

A FRAMEWORK FOR IDENTIFYING FACTORS THAT INFLUENCE FINE ART VALUATIONS FROM ARTIST TO CONSUMERS

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While the fine arts are a multi-billion dollar business, marketing academicians have largely neglected the visual fine arts market. This is unfortunate because the expressive nature of fine art works provides an opportunity to extend marketing exchange theory further into the realm of symbolic and social values. This paper draws on marketing concepts, anecdotal evidence from art history, insights from art economics and aesthetics, and sociological perspectives related to social construction of reality, to develop a framework from which to view market valuations of fine art. Consideration is given to the artist, to visual fine art works as products, to the industry and its intermediaries and facilitators including galleries, dealers, collectors, curators, and critics, to purchasers of art as consumers with diverse purchasing motivations, and to aspects of fine arts pricing. A model is presented to summarize key potential influences on visual fine art market valuations and suggestions are made for directions of future formal research in this area.

INTRODUCTION

Although the fine arts are a multi-billion dollar international business (Velthuis 2007; Clarke and Flaherty 2002; The New England Council 2000), business academicians have largely ignored the fine arts as an area of concentration. However, the expressive nature of fine art works provides opportunities for marketing theory to delve further into the realm of symbolic, social and subjective values (Aaker 2009; Schroeder 2006; Solomon 1988; Hirshman 1983; Bagozzi 1975; Levy 1959), as well as into pricing differences based on characteristics of marketing intermediaries (Velthuis 2007) and to reassess the marketing concept so as to embrace a role for marketers in leading, educating, and so creating markets (Fillis 2002; Voss and Voss 2000). Whereas symbolic and social values can stand alone in exchange situations, in fine arts marketing, symbolic, personal, and social values are intrinsic aesthetic aspects of the product from

both producer and consumer perspectives. Moreover, fine art works may involve two types of valuations in a single purpose, a subjective valuation of personal meaning to the consumer, and investment potential in a broader market (Gutner 2005). From a marketing perspective, fine arts are not unique in these regards, but, the fine arts do provide a fairly focused subject matter from which to explore these realms. Sadly, while extensive work has been done in the realms of aesthetics and art from philosophical and psychological perspectives (see for example Adorno 1997; Barilli 1993; Venkatesh and Meamber 2006), a broad but basic framework to guide marketing inquiry has been lacking (Fillis 2002).

For present purposes, “fine arts” will refer to a painting in all media including watercolor, oil acrylic and “mixed media,” as well as sculpture and ceramic works including carvings, castings, and hand-constructed objects. While we recognize that, in social terms, there are multiple art worlds and multiple art markets, we are broadly defining fine arts and fine arts markets here as we search for general principles of art valuation. The term is not here limited to

works of well-known artist's, historical figures, or particular genres. The fundamental premise of this paper is that the recognition an artist receives, monetary or otherwise, is a social definition and valuation of the artist's works and is driven by marketing related social processes. The objective of this paper is to develop a conceptual framework from which to pursue research into fine arts marketing. In developing this framework, we draw on sociological (Burger and Luckmann 1966; Durkheim 1954), aesthetic (Adorno 1997), and marketing theory (Aaker 2009; Kotler 2000) and illustrate resulting "principles" with anecdotal evidence. We conclude by presenting in graphic form a basic "model" of factors that may influence valuations.

Consideration is given to the artist as a producer in the sense that the artist is the originator of the core work, with recognition that many "top end" contemporary artists (and even historic "great masters") do not produce the final work from their studios solely themselves. Consideration is also given to fine art as a product with objective, cultural, and subjective components, to the art gallery and related marketing intermediaries and facilitators, and to the art buyer as a customer. All are viewed as representing potential sets of influences on monetary valuations (Aaker 2009; Velthuis 2007). Thus the model incorporates Artist Factors (The Artist), Product (Fine Art as a Product), Intermediary Influences (The Role of the Art Industry) and the Role of the Buyer (Purchaser Receptivity Factors). The model then describes the elements of each factor and their respective impact on price.

THE ARTIST

The marketing process of a work of fine art naturally begins with the artist. As the producer of art works, the resulting artwork and its valuation is intrinsically tied to the artist, his or her reputation in the art marketplace, brand strength, technical skills and base price expectations. The artist's reputation will derive from the artist's credentials which may include such topics as formal education (although this

is not a determining factor as "outsider" and "primitive art" are often highly valued), awards from and membership in artist societies, and museums and private collections which include the artist's work. In addition, the artist's reputation will also include records of past sales and prices of the artist's work.

The artist's "brand strength" may, theoretically, be closely related to the artist's reputation, but brand strength, at least as used here, is a different concept. As used here the concept of "brand strength" relates to the celebrity status of the artist and the "brand associations" which are attached to this status. Celebrity status refers to awareness of the artist as a person of note outside of the immediate community of artists. An example would be the broad social awareness of such artists as Andy Warhol, Picasso, or Grandma Moses. Such awareness broadens the general market interest in and receptivity to the artist's works, and so may increase demand outside of the artistic community more narrowly defined. In addition to brand awareness, celebrity status also incorporates "brand associations," the images or value symbols the artist represents. As in other marketing realms, brand associations can be positive or negative depending on the market segment to which the artist's work is directed. Andres Serrano, for example, came to be associated with outrage and controversy over religious sacrilege due to his depiction of a crucifix in a tank of urine, and Mapplethorpe elicited hostile controversy for photographs of homosexual and "deviant" forms of sexuality. These controversies, which still linger today, provided great notoriety but alienated both artists from many art venues. The negative associations that resulted increased calls for art censorship in the United States and stimulated calls for cuts in government spending on arts in the United States. Controversy of a different sort developed around the carefully cultivated brand of Thomas Kincade and created negative associations within parts of the art community due to both production and marketing techniques that called into question the uniqueness of each piece (despite the historical patterns of art production noted earlier).

However, positive associations that attached to his celebrity status as the “painter of light” and peaceful woodland villages endeared him to many retail art buyers outside of the artist community.

The artist’s conceptual and technical skills are necessarily intrinsic to the products that will be produced. Conceptual insight or technical prowess may attract collectors, galleries, critics and other marketing intermediaries and facilitators. Layout design, style of brush strokes, color choices, color value, choice of subject, interpretation of subject, and so forth, might gain an unknown artist attention from intermediaries and facilitators that might otherwise not respond to an artist who has not yet achieved celebrity status, and these intermediaries and facilitators can then contribute to the development of celebrity status and market value and aid in the creation of positive brand associations.

Finally, the artist’s base price expectations may influence a gallery’s willingness to consider carrying the artist as well as consumer receptivity. A high price, relative to the market segment to which the work is to be offered and the gallery appeals, might exclude potential buyers if it is not commensurate with the artist’s reputation. A low price relative to the same market segment might convey that the work of the artist is not to be taken seriously.

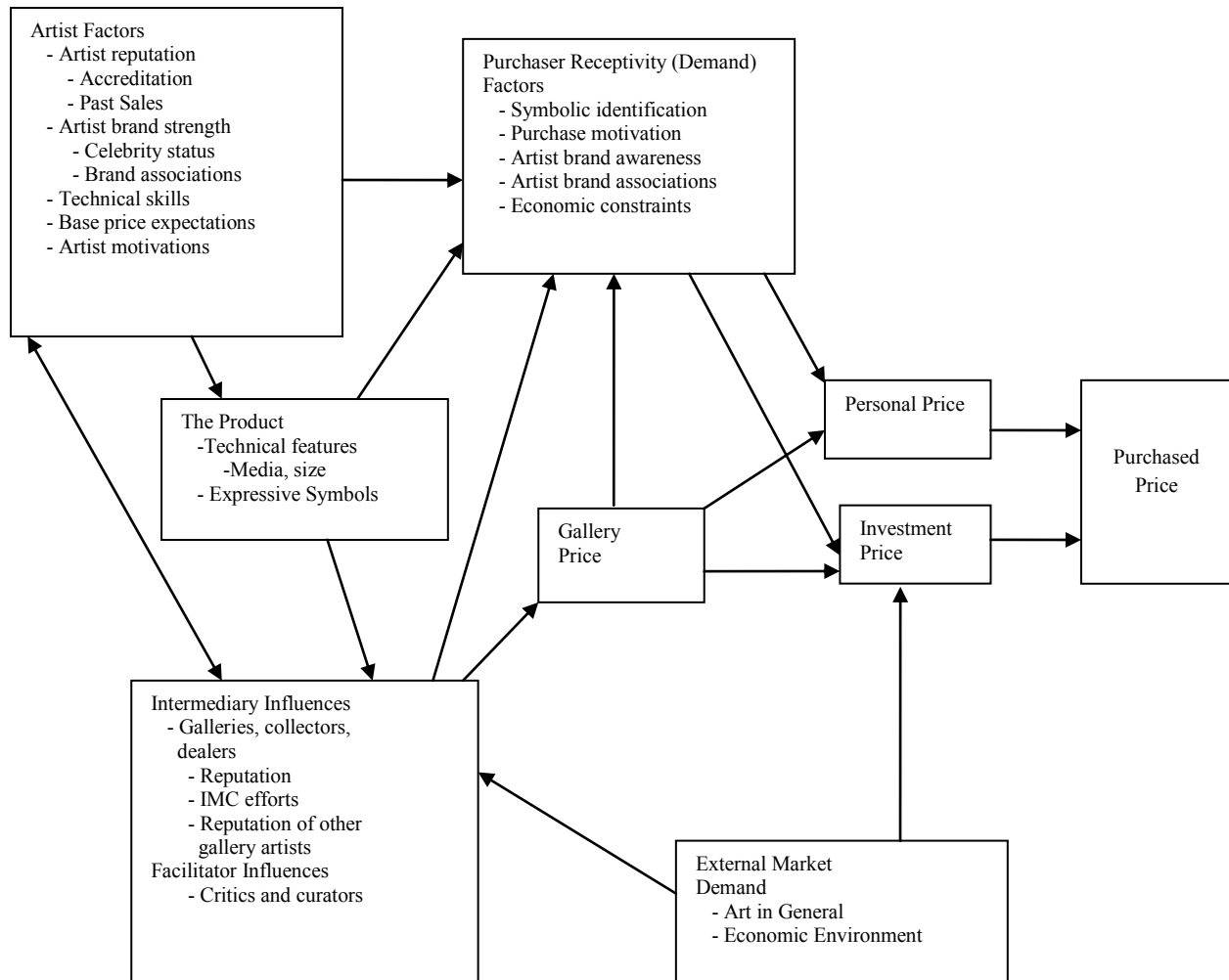
As depicted in Figure 1, these various “Artist Factors” directly influence the product that the artist produces, potential intermediary influences, and the purchaser’s receptivity. In these ways the artist indirectly influences the price the gallery asks, and the personal and investment prices the purchaser is willing to pay.

The last “artist factor” included in Figure 1 is the artist’s motivation for producing works. This topic has been recognized by others (Hirschman 1983; Fillis 2002) and reflects the classic artist conflict between creating for self expression and creating for market acceptance. In Fillis’ view this conflict becomes a challenge

and opportunity for the art marketer (the gallery or dealer intermediary) who may take on the role of the market educator and the creator of new art markets. We will see examples of this role later and discuss the implications of the artist conflict. For now we recognize that artists may carry out their work purely for their own fulfillment (what Hirschman referred to as marketing to one’s self), or may consciously create works that will be well received and sell quickly on the market. As we will see later, artists often take a compromise position and may create their own marketing distribution and communication channels in order to maintain artistic freedom while pursuing market success. Even so, the artist’s motivations can be expected to influence the nature of the art work as a product, the receptivity of intermediaries, and the fit between the artist as a brand and the purchaser who may seek symbolic identification with the artist and his or her work.

However, the artist’s conflict mentioned earlier must be explored if one is to understand the relationship of the artist to the marketplace. Fine art artists differ from many producers of products in several ways. First, the fine art artist is involved, initially, in the creation of a single unit of production in which each initial product is unique, although if successful its market potential may be extended greatly via various forms of reproduction. Even before the artwork has received widespread exposure plans may be in place to provide reproductions of various types, and such reproductions may even be in production. However, while the artist as artist may go through artistic stages during which many similar original works are produced, the artist’s intention is not to replicate products but to experiment with several - even many - variations in theme, style and technique. Violation of this principle with representations that works are “original” has involved artists in much controversy. The recent controversies surrounding Kincaid are an example (Schroeder 2005, 2006). Second, the underlying motivation of the fine art artist is to produce works of art that are satisfying to the artist herself or himself (Hirschman 1983).

Figure 1
The Flow of Influences on Fine Art Buyers' Valuation of Art



While monetary rewards and recognition by colleagues might be desired, the purity of the creation process expressed by the phrase “art for art’s sake” is often offered as a paramount concern and the artist may even hold and express disdain for the commercial aspects of the art industry. Even the notion of art as an industry is believed to be repulsive to the dedicated fine arts artist. However, this may be a relatively recent ideal, and even today is frequently violated, blurring the distinction between “pure art” and “commercial art.” There is substantial evidence that many

historical figures in art, such as Rembrandt, actively pursued both market acceptance and production workshops with apprentice staffs to increase output (Alpers 1988). Today a body of work is developing which assists the artists in marketing themselves (Smith 2011).

Regardless of social definition in the marketplace, the fine art artist highly values skills in design and technique, and the free experience of art (Alpers 1988). The artist exists in a constant position of tension between what Durkheim (1954) referred to as the worlds

of the sacred and the profane. Without at least some level of reward from the profane world of the marketplace, the artist cannot survive as a full time, dedicated professional able to be devoted to the experience of his or her art. But, exposure to the art marketplace and market success may be feared because the artist believes the marketplace may constrain future artistic development and because it may lead to suspicion by other artists on whom the artist depends for self-definition and social belonging. This is what Hirshman (1983) has referred to as “peer-oriented creativity.” In effect, the artist resists what Marx (1962) referred to as the “alienation of man from his labor” while still seeking economic and social sustenance from the marketplace. As noted by Bradshaw, McDonagh and Marshall (2006) in their study of musicians, “artistic alienation remains relevant as part of a complex balancing act between art and commerce...” This may be as true for the fine arts artist who achieves some degree of celebrity status or endorsement and support from dealers, collectors, independent curators, and galleries.

This situation was underscored by a personal encounter between an artist and one of the authors in a gallery in a popular tourist town that also has a vibrant art community. The owner of the gallery was unusual in that he was an artist whose works included paintings in various media and photography. He devoted his gallery largely to offering his own works to the public although other artists were represented. In an informal interview, he offered this advice to other artists “Paint what your customers will recognize and identify with.” On several occasions the author has shared this advice with fine art artists and has frequently had the advice rebuffed with such words and phrases as “crass,” “exploitative,” “commercial,” “prostitution,” and “That’s OK if he wants to do it, but I am not going to give up my art for money.”

This tension places the fine art artist in the unusual position of being a producer attempting to create without concern for the market while depending on the market for the ability to

create. As a result, the artist is at a disadvantage in establishing a base for carrying out market transactions and becomes largely dependent upon marketing intermediaries such as galleries that represent the artist’s work and insulate the artist from the marketplace. This is not to say that the artist is completely adverse from participating in the marketing effort. Artists often attend their own gallery showings, especially opening nights, and even look forward to these events as opportunities to hear and observe reactions to their work by art consumers and other artists. As with most people, artists appreciate social praise and acceptance although they may struggle not to let their “art” be influenced by such motivations.

To the extent that the artist desires to be insulated from the marketplace, whether to preserve his or her time for creative activities or to avoid the appearance or fact of market influence, the artist surrenders to marketing intermediaries and facilitators the creation of the social definitions of his or her work that will influence the potential buyers’ experiences. To this extent, at least, the artists surrender control of the representation of the work to market intermediaries and facilitators. These intermediaries and facilitators include gallery operators (broadly defined to include both store and internet sellers [Clark and Flaherty 2002], dealers, substantial collectors who also sell works, and other forms of selling intermediaries) and art “critics” and other forms of facilitators who in one form or another offer “expert” opinions as to the value of the work or the “importance” of the artist as a current or future influence. These intermediaries and facilitators are, in effect, market makers whose activities greatly influence, if not establish, the monetary value of an artist’s works and the cultural prominence and celebrity status of the artist in the “cultural constellation” of fine arts markets (Aaker 2009; Velthuis 2007; Joy and Sherry 2003; Joy 1998; Becker 1982).

To the degree that the artist takes a purist “hands off” position regarding the representation of his or her work, the galleries

which are motivated by monetary success are in a position to exploit artists with high commission rates despite low levels of marketing services and expenses. The extent to which this is done is an empirical question, but gallery commissions of forty to sixty percent of sales revenues are common, and many galleries may require that the artist use the gallery for matting and framing services and pay market rates for these services out of their remaining sales revenues (Cox 2001; Goodman 1978a,b). Moreover, galleries, by maintaining the primary relationship with the buyer, distance the art buyer from the artist, often with the artist being complicit in this distancing. The result is that the artist may not be able to identify his or her own best “customers” and thus loses to some extent the ability to capitalize on their psychic relationship with the buyer who has purchased the work for the subjective experience.

FINE ART AS A PRODUCT

As depicted in Figure 1, the product has two important dimensions, the technical features such as media, size, and indications of the artist’s technical skill, on one hand, and the expressive symbolism (from which it may derive symbolic value in the eye of the beholder) of the artwork on the other. Much of the following discussion will address the area of expressive symbolism. As a physical object, the typical work of art carries little market value. The costs of raw materials such as canvas, paper, paint, and clay are usually small and the materials have no salvage value. From a functional perspective, most artworks also provide no utilitarian value as a means of manipulating the physical world. Instead, a work of art as a product carries meaning only within the realm of socially and personally defined symbolic values. However, decisions to purchase fine art may then be grounded in other considerations. One is the external market value of the work of art (depicted in Figure 1 as “Investment Price”) (Gutner 2005). In this context, the external market refers to potential buyers other than the current owner and the immediate potential buyer. This may be thought of as the potential resale price

should the purchaser choose to sell the work at some future point. In this sense, the artwork is objectified as a potential investment or, at least, a safe haven for money. The second consideration on which a decision to purchase a work of art might be based is the value to the consumer of the consumer’s subjective experience of the artwork (Depicted in Figure 1 as the “Personal Price”). Only the consumer can establish the monetary value of the experience.

The relative importance of these two dimensions may vary from consumer to consumer and this variation and its underlying influences is a worthy topic of research. To uncover these influences we must consider the socially and individually defined nature of fine art products. An artwork as a market product is here conceived as having three dimensions. These include: 1) the social definition of the physical product by the art industry; 2) the artist’s experience in producing the work which the artist intends to share with the art consumer; and 3) the buyer’s subjective experience in consuming the work of art. The buyer’s subjective experience might or might not be capable of being shared with others and might or might not correspond to the experience intended by the artist (Hirshman 1983).

Of the three dimensions of the artwork as a product, the first may most heavily influence the external, monetary market value of a work of art. Art works are intrinsically risky from an investment standpoint. Market valuations are fraught with uncertainty. Standards for valuation are ambiguous and little consensus exists outside of the works of recognized masters. Operators of commercial galleries and auction houses, as marketing intermediaries (Dolan 2001; Goodman 1978b; Wilson 1970), facilitate trust, reduce risk and enhance market value by providing social definitions that legitimize artworks (Burnham 1975a, b). However, even then the notoriety of the artist is a product of the art industry’s definition of the artist and his or her work. The marketing of Modernism at the beginning of the 20th Century (Jensen 1994; Naumann 1996a,b;

Watson 1992) and the case of the legitimation of Picasso by Kahnweiler and Rosenberg (Fitzgerald 1995) is a case in point. Essentially, the market value of the artist and art products becomes a function of social definitions of reality that are learned and applied by individuals to create the individual's perception of reality (Berger and Luckmann 1966) as a consumer. These social definitions become the basis for "symbolic exchange" within the context of the cultural meaning of consumption (McCracken 1988, 1986).

Bagozzi (1975) used the concept of "symbolic exchange" to refer to the "mutual transfer of psychological, social or other intangible entities between two or more parties." Bagozzi goes on to cite Levy (1959) in regard to symbolic exchange and emphasized Levy's words "... People buy things not only for what they can do, but also for what they mean." In regard to art, the socially defined symbolic meaning of the work of art by the industry becomes a key source of monetary value, and may be a basis for the subjective experience of the consumer (Dewey 1934). A second set of meanings addresses the existential experience of the buyer or consumer of the artist's work (Dewey 1934), and this experience may be influenced by the social definitions provided by the industry. However, it must also be remembered that the artwork originated in the symbolic representation of an experience of the artist by the artist and, often, primarily for the artist (Hirshman 1983) which the artist then chose to share with the potential consumer in the market by offering the work for display and, usually but not always, for sale. Thus, the consumer's subjective experience is influenced by the artist through the artwork, but also by the industry definitions of the artwork, and such industry definitions may distort the intention of the artist and undermine the symbolic exchange between the artist and the viewer of his or her art. It is in this sense that the artist may suffer "alienation" from his or her labor in the sense of the term as used by Marx (1961, 1966) and thus from himself when offering artworks to the market.

THE ROLE OF THE ART INDUSTRY – INTERMEDIARIES AND FACILITATORS

As depicted in Figure 1, intermediary and facilitator influences are classified into influences of galleries and dealers, art critics and commentators. Galleries and dealers (as broadly defined previously) serve as sales venues and as critics and commentators. Here we will refer to both dealers and galleries by the term "galleries" in the interest of parsimony as both are sales agents. As used here, the terms critic and commentator refer to persons who are perceived to be independent of a formal association with a gallery. Representatives of the art "industry" – art critics, galleries and artist's representatives and artists themselves – often classify works of art to develop a framework for market order. This framework has the function of providing means of classifying, ordering and valuing art works in monetary terms to exert social control of art markets. Such classifications become industry definitions of a work of art as a product and serve as a basis for assigning monetary value. The art community distinguishes products not only on the basis of media and form, such as paintings or sculpture as noted above, but also on the basis of the producer of the work, the "finished" nature of the work, and the original intended purpose of the artist's work.

To illustrate, one distinction based on the producer of the work is "insider" versus "outsider" art. In this distinction, insider refers to persons who are educated within the conventional art community and institutions and known within that community. "Outsider" art is produced by persons who are not recognized as formally educated or previously participating in the traditional art community. To illustrate, Picasso, Van Gogh and Dali would be recognized as insider art, whereas the early work of Grandma Moses was seen as outsider art. One category within the outsider classification is "folk art" which refers to "outsider" artists who are not professional artists but who develop primitive (i.e., rough and somewhat unfinished) works that are embraced by influential insiders. As "insiders,"

established critics and galleries in particular, embrace “outsider” artworks, the works and the artist are legitimated, although perhaps within a narrow sphere. A key role of galleries is the discovery, legitimation and presentation to the insider community of folk artists as outsiders. In this process, the gallery increases the monetary value of the outsider art.

An example of a distinction made here on the basis of the intended purpose of the work is “commercial” art, which would include “advertiser,” and “banner” art, which was produced for the original purpose of promoting a product or service. However, the commercial art versus fine art distinction is not rigid and may be considered subjective. An important example is the “banner” art of contemporary artist Johnny Meah whose banner art was originally developed to promote circus performances but has transitioned in the view of many to be considered in the fine art category. Meah’s work has now been shown in numerous galleries in such cities as New York and Chicago and has, with the support of that community been socially recognized as fine art and has been assigned fine art prices. For Meah, the transition from being socially defined as a “commercial” artist to a “fine art artist” included gallery definitions of Meah’s work as “folk” art and “outsider art,” although these labels are not appropriate given his formal background and training (based on conversation with Johnny Meah, 1999). Galleries, for the convenience of sales may have assigned such labels as a means of introducing Meah’s banner art to the fine art community. Such labels can enhance the acceptance of the new artist by easing the traditional art consumer’s “social definition” of an unusual art form as valid art. Over time, greater exposure of such an artist to the fine art community can lead to recognition as a full member of the fine art set.

Such definitions of the art work do not affect gallery price or buyer perceptions in isolation from the gallery that offers the work. Therefore Figure 1 includes under the influences of galleries the reputation of the art gallery and other artists that the gallery represents, and

integrated marketing communications (IMC) efforts that the gallery carries out to represent the artist. These will affect (although not determine) the success of the gallery in representing the artist and will influence the offered market price the gallery places on the work of art. Such activities from a reputable gallery may enhance the receptivity of purchasers.

From a strategic assessment standpoint, the art gallery as a marketing intermediary is in a particularly strong position. Drawing on Porter’s (1980) conceptual framework for assessing the strategic attractiveness of an industry, gallery owners are in strong positions in that their suppliers, the artists, have little power and are essentially disorganized, and their customers, art buyers, are also disorganized and have relatively little knowledge from which to make valuation decisions. In addition, there are few barriers to entry or exit, although some degree of demonstrable knowledge of art might be expected to provide an advantage. Therefore participants at both ends of art market transactions are highly dependent on the galleries; the artists to gain market exposure without sacrificing idealism and dignity, and the buyers to establish appropriate financial valuations for their investment.

To the extent that uncertainty increases risk and risk reduces monetary value, the art gallery as a marketing intermediary may substantially add value to a work of art by providing “social definitions of reality” through which the work of art is “framed” in the buyer’s symbolic universe. By facilitating and reinforcing social definitions of works of art, the art gallery operator can enhance the potential buyers’ confidence in the monetary value of specific works of fine art. The degree to which a gallery effectively serves this market function will depend upon its ability to define its image as authoritative in regard to the monetary and symbolic valuations of art in the buyer’s social context. Galleries use several techniques to reduce uncertainty such as classification of an artist’s works into popularly recognizable

categories, providing educational information to make consumers aware of specific features of good design, providing artists' credentials, efforts to provide the artist with "celebrity" status, and efforts to associate the buyer's decision with similar decisions by reputable collectors and investors. Such risk reduction activities may be especially important during "boom" periods in which one or another type of art or artist is rapidly increasing in value, as occurred, for example, in the early 2000s in regard to Chinese art (Peterson 2004). Or in the field of art authentication, arbitrary and often clandestine, a top authenticators signature is the difference between a valuation of a piece of art as worth millions or worthy only of the trash bin. When top authenticators disagree, a piece of artwork can be consigned to purgatory forever (Grann 2011). While marketing intermediaries typically perform similar functions in many personal selling situations, such value enhancing roles may be especially important in fine arts marketing due to the high dependence of the product on subjective experiences and social definitions.

PURCHASER RECEPTIVITY FACTORS

Figure 1 depicts the factors that influence purchaser receptivity as consisting of five elements: symbolic identification of the buyer with artwork or the artist, purchase motivations (collector, investor or decorator, for example), the purchaser's awareness of the artist as a brand, the purchaser's awareness of the artist's brand associations, and the purchasers own economic constraints. Of these, it is the issue of symbolic identification that needs further elucidation here.

While industry definitions become market definitions of an artwork as a product and so may underlie its market value and motivate a buyer for investment purposes, the second set of symbolic meanings that address the existential experience of the observer of the artist's work may motivate the observer to become a buyer for symbolic purposes. These existential experiences involve the social sharing of symbols between the artist and the

observer. The resulting experience in the observer depends on the observer's recognition and definition of symbols provided by the artist. Such reactions depend upon the observer's prior experiences with the physical and social world and with industry definitions.

Where prior experiences with the physical, social and industry realms on the part of the artist and observer lead to corresponding symbolic definitions, the artist may succeed in an intended communication with the observer and the work of art produces the intended experience in the consciousness of the observer. Where such prior experiences of the artist and observer do not lead to corresponding symbolic definitions, communication between the artist and the observer fails and the observer has an experience different from that intended by the artist. In either case, the observer's experience becomes part of the art product and influences motivation to purchase the work of art. When the observer believes that there is a shared experience, the buyer might identify with the artist and be further motivated to buy his or her work, and might even develop a sense of relationship with the artist and follow the artist's career. In such a case an ongoing marketing relationship may develop between the artist and buyer, and the buyer might become a collector of the artist's products.

Art buyers may be roughly classified into three general categories. First is the buyer whose personal, subjective experience motivates the desire to have a particular work to perpetuate the experience evoked in him or her by the work of art. Second is the collector who seeks to accumulate an array of representative works of a certain artist or of a certain style or theme. The Ogden Museum of Southern Art (<http://www.ogdenmuseum.org/>) is an example of an extensive collection of art from the Southern region of the United States, developed primarily by a single collector. The third buyer category is the investor who buys in anticipation of rising market value as the artist becomes more widely recognized. Such investors may be pure speculators, although well informed regarding art markets, or they

may be collectors and market “manipulators” who, as well known collectors, purchase a significant portion of an emerging artist’s portfolio and then use their reputations as collectors to promote the artist and so enhance the market value of their purchases. Aaker (2009) provides examples of such activities.

Elements of all three motivations may be active in all three types of buyers, but the labels indicate the primary motivation. Given the costs of fine art works, even the personal experience buyer must be concerned about the proper market valuation of a work of art. Buyers, particularly personal experience buyers, must make purchase decisions under conditions of great uncertainty regarding market monetary value. Except in the case of long established artists, little is known about either the true current value of art works or their future value. While industry certified appraisers reference prices paid for works by a certain artist, or for works from a certain genre or school or period, values are often very uncertain (De Marchi 1999). Even collectors and investors operate in very uncertain territory when considering new and emerging artists and there do not appear to be firm rules by which art may be evaluated before an artist has developed a documented reputation or sales record (Peterson 2004). Rules of traditional artistic design may contribute to higher valuations if works can be said to represent good or bad technique, but while such guidelines may prevent a purchaser from losing money on “bad” art, they do not guarantee that examples of “good” art will hold value or grow in value. Conditions of uncertainty increase risk and therefore reduce prices (Houston and Gassenheimer 1987; De Marchi 1999).

At a more objective level prices may be influenced by the size of the artwork, the media, the subject matter, or the genre. Among artists who have not become widely recognized these factors may be very influential on price. Other factors that might influence price would include the reputation and location of the gallery itself. A gallery located in a historically recognized arts district may command higher

prices for unknown artists as it benefits from a halo effect by location, whereas a gallery located in a suburban shopping mall might not be able to command such prices for the same artist.

The art buyer, then, operating in a very uncertain realm of market valuation, and wishing to avoid being exploited, may seek external validation of the market value of an artwork. Even when the primary motivation is the subjective experience of the consumer, the buyer may feel uncertain as to how to value the artwork. An empirical question is the degree that buyers depend on their own valuation of the subjective experience when determining a purchase price, versus the degree of dependence on external validation based on objective factors such as size or media, or external factors such as representations by the gallery and its reputation, or prior sales by the same or similar artists. Further empirical questions of interest are the degree to which the importance of such factors may change with the economic or knowledge circumstances of the buyer, and the degree to which buyers depend on galleries as their source of market or aesthetic information.

PRICES

Such identification as discussed above may be influenced by brand awareness and brand associations and will in turn influence what is labeled in Figure 1 as “Personal Price.” This price may be thought of as the price that the buyer is willing to pay for the pure personal fulfillment that he or she gains from possessing the work of art and assuring that he or she will have continuing access to the experience it engenders. This price will vary depending on the consumer’s economic situation and buying motivations. At some point the buyer must consider the external investment value of the work. The amount the buyer is willing to pay over the value represented by the personal price is treated in Figure 1 as the “Investment Price.” In some cases the purchase price may be purely investment. Recently investor art funds have been established to purchase and hold art works

for future returns (Gutner 2005). In any case the investor price may be thought of as purely speculative. Although galleries carefully avoid any clear promises of future price increases for a specific art work, the potential for price increases is frequently alluded to. Where a certain artist's work has increased in price over time as his or her reputation developed, the pattern of price changes over time may be provided to the potential buyer.

CONCLUSIONS

This paper has considered the special situation of the artist as a producer, fine art works as products, the structural features of the art industry and the roles of critics and commentators as facilitators and of galleries as intermediaries, buyers as consumers of and investors in art facing exchanges that involve subjectivity, uncertainty and risk, and two components of prices of art works from a purchaser standpoint. This discussion provides a conceptual framework from which to begin to develop researchable propositions regarding influences on art transactions.

The previous discussion does not exhaust all issues in the promising field of fine arts marketing. No single paper could do this, or attempt this. However, this paper does suggest several promising areas of research inquiry. Some have already been raised. Were a formal research agenda regarding the art industry to be proposed, a first important step would be to document the size and structure of the industry in terms of numbers and types of participants and, where appropriate, sales levels (Goodman 1978a). The next step might then be to document the distribution of artists on the continuum from pure art to an absolute embrace of the commercial market. This effort might be quite revealing and might modify the artistic stereotype of the artist as primarily self or peer oriented (Hirshman 1983). This effort might also explore the types of marketing activities that artists do tend to carry out, and their expectations of marketing intermediaries (Cox 2001), as well as their orientation to art critics and art institutions that serve to "legitimate"

their work. A next step might be to study the buyers of art themselves to determine helpful segmentation schemes based on their motivations for art purchases and other forms of art consumption, and the meaning of art experiences to the consumer of art (Dewey 1934). In this regard it is worth noting, as Huntington (2007) has for the performing arts, that often exclusivity assumptions are made regarding the arts market segments that unjustly narrow arts markets, and, as Petkus (2004) has suggested, the potential value of experiential marketing techniques in the arts. Segmentations research might be followed by studies of art galleries, collectors, and related institutions as intermediaries to formally document the roles that these play in socially defining artists and their work, ascribing value to artworks, and "educating the public" regarding the aesthetic, social and market value of art. This area of inquiry would have to be broad and incorporate the inter-relationships of galleries, collectors, appraisers, museums, art critics, schools and artistic associations that sponsor juried shows or otherwise establish the credibility of artists. Such studies would provide a foundation for the development of a broad theory of fine arts marketing that would itself generate further inquiry into the area of symbolic exchange.

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