

## **Art as Business**

There are only two types of business – product and service. Art has elements of both. It's a product that provides a service. Someone that buys art has the pleasure of owning art. That's a service. When someone buys art in the expectation it will appreciate in value, that also is a service.

Art is therefore a business the same as any other business and is subject to the same fundamental economics as any other business. If an artist or business offers a product or service that is the same as that offered by hundreds (or even thousands) of others, there's no compelling reason for anyone to choose them. If an artist or business asks a higher price than is offered by hundreds (or even thousands) of others, they must justify the higher price or a lower price supplier will be chosen.

Art is, like all business, subject to the reality there is no "real" value. There is only "perceived" value. Every product and every service is only worth what a potential buyer perceives its worth. If you expect to increase the price of your product or service, you must make buyers believe it is worth more. There are many ways to do this.

- Advertising and promotion. Everything that gets the supplier's name out to the buyer increases the perception that supplier has value. The more frequently it is presented to the buyer, the greater the perception of value.
- Controlled supply. Diamonds are the best example of how price can be increased by controlling supply. Artists create controlled supply with limited edition prints. The buyers know there is a fixed restricted supply so perceive it is of greater value than if supply was unlimited. That's why the perceived value of an artist's work rises dramatically when they die. The supply has become fixed.