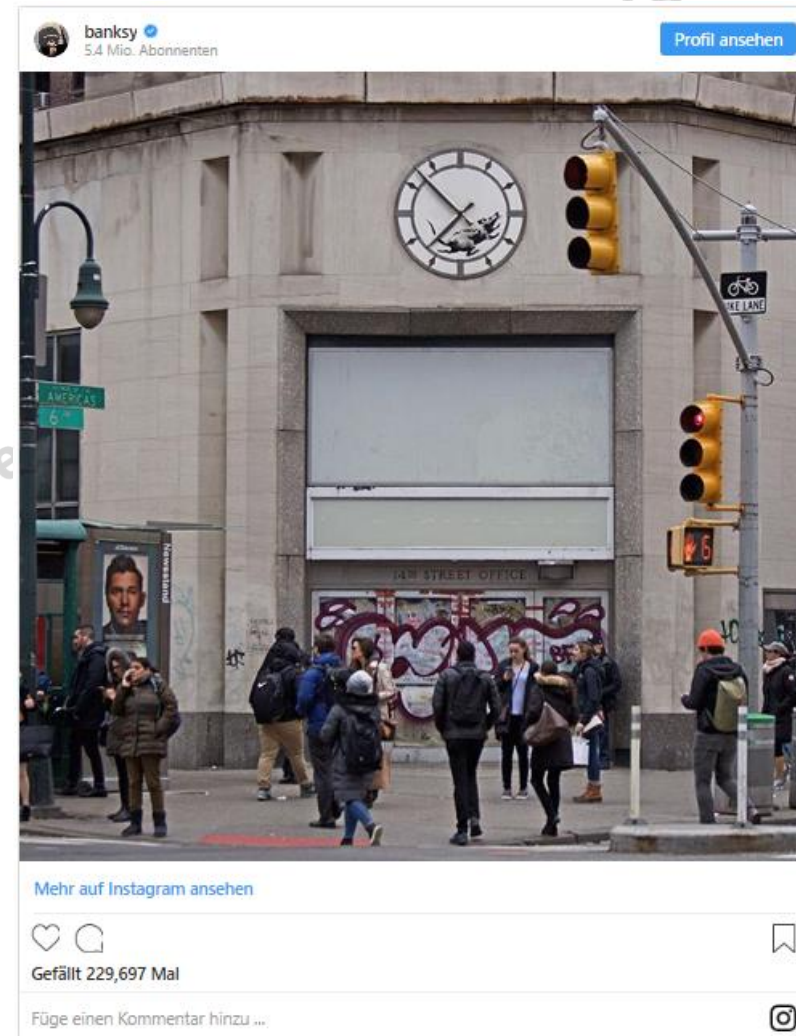
- <http://walledoffhotel.com>

- Banksy's hope for the hotel in Bethlehem was that it would draw a new type of tourism 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 in Manhattan
  - 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” ...*



## Banksy Street Art - Art Buyback by Ron English

artnet

**„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 and put up for auction in 2013, angering local residents



**Boggs**



J. S. G. Boggs



CorpFinCE

Corporate Finance Central Europe

[www.christianschopper.com](http://www.christianschopper.com)

© Copyright – Christian Schopper

54

# Koons



## The Great Negotiator



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

Jeff Koons, Artist

## 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

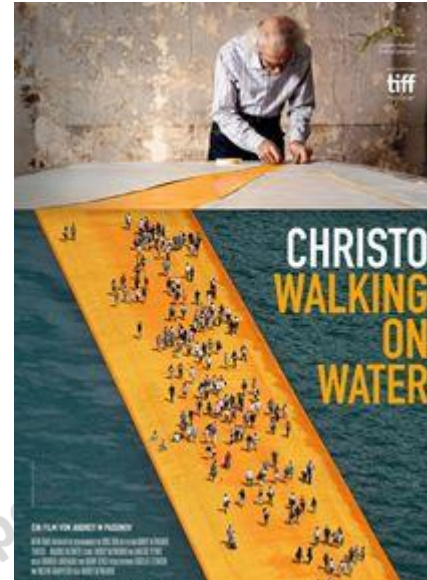
**Christo**

# 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



## ... And A Final Thought

## What is Good Art?



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

Larry Poons, Artist





# Contact

[www.christianschopper.com](http://www.christianschopper.com)

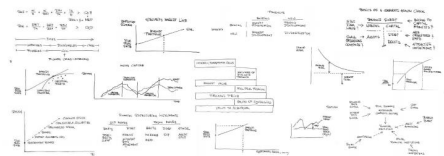
[christian.schopper@christianschopper.com](mailto:christian.schopper@christianschopper.com)

**CorpFinCE**

Corporate Finance Central Europe

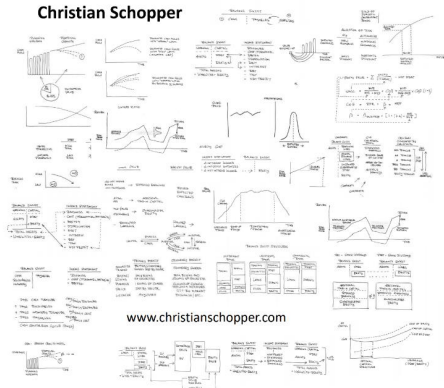
[www.corpfince.com](http://www.corpfince.com)

[christian.schopper@corpfince.com](mailto:christian.schopper@corpfince.com)



## Corporate Finance Concepts

Christian Schopper



**CorpFinCE**

Corporate Finance Central Europe

[www.christianschopper.com](http://www.christianschopper.com)

© Copyright – Christian Schopper

# THE PRICE OF ART

ARTIST PRICING STRATEGIES & BUSINESS MODELS

2021

**CorpFinCE**

Corporate Finance Central Europe

[www.christianschopper.com](http://www.christianschopper.com)

© Copyright – Christian Schopper

63