Evaluating Contemporary Art

Information Sources & Strategies
Results of an international empirical study
AXA ART Survey 2017
“For many, price is key - the more expensive, the more important. I try to advise all young artists not to offer their works at low prices, for then they will have no value. For collectors, price is just an indication of what they might have to spend, or where they can start to bargain - in order to get the best deal for an object they've already decided to buy.”

Auction House Representative

Foreword

Even to the specialist eye, the workings of the contemporary art market are shrouded in mystery. At any given time, the value of any piece appears to be based on a complex interaction of intangible factors – from the subjective judgments of influential tastemakers to the current brand-recognition factor of the artist concerned. Aesthetic quality – normally a touchstone for measuring value – often trails in last in a capricious evaluation process.

For collectors and art market professionals alike, this stubborn lack of transparency presents a serious problem. Without any reliable guidance, how is it possible to invest in the contemporary art market with any confidence? What is anything ever really worth, and why?

It’s a critical question for us at AXA ART as much as it is for our clients and partners. So to shed some light on the issue, we commissioned a new study in collaboration with the University of Kassel. Following on from the acclaimed AXA ART Collectors’ Survey, the results – drawn from an international survey of art experts – represent the first serious academic analysis of the inner workings of the global contemporary art market. Our aim is to provide an objective and balanced guide to understanding contemporary valuation, in all its complexity.

In addition to demystifying the evaluation process, this study also incorporates a listing of the best online and offline indexes which buyers can access for specialist information on current artists, their market reputation and sale prices. This is important because different indices address different purposes; so we have endeavored to compile a comprehensive range that meets all needs.

We hope you find this survey both insightful and supportive, and that by lifting the veil on the contemporary art trends and values, it enables you to approach the market with fresh knowledge and confidence. My personal thanks and those of all of us at AXA ART go out to Prof. Dr. H. Dieter Dalhoff, whose expert scientific direction has been invaluable in bringing this research to publication.

Kai Kuklinski
Global CEO of AXA ART
“Art indices give only clues - they often falsify because they do not keep the market and art value apart. Today large collectors and auction houses are the great manipulators of the art market. Indexes do not reflect truths. It’s like buying with the ears. Indexes do not reflect truths, they reflect only market value. All indices have weaknesses, as they highlight specific aspects that need to be questioned.”

Gallerist

Often provocative, sometimes outrageous, but always pushing at the boundaries, contemporary art polarizes opinion, evoking strong reactions from devotees and detractors alike. Its unerring ability to stir up controversy has spawned a thriving and fascinating global market, which is simultaneously incredibly complex and – at least to the outsider – virtually impenetrable.

Until now, economic science has not attempted a definitive analysis of how the contemporary art market works. This study, which summarizes the results of an international empirical survey, aims to remedy that omission, by viewing the market’s core processes through the prism of behavioral science.

Specifically, we address the following issues:
• What are the relevant information and evaluation tools, and how are they used?
• What are the criteria for evaluating contemporary art?
• What is the role of the price?
• How do the evaluation processes work in practice?
• Are art indexes and databases the solution to the problem of evaluation?

To answer these questions, we first examine the structure of the contemporary art market and offer a practical survey of existing information sources and evaluation tools.

This is followed by the results of our survey, for which we interviewed art experts from various countries about their information and evaluation strategies. The results are interesting – and, in part, surprising.
A. The market for contemporary art

“In today’s art world, critical consensus has less relevance in creating a hierarchy of value. This is especially true in contemporary art where we have a condition of pluralism – anything can be art – and where a huge number of artists, galleries and collectors are participating.”

Art Expert

As any serious investor or art market professional can testify, the market for contemporary art is extraordinarily complex. Unlike the markets for other artworks (such as old masters or antiques), it is actually two separate markets, locked together in a sometimes uneasy relationship. On the one hand is the primary market, where fresh works are sold for the first time, and on the other, the secondary market, where artworks are resold. Most contemporary art market stakeholders – artists, gallery owners, auction houses, art dealers, collectors and museums, among others – therefore wear a variety of hats, acting as sellers and/or buyers, depending on the market in question.

Initially, fresh artworks are offered on the primary market: private or corporate collectors, institutions, art dealers or museums buy “fresh” works – in most cases from galleries that collaborate with specific artists, or directly at the artist’s studio – for a fixed (and usually undisclosed) price. Any such works that are then resold appear on the secondary market, traditionally via auction houses or art dealers, which commonly deal in works that have been sold once or several times before.

The market for contemporary art consists of more than just ‘sellers’

Since the primary end of the contemporary art market is by nature opaque, market observers play a crucial role in advising and informing both collectors and fellow professionals, either via (online) information services or through journalistic channels. They head a long list of influential voices that include art academies, museums and exhibition spaces, art societies, donors/patrons/artistic sponsors/artistic consultants, curators, specialist art carriers, art insurers and many others.

In contrast to the primary market, prices on the secondary market develop more transparently via supply and demand, pretty much as they do in any other mature market. This, therefore, need not detain us too long: it is the mysteries of the primary market that concern us here.
The value of art: quality, reputation and price

For many art lovers and art market professionals, the familiarities of mainstream fine art represent something of a comfort zone. Any debate about quality and value has long been settled (both by expert opinion and market consensus), and the prudent investor can look forward over time to a steady, if not necessarily spectacular, appreciation in value.

Contemporary art isn’t like that. In whatever guise it takes – and individual pieces differ enormously in form, content and quality – its essence resides in the challenge of its originality. And if no piece bears comparison to any other, then every new work demands individual appraisal. When a contemporary work is offered for sale for the first time, list price is absolutely no guarantee of value – either aesthetic or monetary. Aside from artistic quality, the work’s size, medium and exhibition presence also come into play, as does the prevailing market environment and the current “buzz” around the artist in question.

There is, in fact, little in the way of solid ground here. Primary market value is largely a speculative construct, based on a multitude of influences interacting within a complex system, without which it would be impossible to place a value on contemporary work at all.

In the simplest terms, it comes down to a combination of aesthetic judgment, artist profile and market asking price, all three of which exercise their own competing - and sometimes conflicting - pull on any notion of true value (see diagram).

Quality/aesthetic value:
Throughout the history of western art, we have fairly consistently held to the belief that the value of any piece is at heart determined by its aesthetic quality – a belief largely supported by the weight of expert opinion delivered by curators, critics, art historians and the like. The volatility of the contemporary art scene actively supplants this established order with controversy and confusion, with experts, museums, gallery owners and artists sometimes violently disagreeing as to what constitutes true artistic achievement.

Aside from measurable aspects such as state of preservation, scarcity and provenance, every other element of judgment concerning quality and originality is invariably subjective, and anything approaching a consensus takes years to evolve. So any foray into the market is inevitably something of a gamble. As opposed to being swayed by impulse, the wisest heads take stock of the collective balance of opinion before reaching for their chequebook.

Reputation/brand value:
It may sound a little dispiriting but, as in any other avenue of the arts, a little public profile goes a long way. A contemporary artist who has either cultivated a brand profile or whose work has earned a reputation will always command more market attention than their more obscure counterpart. It’s simply that public recognition – however acquired – serves as an indicator of marketability and reduces the risk of a bad investment.

Reputation is an organic creature, fed by a multi-tiered process of social communication and a vast, complex network of direct and indirect endorsements. Art prizes, awards and positive reviews all play a part, as does being in the right exhibitions, or collaborating with well-renowned institutions and collections. The artist’s brand, once established, becomes self-sustaining – it acts as a guideline for buyers and helps to increase the valuation of works, which in turn further increases the brand profile.

Price/market value:
The combined effect of assorted buying processes and opaque market structures has created an art market in which prices can veer wildly between extremes. As often as not, the monetary value ascribed to a work of art has as much to do with the buyer’s expectations, market knowledge and personal taste as it does with the actual quality of the work or reputation of the artist. Quite commonly, the so-called Veblen-Effect comes into play: as when a buyer of any extravagantly priced object is persuaded of its quality simply by virtue of how much they need to pay for it. Art historian Wolfgang Ullrich coined the term Siegerkunst – winner’s art – to describe such vanity purchases, acquired as ostentatious symbols of luxury and prestige.

“Although price should not be the ultimate measure of value, it all too often assumes an inflated importance, due to interested parties having no other means of judging a work’s worth.”

Dealer

“Price and value are two completely different elements. The price of an artwork does not define its value.”

Private Collector
Evaluation tools for contemporary art: a practical guide

The three valuation criteria for a contemporary artwork – quality, reputation and price – are intangible and subjective measurements that can change overnight. So how do experts themselves arrive at their own judgments of quality? What attributes or achievements distinguish a world-class artist from a middling exponent? How fast do new works appreciate – and is it realistic for an artist to think in terms of percent increases a year? How do experts determine an artist’s value – many of which are subjective – and does it render expert judgment and guidance all the more necessary? Here again, collectors and market professionals have recourse to an array of online services and magazines, ranging from reviews and art market news to lists of collectors and databases on artists, events and works.

Reputation: Artist rankings, some of which have existed for decades, are compiled from a multitude of data. An artist’s ranking is assessed through a combination of scores across various categories – such as participation in important exhibitions, sales to important institutions, reviews in art magazines or art prizes etc. How these rankings actually work is, however, something of a trade secret, as artist rankings do not disclose the algorithms behind their valuations (rare exceptions include Art Report and – in part – Kunstkompass).

Price: Does the gallery asking price for a particular work of art accurately reflect the final price paid? Primary market prices often remain undisclosed, and artists, dealers, museums and galleries all have their own reasons for being reluctant to reveal actual transaction figures. On the secondary market, in contrast, information on prices is available; auction results, which reflect supply and demand, are good indicators for the price development of specific artists. Specialized data banks readily offer such information, often even including price curves and purchasing recommendations, in a similar way to stock market information services.

The following table acts as a practical guideline for choosing sources of information on contemporary art. It lists exemplary evaluation tools which can offer the non-expert some much-needed guidance in estimating the quality, reputation and prices of contemporary artists.

<table>
<thead>
<tr>
<th>NAME</th>
<th>ONLINE/OFFLINE</th>
<th>FEE?</th>
<th>CONTENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Larry’s List</td>
<td>Online: larryslist.com</td>
<td>no**</td>
<td>Database with 3,500 profiles of international collectors; additional information for and about art collectors</td>
</tr>
<tr>
<td>ArtSy</td>
<td>Online: artsy.net</td>
<td>no</td>
<td>Database with information on 40,000 artists, online art market and news on art</td>
</tr>
<tr>
<td>Independent Collectors</td>
<td>Online: independent-collectors.com</td>
<td>no</td>
<td>Website for collectors of contemporary art; publishes the BMW Art Guide with portraits of ca. 250 private art collections</td>
</tr>
<tr>
<td>ArtTactic</td>
<td>Online: arttactic.com</td>
<td>no**</td>
<td>Information service on the art market; publishes market and country reports, individual analyses about specific artists etc.</td>
</tr>
<tr>
<td>Artnforum</td>
<td>Magazine, online: artnforum.com</td>
<td>yes*</td>
<td>US contemporary art magazine, founded 1968, 10 issues per year</td>
</tr>
<tr>
<td>ARTNews</td>
<td>Magazine, online: artnnews.com</td>
<td>yes*</td>
<td>Leading US art magazine, first published 1922, 4 issues per year</td>
</tr>
<tr>
<td>Frieze</td>
<td>Magazine, online: frieze.com</td>
<td>yes*</td>
<td>British contemporary art monthly; organizes the Frieze art fairs in London and NY</td>
</tr>
<tr>
<td>artpress</td>
<td>Magazine, online: artpress.com</td>
<td>yes*</td>
<td>French-English monthly on contemporary art; first published in 1972</td>
</tr>
<tr>
<td>Art Newspaper</td>
<td>Newspaper, online: artnewspaper.com</td>
<td>yes*</td>
<td>Art newspaper, published 9 to 22 times a year in English, Italian, French, Russian and Chinese</td>
</tr>
<tr>
<td>Parkett</td>
<td>Magazine, online: parkettart.com</td>
<td>yes*</td>
<td>English/German magazine on contemporary art; 4 issues per year, edited in collaboration with artists</td>
</tr>
<tr>
<td>art – das Kunstmagazin</td>
<td>Magazine, online: art-magazin.de</td>
<td>yes*</td>
<td>Monthly German art magazine with portraits, exhibition reviews and a guide on current art events</td>
</tr>
<tr>
<td>Monopol</td>
<td>Magazine, online: kunstforum.de</td>
<td>yes*</td>
<td>German bimonthly on contemporary art, founded in 1968, 6 issues per year</td>
</tr>
<tr>
<td>Kunstartung</td>
<td>Newspaper</td>
<td>no</td>
<td>German monthly art newspaper, distributed free of charge in museums and exhibition spaces, circulation 200,000</td>
</tr>
<tr>
<td>Kunst und Auktionen</td>
<td>Magazine, also available as e-paper</td>
<td>yes*</td>
<td>Magazine on the art and auction market, edited by the German monthly Die Zeit, 10 issues per year</td>
</tr>
</tbody>
</table>

This short survey represents only a limited selection of the many art magazines and websites devoted to contemporary art. The above information was carefully researched as of June 2017; we assume no liability for changes or editorial errors.

Information, news and articles on the art market are also published by the websites Art Report, ArtReview, Artnet and Blouinartinfo (see 2. and 3. below).

* only magazine price / ** limited access free of charge
2. Reputation: rankings of contemporary artists

<table>
<thead>
<tr>
<th>NAME</th>
<th>ONLINE/OFFLINE</th>
<th>FEE?</th>
<th>CONTENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>ArtFacts</td>
<td>Online: artfacts.net</td>
<td>no**</td>
<td>Online ranking of ca. 100,000 international artists, updated weekly; scores according to presence in museums, exhibitions and galleries; published yearly in the magazine Capital; with a databank of auction prices</td>
</tr>
<tr>
<td>Capital-Kunstkunst-</td>
<td>Offline in the</td>
<td>yes*</td>
<td></td>
</tr>
<tr>
<td>kompass</td>
<td>magazine Capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Art Report</td>
<td>Online: art-report.com</td>
<td>no</td>
<td>Online ranking of ca. 65,000 international artists; scores depend on presence in exhibitions, network and auction prices; data on individual artists available</td>
</tr>
<tr>
<td>ArtReview Power 100</td>
<td>Online: artnews.com</td>
<td>no</td>
<td>Ranking of the 100 most influential personalities of the art world (artists, gallerists, collectors, curators, museum directors, theorists etc.)</td>
</tr>
<tr>
<td>Kunstkompass</td>
<td>Offline, published in the magazine Bilanz</td>
<td>yes*</td>
<td>First published in Germany in 1970; yearly ranking of international artists (about 25,000 artists are evaluated); scores are allocated according to presence in exhibitions, purchases by museums, reviews and art prizes</td>
</tr>
<tr>
<td>Trend-Kunstranking</td>
<td>Magazine, online: trend.at</td>
<td>yes*</td>
<td>Ranking of the 100 best Austrian artists on the basis of a poll among experts</td>
</tr>
<tr>
<td>Bilanz-Künstler-Rating</td>
<td>Magazine, online: kunstforum.de</td>
<td>yes*</td>
<td>Ranking of the 20 most important Swiss artists, selected by a jury of 44 experts</td>
</tr>
</tbody>
</table>

“The price represents the value a work has on the market. A very good artistic work can nevertheless be unsaleable or commercially useless.”

Gallerist

3. Price: databases and purchasing information

<table>
<thead>
<tr>
<th>NAME</th>
<th>ONLINE/OFFLINE</th>
<th>FEE?</th>
<th>CONTENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Artprice</td>
<td>Online: artprice.com</td>
<td>no**</td>
<td>Database with ca. 30 million auction results and information on 650,000 artists; rankings of prices and sales volumes; various analytic tools available</td>
</tr>
<tr>
<td>Artnet</td>
<td>Online: artnet.com</td>
<td>no**</td>
<td>Database with ca. 10 million auction results and information on 320,000 artists; online art market, gallery representation and auction house; art news</td>
</tr>
<tr>
<td>Blouin Art Sales Index</td>
<td>Online: artsalesindex.artinfo.com</td>
<td>no**</td>
<td>Database (founded in 1922) with ca. 6 million auction results of 500,000 artists; ranking “100 Top Artists”; online art news: blouinartinfo.com</td>
</tr>
<tr>
<td>Sotheby’s-Mei-Moses-Index</td>
<td>No public access</td>
<td>(no)</td>
<td>Database with 45,000 works sold on the secondary market several times; currently available only for Sotheby’s clients</td>
</tr>
<tr>
<td>Skate’s Art Market Research</td>
<td>Online: skatepress.com</td>
<td>no</td>
<td>Information service on the art market, publishes industry reports, sales data, artist rankings, lists of the most expensive works etc.</td>
</tr>
<tr>
<td>ArtRank</td>
<td>Online: artrank.com</td>
<td>no</td>
<td>Quarterly artist ranking with tips for collectors (“buy now”, “sell/peaking” etc.); depending on presence, prices and market saturation</td>
</tr>
</tbody>
</table>

“If you don’t know the price, you don’t know what’s to pay or whether you can sell it.”

Private Collector

* only magazine price / ** limited access free of charge
C. Evaluation strategies: six empirical results

The goal of the study

Given the complex structure of the contemporary art market, several questions regarding the participants’ strategies for collecting information and evaluating art arise. Which sources of information do they use? What is the underlying concept of “value”? What role does price play? How does the evaluation process (“art journey”) work in practice? Which evaluation tools do the experts prefer to use?

The participants: collectors, dealers, experts

Demographically balanced: At 48% and 53% respectively, men and women were almost equally represented. Ages varied between 20 and 86 years, the average age being 47.

Diverse: Participants included a representative range of stakeholders from across the art market — from art dealers, gallerists, auction houses, institutional and private collectors to members of art societies, journalists and scholars and other experts such as art consultants, art insurers and financial consultants. The share of gallerists, art dealers and auction houses (44%) was approximately equal to that of institutional and private collectors (43%).

Willing and able to spend money on art: 59% of the art collectors interviewed had a yearly budget of 30,000 euros or more for buying art; 11% can budget for at least 600,000 euros, and 3% for one million euros or more.

Groups of interviewees

In 2017, a total of 127 carefully selected art market experts were interviewed about their approaches to gathering art market information in an explorative study. The results published here were derived on the basis of that sample. The participants were:

- International: Nearly two thirds of the interviewed experts came from Germany and Austria, with the US, France, the UK and the Netherlands also featuring prominently. In total, experts from 13 different countries took part in the survey.

- Private collectors: 28%
- Institutional art collectors: 20%
- Galleries and art dealers: 40%
- Auction houses: 3%
- Art societies: 3%
- Journalists/academics: 10%
- Private art collectors: 28%
1. Pivotal source of information: the Internet

The first set of survey questions looked at how participants go about acquiring information. The core question was:

“Which sources of information do you use to be up-to-date concerning the contemporary art scene?”

Answering options ranged from print media such as art magazines and newspapers to personal contacts (i.e., expert talks, visits to exhibitions or artists’ studios and digital information sources such as websites or social media). We learned that (barring two exceptions), experts use a cross-section of information sources with similar degrees of frequency.

The Internet is clearly the most popular information source; most participants (87%) use it often or daily. The interviewees named artnet.de, artsy.net, monopol-magazin.de, artprice.com, art-magazin.de, e-flux.com and theartnewspaper.com as the most important websites. In surprising contrast, experts will only occasionally visit an artist’s studio in pursuit of actual information. Other named sources of information included books, radio features, podcasts, data banks, newsletters (e.g. Hyperallergic), conferences and visits to galleries, art fairs and auctions.

Some differences between the groups of experts were observable:

- Women and younger participants (under 53) use social media more often than men and older participants.
- Art dealers, gallerists, journalists and scholars visit artists’ studios more often than collectors; auction houses are the rarest of studio visitors.
- Gallerists and art dealers use art magazines and discussions with experts significantly more often than collectors.

The Internet is the most common information source, studio visits are the most uncommon.

2. Key value criteria: reputation & quality

How do art experts evaluate artworks? Do they confine themselves solely to quality criteria, or are they swayed by reputation and noises from the market? To clarify this question, interviewees were asked to judge the relevance of 18 factors that potentially influence the value of an artwork.

Criteria which focus on artistic reputation and quality are regarded as particularly important, with the artist’s prominence, the emotional bond to the work, its originality and the artist’s exhibition profile commanding the top four scores. Price criteria such as market value and auction results occupy the middle range, with issues of up-to-dateness, epochal classification, artist ranking and age trailing behind.

Unpack these figures though, and you find that the various expert groups diverge considerably with respect to their judgment of the value criteria:

- Institutional and private art buyers and collectors attach special importance to the originality of the artwork and to establishing an emotional bond with the work. They put less than average emphasis on “market-freshness”, provenance, scarcity value and resale value of the artwork and on the age of the artist.
- Gallerists and art dealers regard an artist’s exhibition profile as a prime criterion, on a par with the originality of their work, and with the artist’s overall prominence ranking third. This group places less emphasis than collectors on an emotional bond, and above average importance on artist age and market criteria (such as provenance, market-freshness and resale value).
- Auction houses unsurprisingly regard auction results as particularly relevant. Additionally, they place above-average importance on the value criterion of price/market value.

Core value criteria: artist’s prominence, emotional bond to the work and its originality

<table>
<thead>
<tr>
<th>Value criteria and their relevance</th>
<th>very important</th>
<th>rather important</th>
<th>neutral</th>
</tr>
</thead>
<tbody>
<tr>
<td>Artist’s prominence</td>
<td>1,65</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emotional bond</td>
<td>1,70</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Originality of the artwork</td>
<td>1,73</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Artist’s exhibition profile</td>
<td>1,75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statement of the artwork</td>
<td>1,99</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provenance</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Scarcity value</td>
<td>2,06</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Well-established artist’s name</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Price/market value</td>
<td>2,11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical realization</td>
<td>2,32</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Achieved auction results</td>
<td>2,36</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resale value</td>
<td>2,44</td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Market-fresh” artworks</td>
<td>2,56</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Artist’s media presence</td>
<td>2,63</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Up-to-dateness of the artwork</td>
<td>2,70</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Epochal importance/classification</td>
<td>2,74</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Artist’s position in rankings</td>
<td>2,97</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Artist’s age</td>
<td>3,04</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3. Buying decisions: a matter of quality

"Price is the easiest way to determine quality of art, but not the best."

Art Dealer

Reassuringly, quality and reputation are still regarded as the most important evaluation criteria for contemporary art. More than 90% of interviewees rank reputation factors such as exhibition profile, prominence and a well-established artist’s name alongside quality factors such as emotional bond, scarcity value and originality in terms of relevance for determining value.

However, an interesting divergence from this result occurred when the participants were asked an open question about their own last art purchase:

“When remembering the last time you bought a piece of art: what were the three most important factors in the decision-making process?”

In this case, the participants primarily state subjective quality aspects: 57% of interviewees regard the quality of the work as important (“aesthetic quality”, “persuasiveness”, “authenticity”, etc). Price and reputation aspects only rank second and third (“good price”, “affordable”, “financially feasible” etc. are factors identified by 25% of interviewees). The reputation of the artist (“career strength”, “artist’s prominence”, “status of the artist” etc.) returned only 18%.

Private and institutional collectors also regard the gallery as an important factor in any buying decision (“quality of the gallery”, “involvement of the gallerist”).

In general terms, the interviewees regard all three value criteria – reputation, quality and price – as important. Yet when it comes to buying for themselves, they are often primarily led by their own quality judgment and personal taste.

4. Price is not equal to value

"Price is the easiest way to determine quality of art, but not the best."

Art Dealer

Another question concerned price – we asked participants for a brief statement explaining the role that price information plays in the evaluation of an artwork. The results show that the price of an artwork can be interpreted in four quite different ways:

1. Prices are the basis for evaluation
   Only about 10% of participants, mainly art dealers, regard the price of an artwork as decisive in assessing its value. By and large, this attitude is captured by such statements as “I trade in art, therefore the price is essential.”

2. Prices serve as a guideline
   Other participants see price only as a guideline - critically noting that non-experts tend to associate high prices with high quality (“important guideline for collectors who do not have a clue”; “extremely important for many people – the more expensive, the more prominent!”). Revealingly, one participant turned this critique on its head, observing that “things that don’t cost anything aren’t worth anything – unfortunately!”.

3. Prices create markets
   No price, no market – many experts agree on this point, variously arguing that “the art market cannot exist without a reflection on prices”; “upon market entry, price is just a claim”; “price information means that a market exists”.

4. Prices are not related to value
   About one quarter of interviewees stress that the price of an artwork has no connection to its artistic value (“a very good work of art can still be unmarketable or commercially worthless”; “the price does not say anything about the significance of the contents”; “some contemporary art sells very well, but its artistic value often approaches zero”).

Prices are important, but should not be interpreted as the value of artworks

2. Prices serve as a guideline
   Other participants see price only as a guideline - critically noting that non-experts tend to associate high prices with high quality (“important guideline for collectors who do not have a clue”; “extremely important for many people – the more expensive, the more prominent!”). Revealingly, one participant turned this critique on its head, observing that “things that don’t cost anything aren’t worth anything – unfortunately!”.

3. Prices create markets
   No price, no market – many experts agree on this point, variously arguing that “the art market cannot exist without a reflection on prices”; “upon market entry, price is just a claim”; “price information means that a market exists”.

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Prices are important, but should not be interpreted as the value of artworks

Real buying processes are governed by quality aspects

“Price is the easiest way to determine quality of art, but not the best.”

Art Dealer

"Price is the easiest way to determine quality of art, but not the best."
5. “Art journeys”: individual trips in the dark

The process of evaluating artworks is both complex and individual. Buying behavior researchers divide this process into three steps:

Evaluation and purchasing process information search

- Collection of raw data (auction prices etc.)
- Research (provenance, artist’s career etc.)
- Market analyses

Selection

- Judging price estimates
- Price comparisons
- Comparisons with other artworks

Evaluation

- Judging the condition, provenance etc. of the artwork
- Personal information
- Quality judgments

The answers reveal that the itineraries vary widely between groups and individuals (with private collectors setting considerable store by the reputation of their favored galleries). Also, experts do not necessarily take a linear course, typically jumping back and forth between the phases of information search, selection and evaluation. There is one common tendency, though: 56% regard the gathering of price information as integral to the evaluation process. This rather cautious use may be due to ignorance of respective valuation tools – or possibly to dissatisfaction, as any one tool cannot hope to meet all the expectations of the “ideal” solution. Given that different stakeholders hold conflicting priorities, each needs to select the tools that best meet the requirements of their individual „journey“.

6. Evaluation tools: a way up into the light?

Assessment of different evaluation tools

<table>
<thead>
<tr>
<th>Evaluation tool</th>
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<th>Neutral</th>
<th>Rather unimportant</th>
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<td>ArtRank index</td>
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<td>Trend Kunstguide</td>
<td>3,25</td>
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</tbody>
</table>

“The price is the easiest way to determine quality, but not the best way.”

Art Market Journalist

As seen on pages 10-13, many evaluation tools exist (mostly on the internet) to offer information on artworks plus guidance in valuation. Asked to assess their importance, the interviewees rank Artnet and Artnet most highly. The groundbreaking Kunstkompass ranking, founded in 1970, has declined in importance.

Although most participants are aware of these evaluation tools, just 46% actually use them in their own assessments. In this respect, there is a marked difference between art collectors and art dealers:

Collectors regard evaluation tools as more important, and use them more often (with the exception of the online service Artprice, which is preferred by gallerists). 53% of all private and institutional art collectors, but just 39% of gallerists and art dealers assess art with the aid of evaluation tools.

Collectors also prefer tools that are more comprehensive, and use them more often (with the exception of the online service Artprice, which is preferred by gallerists). 53% of all private and institutional art collectors, but just 39% of gallerists and art dealers assess art with the aid of evaluation tools.

This rather cautious use may be due to ignorance of respective valuation tools – or possibly to dissatisfaction, as any one tool cannot hope to meet all the expectations of the “ideal” solution. Given that different stakeholders hold conflicting priorities, each needs to select the tools that best meet the requirements of their individual „journey“.

Most important evaluation tools: Artnet and Artprice

- The interviewees in general would prefer an evaluation tool with a stronger emphasis on quality – of artworks, exhibitions and exhibiting museums.
- Gallerists would like to see more weight given to museums; collectors find reviews, awards and exhibition venues particularly important.
- Journalists and scholars wish for more emphasis on reviews and exhibition venues; interviewees from banks and financial consulting attach importance to resale values.

To sum up: Any evaluation tool that majors on the quality factor has real market potential. But given the complexity of the quality issue, constructing such an art index will be a genuine challenge. When all is said, human intuition and the expertise of art connoisseurs might well remain the final authority on the value of art...
D. Summary

A. The market for contemporary art

- The market for contemporary art is opaque and complex. It is divided into the primary market and the secondary market, where works are re-sold; multiple stakeholders act as sellers and/or buyers, market observers and influencers.
- Art works are not homogeneous goods; their value must be determined individually and arises from three sources: quality/aesthetic value, reputation of the artist/brand value and price/market value.

B. Information sources

To help guide non-experts through this confusing world, a multitude of market observers offer their services:

- information services providing news from the art world,
- rankings which measure the current reputation of artists via scoring systems,
- price data banks, which provide auction results and price information on works and artists.

C. Information and evaluation strategies: six key results

In order to shed some light on the best strategies to employ when negotiating the contemporary art market, we interviewed a selective study of 127 art experts – drawn equally from dealership and collecting backgrounds – about their own information and evaluation habits.

“Art prices can only be established on a comparative basis, because the market lacks any concrete measuring tools.”

Art Expert

The key results

1. The Internet is the core source of information about contemporary art. 87% of interviewees use the Internet often or daily for information-gathering purposes. Print media, exhibitions and talks are often used, studio visits only occasionally, mainly by gallerists.

2. “Artist’s prominence” and “emotional bond” to the artwork are the most important factors for evaluating works of art. Reputation and quality criteria are regarded as significantly more important than price/market value or auction results. An artist’s age or ranking position is seen as secondary.

3. Real buying processes are governed by quality. 57% of participants based their last art purchase on quality criteria. Prices and reputation influenced only 25% and 18% of buyers and collectors respectively – most follow their own sense of quality and personal taste.

4. Price is not equal to value. Only 10% of participants regard the price as the key value criterion for art; the others see it as a guideline or a means for creating markets. One quarter of interviewees even believe that the price of an artwork bears no relation whatsoever to its value.

5. Art journeys are individual trips “in the dark”. Evaluation and buying processes of contemporary art follow very individual itineraries. By virtue of the market’s singular complexity and opacity, most market evaluation processes are shrouded in secrecy.

6. Evaluation tools: a way up into the light? Various evaluation tools offer guidance for the assessment of art. The most popular ones are Artnet and Artprice – but in fact, fewer than half the interviewees use such information services. One reason might be that the quality factor is not sufficiently addressed by existing evaluation tools. Any evaluation tool that actually manages to incorporate artistic quality as a criteria would look to have a highly successful future.

“For the personal art collector it is a matter of what value a work has, since it might be possible to pass it on to others.”

Private Collector
Art appraisal: criteria between facts and indices

The survey highlighted the fact that participants wanted, among other things, a stronger reflection of quality in art indices. Which raises the question: is that even possible?

Algorithms are fantastically good at compiling, sifting and quantitatively evaluating data, but they can’t begin to capture or assess the abstract complexities of quality. And for all their numeric prowess, they offer no insight into the iconographic and iconological layers of meaning which define an artwork’s true relevance. This requires still a human eye.

As a rule, art appraisal is carried out by “cascading”, using “hard” measurable factors. These include the number and scale of mentions in literature and the press, the “content” of the work to be appraised (including analysis of the content orientation of publications about the works and the artist), and discussion of its relevance in terms of the history of ideas. Within these three categories, the process of evaluation breaks down as follows:

1. “Hard” facts about the artwork
   - name of the artist
   - title of the work
   - method of production
   - dimensions
   - signature for runs: numbering or specifications
   - dating
   - dedications / inscriptions / labels etc.
   - conservation status
   - provenance authenticity
   - exhibition history
   - market history write-ups in reviews
   - specialist literature

2. Content criteria
   - subject / theme
   - iconography / specifically in the formulation of artistic statement
   - history of reception
   - types and intentions of exhibitions

3. Relevance
   - the significance of the work in the artist’s oeuvre
   - form and style as an expression of conscious connection to - or calculated contrast from - innate artistic issues, standards, periods or cultural circles
   - touching on some or many layers of meaning as an expression of the examination of “extra-artistic” issues
   - perception of the artist among the wider public and in the art scene

As the above criteria show, an artwork’s classification in terms of price needs case-by-case analysis, which invariably extends into intangible fields of examination that cannot be reduced to a row of numbers. Broadly speaking, the less formally measurable a criterion, the more it reveals about iconographical and iconological considerations. But a specialist needs to consider the entire spectrum to arrive at a rounded view of a work’s likely attractiveness on the current art market.

Inevitably, the weighting of individual criteria can fluctuate, depending on the observer. But what matters most is that each is made as objective as possible, through the use of meaningful comparison and categorisation. In this respect, an algorithm-based index can only do so much: data alone, however illuminating, can never provide the full picture. This requires specialist expertise, with the contextual background knowledge to consider every individual case separately.
“Prices are for orientation, not for appreciation.”
Dealer

“The art market cannot exist without consideration of price. Sometimes value can appear incomprehensible for something that might be intrinsically worthless”
Gallerist