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## Getting art to the market: how is the price of paintings determined?

Divyanshi Saroff

[saroffdivyanshi@gmail.com](mailto:saroffdivyanshi@gmail.com)

Independent Researcher

### ABSTRACT

*This paper is aimed at finding a correlation, if any, between the factors determining the price of an artwork. Based on quantitative analysis of a personal survey with 31 respondents, the factors do not form any particular abstract formula which could be derived. It was indicative that the surveyees approached pricing in a variety of ways. To make sense of the variety, the author used an inductive technique to identify and categorise various price styles. The results of the polls were tallied to determine the variables that each artist considered when making their selection. Individual respondents' most prevalent choice aspects are revealed through this method.*

**Keywords:** Pricing of art, Economics of art, Paintings, Pricing Factors, Perspectives on Value, Differential Utility

### 1. INTRODUCTION

Contemporary art's value is highly speculative. This is especially true when it comes to the work of unknown or developing artists. In the analysis of art, potential purchasers usually rely on the expertise of critics, dealers, and even the artists themselves. Then how is the price of paintings determined? As art Plattner<sup>[1]</sup> articulates "art is sold like a commodity but produced like a religious calling, as an object of intense personal expression." This research does not look at the factors that influence individual prices or the actual prices that are paid when a work of art is sold. Rather, this paper studies people's behaviour and decision making as they decide how much to charge for the items they have brought to market, under certain situations.

The first section of the research identifies and describes the most frequent aspects that go into an artist's pricing decision: size, expenses, market, status, and the artist's value.

### 2. PRICING FACTORS

Pricing, according to the general factors, is more of an art than a science, especially for new and creative products. When faced with incomplete data, entrepreneurs are more likely to satisfice rather than maximise when making decisions. Rather than employing the use of abstract calculations, in general they prefer to apply the concept of rule of thumb (basing the product's price on the whole average cost plus a profit margin). The general pricing factors are:

**Peaking periods:** The peak period of an artist's career might be a big deciding factor. Those generated during this time period may have a higher monetary worth than works created later or before in their career. Artists eventually have this phase in their careers, which may be the mark of their best period.

**Provenance (objects ownership record):** Auctions have a significant impact on the price of an artwork or an object. When it comes to artworks that arrive on the secondary art market, a piece's value can rise if it once belonged to a significant figure or has a long history of ownership. Pricing factors also differ depending on whether the work is being sold in the primary or the secondary market.

**Junk painting (paintings sold on the sidewalks and souvenir shops):** The price of junk paintings is determined by how much purchasers are ready to pay. Thus, the sort of neighbourhood in which the work is sold is a crucial predictor of pricing. The wealthy are always willing to pay more for junk paintings than others. In contrast, paintings by well-known artists, known as "old masters," are considered investments. The pricing in this area is influenced by factors such as limited supply and the artist's reputation. Because auctions are the most common way of selling established paintings, the final price is determined by how much one

individual is ready to spend to beat off a competing bidder.

Unlike the established painting market, the supply of contemporary painting is limitless as artists continue to create new works. The opinions of critics, as well as the purchasing decisions of major art collectors and museums, have a huge role in determining demand. Typically sold by dealers within galleries, the price also includes the gallery's production costs (rent, acquisition charges, and advertising). As a quality indicator, buyers look at a dealer's skill and reputation as well as pricing. Price is used to convey quality to purchasers in markets for other goods, just as it is in markets for other commodities.

Such price tendencies through endorsement can be derivative of the Veblen goods realized in many industries like high-end sneakers and fashion. Veblen Items are goods that do not strictly obey the law of demand, which stipulates that the price of a good or service is inversely proportional to the quantity requested of that good or service. After prices have gone over a certain level, Veblen goods contradict the law of demand. This phenomenon can be observed in designer clothes, sneakers industries as well as the art industry.

### **3. METHODOLOGY**

The analysis in this paper is based on the survey conducted through Indirect Personal Survey. The surveyees were asked to identify themselves as artists, choose a painting they would have made and answer questions regarding their selling strategies and pricing strategies.

The surveys were 10 minutes long, with most lasting over 5 minutes. The analysis that follows is based on the answers to the following open ended survey questions like pricing by the square inch (higher prices for larger works)?, expenses (time/labour, materials, framing costs), what the market will bear? (increases based on demand), increases based on reputation (pricing by perceived value of media), pricing by artist's perception of worth (how good the work is according to the artist and or her close associates).

### **4. HYPOTHESIS**

The hypothesis is based on the following assumptions:

It is of the author's belief that paintings fall under the category of unusual, expensive and unique goods. When a commodity is unique, it usually has a higher economic value.

Every commodity, in my opinion, has a price range that can be defined. And the price of an artwork is no exception. Studying the economic and social conditions in which the painting is sold can help decide the pricing range.

Reputation of an artist, like any other brand entity, tells much about the plausible value of their work.

Despite the fact that some authors compare the Veblen effect to the snob effect, with the Veblen effect, an individual tends to buy more of a product whose price has increased in order to impress others. However, the Snob effect is more sophisticated because it includes both societal and personal factors. During the consumption or purchase of brand goods for prestige reasons, the snob effect influences and is influenced by other people's behaviour, in addition to societal and personal considerations. (And so, it works more around the conventional logic that price of a work increases with more demand and not the other way round.)

For some, selling a work of art for a price that does not cover the cost of the materials used to create it is unacceptable. Simultaneously, many artists recognise the importance of social standing in deciding the value of contemporary art. In reality, their contacts with others in the art industry teach them the value of pricing based on status. As a result, many artists make decisions that blend a craft and an art world perspective. Others believe in pricing based on reputation or costs, but they defy another art and craft convention: they raise the price when they realise a work reflects a significant artistic achievement.

Market forces do come into play because artists who market and sell their own work and set their own prices is not a well-established practice. The artistic worth determined by the artist rarely remains relevant. The autonomy of the artistic genius is thus lost on us and the process of assigning value becomes highly sophisticated.

### **5. INFERENCES**



**Figure 1:Image No.1(Google Images)**

Price range for painting No. 1

31 responses

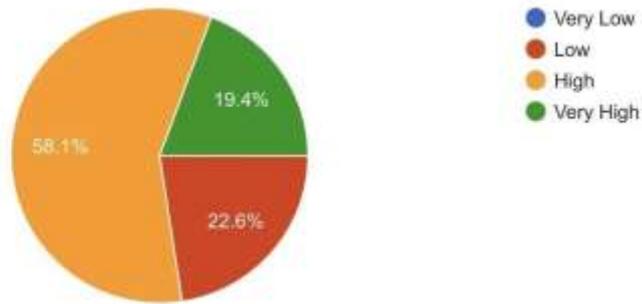


Figure 2: Price range for Image No.1

Pricing strategies you will use for Painting no. 1

31 responses.



Figure 3: Pricing strategies employed by the respondents



Figure 4: Image No.2

Price range for Image no. 2

31 responses

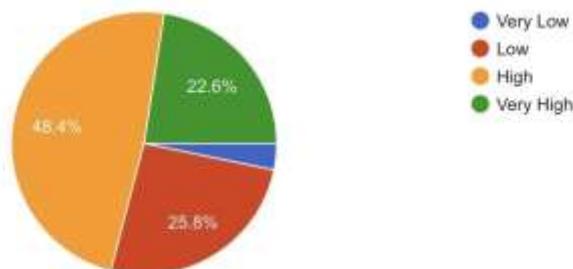


Figure 5: Price range for Image No.2

Pricing strategies you will use for Painting no. 2

31 responses



Figure 6: Pricing strategies employed by the respondents



Figure 7: Image No.3

Price range for Image no. 3

31 responses

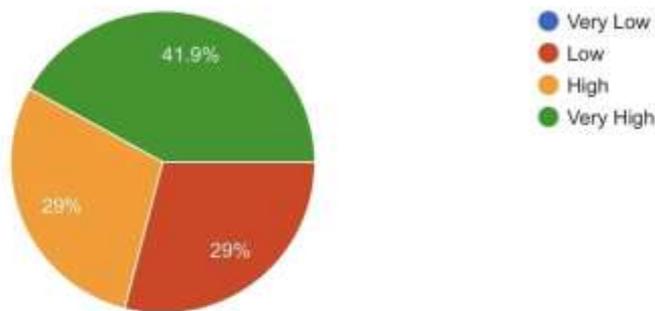


Figure 8 : Price range for Image No.3

Pricing strategies you will use for Painting no. 3

31 responses



Figure 9: Pricing strategies employed by the respondents

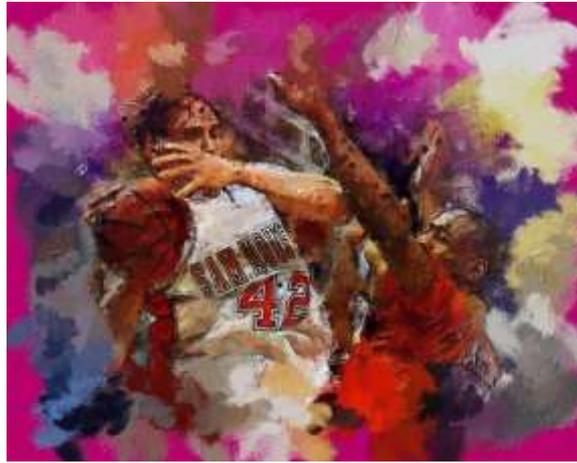


Figure 10 : Image No.4

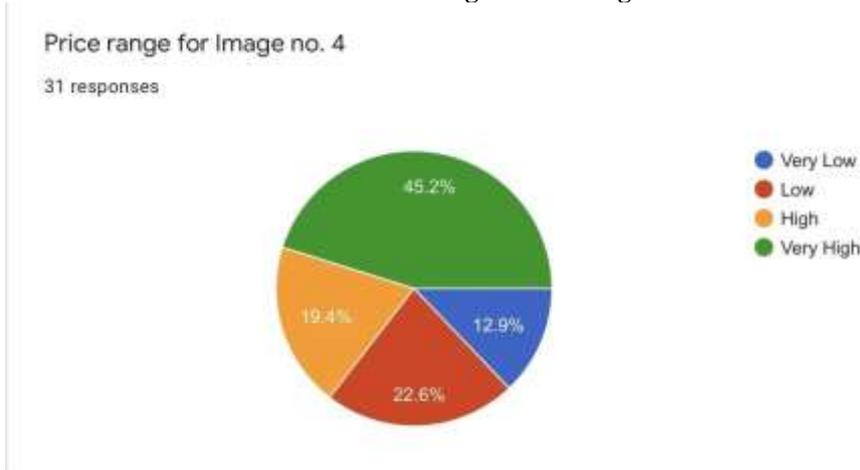


Figure 11 : Price range for Image No.4

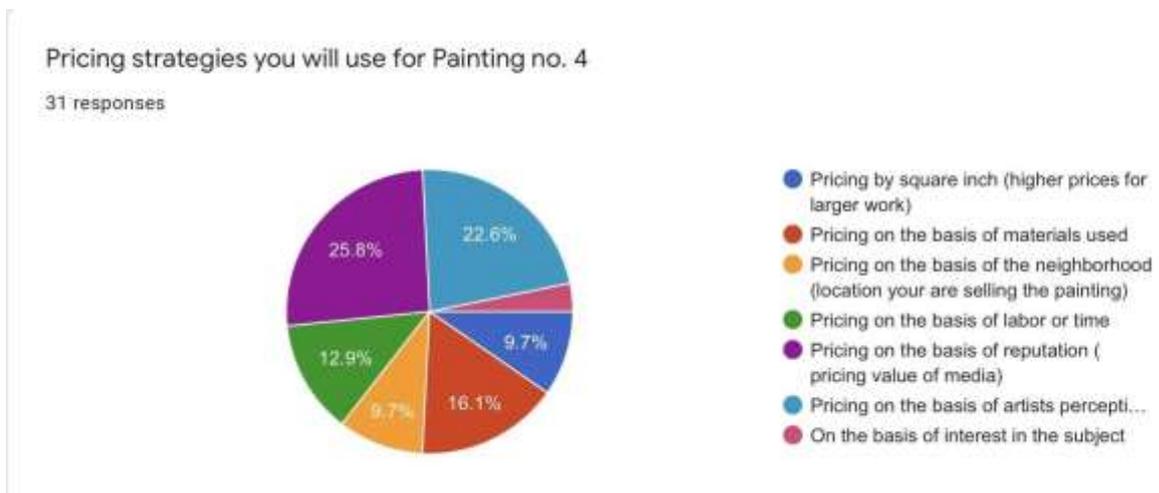


Figure 12: Pricing strategies employed by the respondents



Figure 13:Image No.5

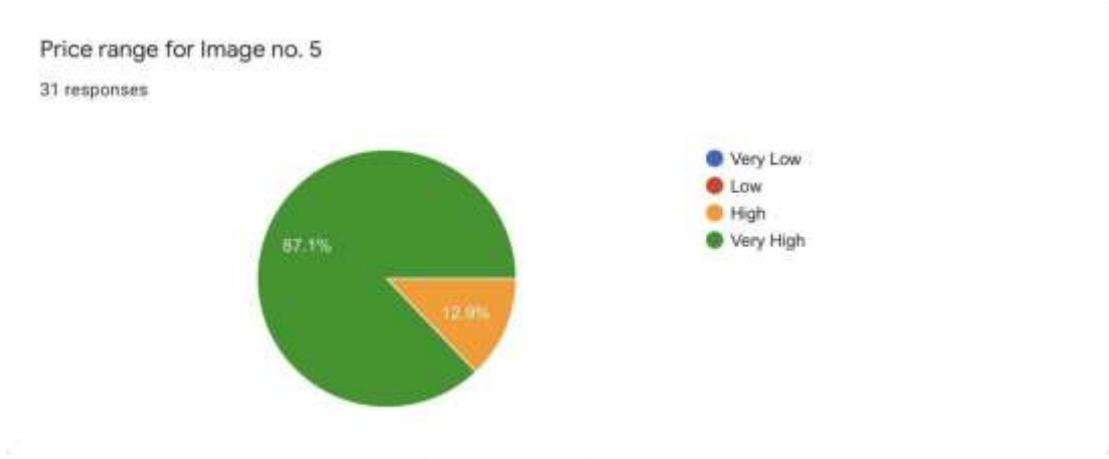


Figure 14: Price range for Image No.5

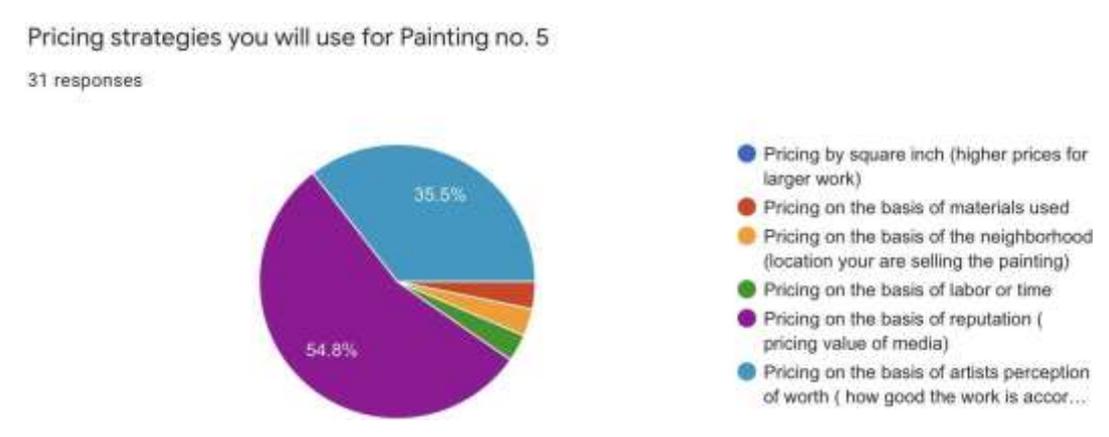


Figure 15: Pricing strategies employed by the respondents

The variety of pricing strategies reveals that the respondents investigated do not all approach pricing in the same way. In this situation, there are no clear guidelines for pricing behaviour. However, out of the mostly arbitrary choices, a general consensus for imbining value is based on reputation for very expensive paintings and for the comparatively cheaper ones it's based on individual appeal like perception and the message portrayed, often in equal consideration of the cost of production and neighbourhood pricing.

This analysis uncovered two important characteristics of variation. The first dimension encapsulates different perspectives on value. The market determines value at one end. On the other hand, value is established by the author of the work's artistic merit. The worth of the work to the artist is not associated with market variables, unlike expenses, size, and status aspects, which are more likely to be mixed with market concerns. The study also discovered that the most prevalent pricing strategies mix status considerations or expenses with market factors.

While formal data analysis approaches allow for the identification of price patterns and types, when it comes to the instances – the real judgments taken by individual artists – it is evident that many of them fall into more than one empirical type of decision.

On overall assessment of the data, it was observed that there is no correlation between the factors of the pricing strategies between the five paintings. Not only is pricing approached in different ways but artistic worth is often lost amidst the market currents. A statistical analysis thus falls short in deriving a set of fixed factors that determine the price of an artwork.

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