



THE BUSINESS OF BUYING ART-PART 1

LeonARTo not only sells art, but he is your art consultant and teacher as well. This is part one of a two part series on the business insider's guide to buying art. It is a primer, not an encyclopedia and represents the opinions of the writer. Below are the subjects covered by this first part. You will find the second part on Art-4-Evenless.com. Download it, read it, and enjoy!

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WHO IS THE ARTIST?

An Artist is a person who practices one of the fine arts, esp. a painter or a sculptor. One who exhibits art in their work, an artisan." So sayeth the Webster's dictionary in describing the term "artist". Pretty lame for a definition, isn't it?

The point in the art business is to identify the person or persons who conceive and execute a fine art idea to its logical conclusion. Are printers and art publishers artists because they create prints from an idea? No, we don't think so? Someone has to determine the design in an original outline. It is easy to determine who the artist is for an original painting or sculpture because the final product is there, but who is the artist for mono print where one lays out the design, but another makes the plates? There the distinction may be difficult to determine. □

Without splitting hairs, the purpose for this slide is that we have to give creative credit to the artist who conceives the idea in its original form and not to those who produce and promote prints (printers, publishers, publicists, etc.) for commercial purposes. □

Art is very much a matter of personal taste, although it is possible for promoters and critics to influence that taste. To each person who loves an artistic idea, there are several who hate it. To me this means that each idea and artist needs to be given its due, because to someone (excluding the artists, themselves) the creation is a masterpiece. There is a trend to allow others to determine artistic taste based solely on

promotion in art publications and art galleries and shows. Does that mean that someone not promoted in that environment does not have artistic talent? I'll leave you to ponder that. The point here is that equal weight must be given to each artistic endeavor, almost regardless of what you think of it. Remember, a human being "slaved over this idea". Give them credit for effort, if nothing else.

WHAT IS AN ART PUBLISHER?

The art business is roughly separated into two pieces, the marketing and sale of original art, already in its final form and the marketing of prints, made from various processes from the original. The process of creating and marketing prints is known as "publishing" The dictionary defines publishing as "to issue, or cause to issued, in copies made by printing or other process, for sale or distribution to the public....".□

Art may be published in print form by either an artist (known as self-publishing) or by companies whose sole business is to produce and market prints, known as art publishers. Art publishers are also separated into two general categories, those who publish unsigned and unlimited prints and posters and those who publish limited editions, which are both signed and limited as to number.□

Artists have the ability to publish any or all of their works in any fashion. Art publishers, on the other hand, are highly selective, only publishing a select few artists yearly and only a small percentage of that artist's is market tested to achieve a level of public acceptance. Less than 1% of all artists practicing at any moment, either professionally or otherwise, are published. Many artists whose original art works sell regularly are not published.□

Publishers pay artists, after a typically exclusive contract is signed, either a lump sum for the print rights, or by the print signature, or as a percentage of actual sales. The publisher incurs the cost and risk of producing the prints and promotion, at trade shows and in art periodical advertising. The typical market for art publishers' products is carefully selected art galleries. Art publishers rarely sell directly to the public, except on the "public day" of an Art Expo or show.□

Artists whose prints are not successful are generally not promoted as heavily during the later parts of the contract. There is a great deal of artist turnover in the publishing industry. Art publishers are required because artists and the distribution channel can not fulfill all of the functions required selecting, producing, publishing, and promoting art, as each step is somewhat expensive.

WHAT IS AN ART GALLERY?

A gallery is a room, series of rooms, or a building devoted to the exhibition of works of art. Sounds like that could also be a museum, but we are now talking about commercial art galleries. Until a few years ago, all art galleries had a physical presence

(now known as "bricks and mortar"). The real definition of a commercial art gallery is that part of the art distribution channel (whether physical, selling by catalog, or on the Internet) which sells directly to the Public at retail.□

Art may be acquired directly from artists in the form of originals or self-published prints or from professional art publishers in the form of either limited edition prints or unsigned prints and posters. Usually art acquired from art publishers is purchased directly, utilizing the "keystone" for the art business, which is purchase at 50% of retail and less for purchase in volume. Art acquired from artists is generally on consignment (paid for when sold) and depending on the artist much less than keystone.□

Art galleries typically have significant overhead in the form of rent, personnel, advertising, benefits, show expenses and the like so the art they sell must turnover rapidly and must be sold at large gross margins. The size of the fixed overhead nut lends directly to the price of the art. The less the overhead, the lower the prices. However the best locations create the most traffic so the most successful galleries typically have large overheads and the highest prices, but also the best selection.

HOW MUCH DOES ART COST TO MAKE?

Original art is priceless! This is in terms of the hourly cost, materials, conception and the like. While artists and galleries generally charge more for larger pieces, value here is very personal rather than being determined by the cost of production.□

Lower end prints and posters are typically produced by a four-color lithographic method of reproduction. The major cost per sheet is the paper itself. The higher the cost of the paper based on the paper's thickness and quality, the higher the price of production. In addition, the size of the print run quantity and the press time it takes are major determinants of cost. As a standard, most lithographic prints cost less than one dollar to make, sell for \$15 wholesale and are sold to you for \$30 at retail. There are many exceptions to this rule, but you can use this as a standard.□

When it comes to better prints, sold as limited editions usually, the costs are higher. We will give you some standards without discussing the processes themselves, which we do later in the course.□

Art or gallery quality lithographs can be of two types, four color (as above) or original (where the print is the original and the artists produce the printing plates to reflect the work). Without considering the artist's labor required executing an original lithograph, and assuming that the editions are relatively small (in opposition to a poster), the print cost will be in the range of \$10 to \$50 depending on the size of the sheet and the number in the run.□

Serigraphs are relatively expensive to produce, but that cost is directly related to the number of colors in the piece (the more colors the more plates must be made). The size of the edition is also a major determinant, as the setup expenses need to be

spread over the cost of the run. Serigraphs are usually hand done and have more press setup time. Serigraphs can cost between \$75 and \$250 per sheet and higher costs have been known. The entire edition of serigraphs are typically produced at once or the additional costs may become prohibitive□

Giclees need not be produced at once, which is their major benefit. Being that the process is digital and photographic, the initial setup costs between \$100 and \$250, depending on many factors to be spread over the entire edition and each large sheet costs \$100-\$200, but one, two, four, or eight items may be printed, depending on size.□

Just an aside here, cost is not directly related to quality, period! Also many art prints are produced on an economic basis, not the best print media for the item.

HOW IS ART PRICED TO SELL?

The price standard for original art is the directly related to the value of the artist's name, the size of the piece, the medium used (some take more work) and the artist's past sales history. Everything is then priced downwards from those that are the most successful. Many artists feel that while their work is of similar quality and size that they can sell their original work privately for as much as a gallery gets for that similar original piece. They are not considering the fixed cost that the gallery has to recover just to be in business in their location, given the amount of service that they provide. Work not shown in galleries of similar quality and size is practically worth only one quarter at retail of a piece shown in a gallery, due to overhead, promotional expenses, and profit margin of that gallery. One quarter of the retail price is usually the maximum that artists are paid for their pieces by galleries, but usually after they are sold. Think of each inch of gallery space as a "profit center". Art has to carry its overhead component or the gallery will go out of business. Mark-ups are greatest in galleries with great locations in tourist areas. You pay that money because you "trust" the gallery to select art that can stand the test of appraisal at the price you are paying. Obviously the hotter the artist the more you have to trust the gallery.□

Believe it, or not, Limited Edition print art is not priced on an arbitrary basis. Art publishers produce art for about 20-25% of the wholesale price to a gallery. Remember, publishers have overhead too and not every piece is a "winner", but the major cost of art publishers is promotion, trade shows and magazine advertising so the markups are earned and the profit margins aren't as great as you might think. Galleries have the same overhead issues with prints as they do with originals, so their usual markups exceed 100% from their publisher's cost. You pay the price because you "trust" galleries" to only stock those limited editions that are worth what you are paying for them.□

Is the work of self published artist's, not found in galleries, but sold directly to the Public, inferior to those pieces sold in galleries or is the fact that their price points are more indicative of good value? Artists tend to price originals and limited edition prints, either too high or too low, relative to similar work in galleries. The answer may depend on why you buy art and your budget. The major thing to understand is that art is a business

and costs must be covered and those with the highest costs have the highest prices.

WHAT IS A POSTER?

A poster usually has the following characteristics: 1-is not usually signed by the artist in pencil; 2-is usually printed as a four color processed lithograph; 3-contains writing of some kind, usually promotional; 4-is not numbered and 5-is printed on cheaper and thinner paper. Posters typically "keystone" at retail for \$30.□

Posters typically don't have any residual value other than as decorative pieces, although like many other topics in the art business, vintage or antique posters may be collectible depending on the situation.□

Independent publishers usually produce posters under agreements with artists, assuming that the work is copyrighted or belongs to an artist. Certain images are in the "public domain" and can be reproduced as posters by anyone. Posters are typically sold in poster and framer galleries. Due to their price points, posters are rarely displayed, but sometimes sold in fine art galleries.

WHAT IS AN OPEN EDITION PRINT?

A print, which is not a poster, usually has better production qualities, including better paper, may be hand-signed by the artist, but is never numbered, is usually always a four color lithograph, rarely has writing and "keystones" typically for more than a poster. Prints can be equal to the quality of limited editions in their production, but are never signed and numbered and offered with a limited edition certificate of authenticity.□

Before limited editions became normal and popular, prints were produced by many popular artists, either as lithographs, both four color and art quality, but also as etchings, hand printed from plates. Many famous editions of etchings, including Edward Curtis' North American Indian, a massive work, were produced, but never signed and numbered. However, these types of antique or vintage prints have significant value today.□

Prints are definitely that middle ground between the poster category and the "formula" limited editions that is valued based solely on what it is, rather than at a fixed price (posters) or a formula basis (limited editions).

WHAT IS A LIMITED EDITION?

Limited Editions were created to add a degree of collectability that extended beyond the original of an image. Many areas of the world, particularly Europe, does not recognize the genre of print, valuing craft presumably over scarcity.□

A Limited Edition is a print "series" whereby by voluntary agreement by the publisher/artist only a certified number of prints will be produced and sold of a certain image. A certificate of authenticity usually accompanies each piece and indicates

how many artists' proofs and numbered editions will be produced. Each piece is signed in pencil by the artist and numbered by them on the face of the print.□

Limited editions can be produced by any printing or production technique (sculpture, lithographs, serigraphs, etchings, giclee, etc.), on any type of paper, of any subject matter, and for every price point. However, without a signature by the artist, a number on the print, and without a certificate of authenticity, an item can not be a limited edition.□

Several states have restrictive laws defining limited editions. Of course, you have to trust the "scorekeeper" to keep a proper count. Limited edition can be any size. We've seen edition sizes exceed 10,000! A somewhat disturbing trend is to create new editions without overall limitation for different sizes and different stratum, like canvas and paper. Some artists change a popular As with respect to everything in the art business, buyers must be careful. Buying in a gallery is no guaranty, as the publisher, not the art gallery, is basically responsible for the authenticity of the edition.□

Are limited edition generally higher quality, than posters and fine art prints? We believe that the answer is yes, because in most cases the entry price is much higher and while not usually indicative of value, limited editions are typically printed on better paper with high quality print techniques. You get what you pay for, but the limitation scarcity enters into the pricing.

WHAT DO ART MIDDLEMEN DO?

Assuming that you have an artist or publisher supplying art and an art gallery or artist selling art, whom else can be involved? The Art Industry is populated with brokers, representatives and distributors, just like many other industries.□

Art distributors stock inventory produced by brokers and resell it to their art gallery and frame shop customers. Art representatives are typically independent sales people, typically hired by art publishers to place their art in art galleries or frame shops and either take possession when a sale is made or earn commissions on direct sales.□

Art brokers typically work for retail customers and find specific art for their customers. Decorators are actually brokers when it comes to purchasing art for their clients' homes. Brokers sometimes take possession and resell the art or work on a commission basis. Brokers will buy from anyone holding the art whether that be an artist, publisher, or a primary or secondary holder of the art.□

Many times it is difficult to track where art might originate and ultimate prices depend on how many middlemen are involved. Obviously buying directly from the original source whether that be an artist or publisher will yield the lowest possible price.

WHY DOES THE SAME SUBJECT COST MORE FROM TWO DIFFERENT ARTISTS?

Is this a stupid question or what? Actually, the answer is not so obvious. Let us assume that you are new to buying art and never heard any artist's name, don't normally go to art galleries,

and don't read art magazines and journals. You want a nice seascape of Laguna Beach for your living room. You want a print not an original oil or acrylic. You start to search for your art. Wow, you say, there are Laguna Beach seascapes that cost \$50 and those that cost \$1,500, painted of the same scene of Laguna Beach from Heisler Park. All are roughly the same size, but some seem to be on higher quality paper, but that can't be the difference, can it? Qualitative aspects have something to do with the pricing of art. It has long been the case that serigraphs are priced higher than lithographs regardless of their underlying cost to produce because of a perception of quality that has been inculcated on the buying public.□

Caveat Emptor (let the buyer beware)! First of all, the price of art is a function of supply and demand. The more perceived demand, the higher the price. Much art is priced higher than it should, but is ultimately reduced or bargained for when an interested buyer is present. Is that demand real? Who knows? Secondly, it depends on where you buy the piece of art, because passed through overhead is the major portion of the cost of sales. It cost more to buy the same piece from an art gallery than from the artist in their home. Usually art costs less in art fairs or street shows because the price of a booth is minimal, especially if art is sold. Art galleries tend to buy from art publishers so their markup, and costs are also considered in the piece. Next, certain artists are promoted, that is someone pays for advertising the artist and or the piece in a magazine or with a show. That cost has to be reflected in the piece as well.

Style has something to do with pricing as typically impressionistic scenes are more popular than abstract scenes of the same subject matter. Investment qualities of certain pieces make them more expensive on a perceived basis. Even though a \$25 piece from the right artist might appreciate more on a percentage basis, it is hard to sell someone on the concept of a good piece of \$25 art. Millionaires don't buy \$25 art, but they help create an environment where overly expensive art can be sold to the unsuspecting.□

Comparison-shopping for art prints has now been made hard because we have introduced many variables to make those comparisons difficult. The real questions you need to ask about a piece of art are whether you like it, want it, and can afford it. Mostly everything else is secondary.

DO YOU ALWAYS BUY SERIGRAPHS?

This is a qualitative issue. Does this question mean that if you buy a limited edition print, should you ever buy something that is not a serigraph, such as an art quality lithograph or a giclee. We have been asked numerous times by potential art buyers the following question, “ Do you have a serigraph version of this item?” We have heard, I only buy serigraphs□

Where does this come from? T-shirts are serigraphs! The process of serigraphy is that of silk screening. Making screens to eliminate all but the color applies. On our site, LeonARTo.com, we sell a series of famous artist serigraphs of their better works. While, they are nicely done in 4 colors as serigraphs, we normally sell them for \$20. Does that mean we should sell them for more? Should they have higher

demand? □

Printmakers are human by the way. Can there be a bad serigraph? According to some, the answer is no. We have to have a serigraph. How many colors make a good serigraph? We don't know. Is it possible that a piece of art can be more finely portrayed as a lithograph? Heaven forbid as a giclee? Did lithography stop when serigraphs became popular? □

Serigraphy by its nature is more expensive to produce, especially in small print editions. Therefore serigraphs are typically priced higher than lithographs or giclees to recover that additional production cost. If something costs more, it is better and everything else is inferior, right? If I was an artist, I would make sure that I painted my originals with as many colors as I could so I could have a more colored serigraph than my competitors. □

Art and images can be produced in many quality fashions. The real issue is whether it appeals to enough people to sell the edition, not technique is used. Many people who sell art feel that they have to justify the reasons why their art is expensive and /or collectible. It is easy to tell people only to buy serigraphs if that gets people only to buy them. Serigraphs can be beautiful, but art is produced in many formats, all of which can be beautiful.

ART VALUE-PROMOTION VS TALENT

This is easy! My father once told me in one of his lucid moments that the only difference between a rich artist and a starving artist was that the rich artist has a press agent and the starving artist doesn't. Without doubt some of the most talented artists are starving, will continue to starve, and will always starve. This has always been the case. □

There are many artists, but only so many buyers, museums, galleries, etc. Clearly just because your art is promoted by someone doesn't mean its good, but it does help! Before an artist's work can be promoted someone else has to believe that art is good and can be sold. God didn't make that many rich artists that could afford to promote their own work. Rich artists for some reason tend to be bad artists. It is a form of payback, I think. Starving (sometimes struggling) artist is what people think about when they hear the term artist. □

It is difficult to find time to create, produce, promote, and sell, all by yourself. That is why there are others in production, promotion, distribution, and selling. Talent scouts within that group are the most important. They are typically the art publishers who search for work that they think is of high quality and that is saleable. Cat art has always been saleable. Is that good art? I like cats so my answer is yes, but the point here is that if art publishers think cat art is saleable, they'll publish it, and that lucky cat artist will have their work promoted at art shows, in magazines, and it will appear in quality art galleries. □

If an artist's work can not be promoted outside a narrow geographical area, the likelihood is that not that much of it will

sell unless the artist focuses on purely regional and popular subject matter. The Internet is a major self-promotional tool, which enables artists to promote their work worldwide at lower cost than taking an ad in Art Business News or Art World.□

What is the relationship between value and promotion? If you, the buyer, has never heard of an artist or a piece and have not seen it in some form, it is highly likely that you won't buy it. Promotion is everything, but that has little to do with the value (or talent) inherent in an art piece. It takes a long time to determine an art work's value. Talent is up to art critics. Critical acclaim may not sell art, but promotion does!

WHY DO MOST ARTISTS SELL THEIR OWN WORK?

If you just came from the previous subject, you would understand that all artists want to be promoted and few have the money to promote themselves successfully. The matter boils down to the fact that if art publishers promoted more artists in total, art would be less dear in volume and all of the work would cheapen. Therefore, it is to the benefit of everyone in the Public that the number of artists who can be published and promoted be kept to a reasonable minimum.□

If a screen or net can hold out the great number of not-promotable artists, than those that go through the screen are considered the most talented and the best from all points of view. Most artists are then on the outside looking in at their successful counterparts. Isn't this a few arbitrating taste and talent for the many? Does this sound like becoming an author or in the movie business?. Does that mean that mistakes are never made?□

Without belaboring the point, there are many successful self-promoted artists that are successful (Wyland or Kincade to state a couple of really successful and self promoted artists who the public found)? You can't do it without promotion, but you can do it without the art establishment.□

The final answer to this question is that many artists are not talented enough regardless of how much they try, but those who are talented enough, but can't break into the art establishment find a way to prosper and flourish, but sell their own work.

ART FAIRS VS. ART GALLERIES?

The major difference between the two is that at art fairs, artists sell their work directly to the public where at art galleries, art is sold to the Public by their owners or by personnel hired by the galleries and the artists only participate at shows sponsored by the gallery.□

There are many crossovers to the above statement. High-end juried shows that run for lengthy periods of time are more like art galleries than street fairs or beach side outdoor galleries, but still the artists sell their own work. People knowledgeable in the art business know that there is room enough in art galleries for the few so street fairs are a way to meet talented artists who are not heavily promoted.□

Buyers are also aware that buying directly from artists is like buying wholesale, as there is not a significant amount of overhead related to an art fair. Beware, however, situations where the show has the trappings of an expensive gallery because the artist pays a hefty fee and needs to pass some of it along in the pricing of the art. Get a card! Call later for pieces you like in those situations.□

Art Fairs are very random in their nature. The artist has to keep track of potential customers who visit and show interest. Art galleries have repeat clientele who can be sold on the virtues of newly arrived art. Sales are more certain in an art gallery, but at a higher price to the buyer and at a lower price to the artist.□

WHO BUYS ART ON THE INTERNET?

Internet art galleries are typically more friendly to both being able to sell the work at lower price to consumers because of significantly lower overhead, but at the same time paying artists more as well. They carry a broad range of published and emerging art and have a larger selection than an art gallery limited by its physical space.□

The Public is well served in all situations as long as one understands the cost structures of each medium. Remember, if you like it, We have a vested interest in this answer. Many art buyers familiar with published art that they have seen in art galleries check with Internet galleries to see whether their pricing might be better. However most published art is still sold in physical art galleries, because many art publishers do not make art available to certain independent Internet art galleries to sell. Brick and mortar galleries that also have Internet galleries do sell art directly over the Internet.□

Internet art galleries sell art that they buy and own, sell art from self-published artists, and sell older limited editions posted by art publishers and art galleries. Traffic has increased steadily into Internet galleries, but initially, there seems to be some reluctance on the part of buyers to commit to purchases. Much more than 50% of all visitors limit their searches to specific artist's names. The next largest search term is by subject.□

There also seems to be some price resistance to buying on the Internet for both original and limited edition print art. The sweet spot seems to be definitely under one thousand dollars for originals and under \$500 for limited edition prints unless the artist and/or piece is known to the buyer and priced elsewhere. Liberal return policies seem to change a buyer's initial reluctance to purchase.□

Secondary art (for sale from an initial buyer back to a gallery or secondary individual) has been effectively sold over the Internet because most of the possible art items come from artists whose names or pieces are known. These sales include success on the auction sites. Work that is not well known is almost impossible to sell in the secondary market either on or off the Internet.□

The important thing to mention here is that reviewing art on the Internet has become an important function in the art buying process. As time goes on the use of the Internet in this process

will continue to increase. We find that both art aficionados and people interested in decor art are using the Internet to buy art. and can afford it, buy it. Everything else is secondary!

BUYING FOR INVESTMENT AND APPRECIATION

There is a difference between buying master art with known auction and resale information as an investment and buying art with potential appreciation. Not all art appreciates. In fact, most art not only doesn't appreciate, but also becomes un-saleable shortly after purchase. Regardless of what anyone tells you, it takes an actual sale at a higher price to create appreciation. The fact that a Monet sells for a record price in the secondary market has little to no effect on the limited edition you just bought. Did you buy the art to enjoy with the assumption that your enjoyment wouldn't cost you anything because the piece was sure to appreciate and be a great investment? Investment quality art is generally only viewable in museums or the collections of rich art collectors.□

Can a limited edition appreciate while most of an edition remains unsold? Is the same true if the same artists prior pieces have been proven to appreciate? Is there appreciation if an art gallery or dealer has a buy-back or exchange policy at a slightly higher price than cost? Is there appreciation because the piece you are holding is being auctioned on Ebay? Has work appreciated if the list price at a gallery or Internet site is greater than what you paid?□

It is difficult to understand the potential for appreciation in most art until the resale money is in your pocket. When you call a gallery for a quote on the sale price of an item you want to sell is the gallery or broker disclosing their commission of the sale. Is the after -commission amount greater than your cost? We are talking about net proceeds here as being the determinant of whether appreciation has happened. If you buy an item for \$1,000 and sell it for \$1,200, but pay \$400 in commissions has the piece really appreciated?□

Most of the questions below are difficult to answer. It is also difficult to get the information you need to buy art for investment or appreciation. Art is similar to a thinly traded stock. While there may be isolated transactions, you don't know the true circumstances behind any sale. Selling art is definitely not the same as selling stocks on the stock market. Prior success of an artist's work is no guaranty of future success (have you heard this in mutual fund prospectuses?)□□The stock market of art is loosely known as the secondary market because art does not appreciate based on appraisal or opinion but only on actual transactions. Remember, if you like it, and can afford it, buy it. Everything else is secondary!