HOW THE ART MARKET WORKS:
PRICING AN ASPIRING ARTIST

Have you ever wondered how and why a gallery chooses a particular price for a particular work? How is it $5,500 rather than $5,000 or $6,000? More interestingly, why not $5,000 or $6,000? Carbon 12 founder Kamesh Nour uses a living from getting such decisions right...

Establishing a base price, a reference point determining all the artwork prices of an artist, is one of the most significant decisions a gallery has to make.

It’s an essential milestone in the career of an artist entering the market, and it requires both a solid knowledge of contemporary art in general (which helps us judge the “artistic potential” of an artist) and whether it’s worth the gallery pursuing a relationship with them, and specific knowledge about local and international art markets that includes quantitative research (which allows the gallery to make the pricing decision for current and future works).

Benchmarking is a key part of the research. There are plenty of academic references, and many different approaches to benchmarking.

In our case, we look at artists in the same age category, with artworks of similar qualities, and we select three good examples and three bad.

Take a concrete example: Philip Mueller, one of Carbon 12’s homegrown artists, is opening his third one-man exhibition at the gallery this month. To benchmark his work, we considered two artists from Europe, two in the States and two in our region. From their sales data we were able to determine a price range that we deemed relevant.

The gallery then has to look at market reaction – the feedback from buyers, collectors, and investors.

Those are three identifiably separate groups. Dealing with a new buyer (an aspiring art collector) can be a spontaneous, emotional process. Sometimes the price does its job so well that it becomes almost irrelevant.

But if a painting from an aspiring new artist is priced above $5,000, the gallery will generally have to have a solid argument about the value of the artist and or a solid development plan in the pipeline – shows, books, awards, and so on.

Collectors have a less emotional response. They usually have solid commercial experience with art, often with a fine critical understanding sometimes matched with great flair – that, of course, to define ability to spot the new artist. Collectors should be the reference group, since they have the biggest stake in the ramifications of an ‘OK’ from certain collectors can be huge.

The reaction of the third group, the investors, is generally the thickest to evaluate.

No one will ever admit that they actually are investors, which often means they are interested primarily in short term profit and so want the cheapest and happiest without any consideration for an artist’s future.

My partner and I approached Philip Mueller to join our programme in spring 2008. At that time Philip was 23 but had already many years of artistic practice under his belt, and what we saw in this studio was breathtaking. I will never forget the painting of a crocodile – one of my shopping bags glued together because he couldn’t afford a proper canvas.

For us, it was easy to see. If one out of every 100 works was like this, Philip Mueller would be a success. Almost eight years later, with over 250 documented works, we can say that around 20% of Philip Mueller’s works are as good as that crocodile. Though the crocodile painting itself disappeared the same night when the artist threw a party to celebrate his association with Carbon 12.

His first professional work: the painting of a crocodile on canvas. 2008, $1,800. This work was exhibited and priced at £1,800 following our benchmarking.

That was the milestone for Philip, and his works were based on a ratio of £1.04 – so adding height and width, multiplying by the ratio produces the sale price. So a 200x500 work would be priced at £4,200, for example.

Almost a year later, in January 2009, we opened Philip Mueller’s first solo show. The work was easy to see. At this stage it was clear that the artist was being seriously considered by collectors; that there was a serious critical interest in his work; and that the prices had been set correctly.

The conclusion is simple: the gallery needs to look at the long-term career of the artist.

That means making sure the short-term pricing is fair for early adopters, collectors willing to take some risks based on their simple emotional connections with the artworks or the artist. This is where the gallery needs to be very strict and look at the next ten years, ignoring short-term greed and ego gratification.

With more exhibitions, a presence in art fairs, museum acquisitions, and publications, the base price rises gradually. This increase in valuation is built on curatorial value and quality rather than on supply and demand.

Six years on, and even though the price of his works has risen by over 350 percent, Philip Mueller remains an international best-seller, and his works are always in demand.

Dreams are blue. The year Philip Mueller didn’t wake up at Carbon 12 in Saint-Helene Avenue 18 January 10 March.