

## PRICING OF ARTWORKS: AUCTION VERSUS EXHIBITION

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### Abstract

When an artist is trying to sell his work through an exhibition or an auction, the selling price may end up being different from his intended price. In 2013, one of the four versions of Edvard Munch's *The Scream*, a pastel on board painting, according to Vogel (2012), fetched \$119.9 million at Sotheby's auction in New York. In 2014, Ben Enwonwu's *Princes of Mali*, sold for \$138,870 at Bonhams in Lagos, and El Anatsui's *Mask*, sold for \$78,375 at Arthouse (Castellote & Fagbule, 2015). El Anatsui's works sell for millions of naira, yet works of another artist struggles to sell for thousands of naira. Auction and Exhibition play major roles in the pricing of works. Why does one work sell for ₦70,000, another for ₦500 million, and yet another for ₦17 billion? In establishing selling price for a work, is exhibition more beneficial to the artist than auction? Does the price of a work go higher in auction than exhibition? These inquiries would build and buttress the concentration of this paper. This paper uses a review of reports on marketing structures and operations of art auction and exhibition to discuss their impact on pricing of artworks. It also examines the certain benefits accruing to artists on either channel of distribution and sale of their artworks.

**Keywords:** Price, Artwork, Exhibition, Auction, Argument

### Introduction

This review discusses the advantages and disadvantages of auction over exhibition, in relation to pricing of artworks. According to Wikipedia (2017), "An art auction or fine art auction is the sale of art works, in most cases in an auction house". In England this dates back to the latter part of the 17th century. At that moment the names of the auctioneers were mostly repressed. Prior to the date of an art auction, an auction catalogue, that lists the art works to be sold, is written and made available. An art auction is one of the most glamorous way of collecting art for many people. Some of the most famous auction houses are Christie's and Sotheby's, based in London and New York. The oldest auction house, according to Wikipedia (2017) is Stockholm Auction House (Stockholms Auktionsverk), which was established in Sweden in 1674. In Nigeria, the most prominent auction houses include Arthouse Contemporary, Bonhams, Sogol and TKMG, all based in Lagos. Art auction is a new development in the sale of art in Nigeria. Castellote & Fagbule (2015) observes that Nigerian art auction is still at the 'embryonic stage'. The history of art auction in Nigeria is barely two decades old. Onwuzulike (2015) opines that "The young history of art auction in Nigeria reveals its steady growth and appreciable impact in the visual art sector, locally and internationally." He discovers that the first art auction in Nigeria, entitled *Before the Hammer Falls*, held in 1999 was organised by The Nimbus Art Gallery Lagos, run by Chike Nwagbogu. Onwuzulike (2015) narrates that "The auction was historically timed and the result was revolutionary in the history of art and art market in Nigeria. With the record sale of Bruce Onobrakpeya's *Palm Wine Women* for N2 million, the auction brought art to the front pages of the newspapers". The first auction yielded a total of N22 million in sale of artworks.

Another prominent way that artists can market their artworks is through an Art Exhibition, show or fair. Wikipedia (2007) states that “An art exhibition is traditionally the space in which art objects (in the most general sense) meet an audience”. The exhibit of artworks lasts for some temporary period unless, if it is a permanent exhibition, as in the case of Art Museums. Art exhibition may present pictures, drawings, video, sound, installation, performance, interactive art, new media art or sculptures by individual artists, groups of artists or collections of a specific form of art. The works of art might be exhibited in historical centres, museums, art halls, art clubs or private art galleries, or at some place the chief business of which is not the show or offer of artwork, for example, a café. An art exhibition can likewise be organized out on a particular event, including a birthday, commemoration, remembrance, festival, celebration or jubilee. Any of these occasions offers the artists great chance to deal their artworks.

Whether a work of art is going to be exhibited or auctioned, the artists and dealers make so much efforts in establishing a price for a particular work. The efficiency of these basic marketing structures is a key determinant of the cost of creating and distributing works of art. There are artists who are creating works for academic purposes, yet some are producing works as hobby or for emotional, religious or spiritual purposes. But the artist who must earn a living for their creative endeavours, must be vast in their marketing strategies. They should acquaint themselves with exhibiting skills as well as regularly exhibiting their works.

This writing dwells on the benefits accruing to professional artists in selling their artworks through exhibition at galleries, trade fair and show booths, or auction at auction houses. Some of the major art galleries and museums across the world include Christy's and Sotheby's auction houses of London, Tate Gallery Britain, Museum of Modern Art (MoMA) of New York and the Louvre of Paris. In Africa, there are the Johannesburg Gallery, University of Johannesburg Commercial Gallery, the Goodman Gallery in Johannesburg, South Africa. Art House and Signature Galleries in Lagos, the National Galleries of Art in Nigeria, among others. The auction system and major exhibitions are central in the determination of the incentives for artistic work.

### **Price of Artworks**

The price of an artwork is the monetary or economic value of the work. For a coherent discourse about the advantages and disadvantages of auction over exhibition, it is very necessary to find out the factors that determine the price of artworks. Sometimes the artist, in collaboration with a gallery, decides on the price of his artwork. Kathleen (2014) observes that “There's no easy method of determining a value for a painting except perhaps going by market value, and still that's not an easy way to calculate”. Various possible reasons that can affect the price of artworks are enumerated as follows:

### **1. Authentication**

The price of an artwork can be affected by authenticity. If the potential buyer is worried about the authenticity, he may place a low asking-price or decide not to buy the work. The process of authentication varies, depending on an art period. Contemporary art is the easiest to authenticate, especially if the artist is alive and working, and if the production of the work is documented. If this is not the case, documentation must be verified, as well as the artistic traits of the work itself. The most challenging cases of authentication involve a laboratory. This entails analysis, investigative research and material dating. The experts face the challenge of meeting deadline to decide the authenticity of an artwork. Laboratory authentication can take several weeks to be completed. According to Art Expert (n.d) “Our normal turnaround time for a full authentication report is two to four weeks”. Nowadays, many contemporary artists issue certificates of authenticity for their works, so obtaining it at the beginning is crucial, since forgeries are common.

### **2. Artist's Name**

Price of artworks of artists with big names maybe exorbitant. A Jeff Koons' work cannot sell for small amount of money, after the auctioning of the legendary Orange Balloon Dog for \$58.4 Million at Christy's in New York (Waxman, 2013). But the work of emerging artist cannot be valued exceptionally high. However, there are new rising artists in art market, who tend to contradict this notion. Oscar Murillo and David Ostrowski are good examples. Prices of their works have risen relatively quickly in the past few years, from widely affordable, to exclusive (Kostov, 2017), but completely unexpected surprises don't come around often in the market.

### **3. Fashionability of the Artist**

Changes in fashion can affect price of artworks. Artists go in and out of fashion, but there are broader shifts in taste that affect the market. Forty years ago the highest prices were achieved by Old Masters. Today a lot of glamour and demand is focused on Modern and Contemporary art. Even ten years ago the highest auction price for Francis Bacon stood at \$8.5m. In November one sold for \$143 million (Vogel, 2014).

### **4. Importance of the Artist in History of Art**

Artworks of ancient artists are highly priced. Some artists are legendary. Hook (2014) observes that “It is hard to imagine art history ever downgrading the importance of Rembrandt or Rubens, Leonardo or Raphael, Picasso or Matisse. They will always be valuable.” However, over the past few years, artists such as the Surrealists and the German Expressionists have become more expensive as their art historical importance has been re-affirmed. Art lovers are now appreciating the beauty of the works of art. Likewise, if an artist has just featured in a major exhibition, like the Tate, then that kind of high-profile exposure can also raise the price his works.

## **5. Positive Romantic Baggage**

The price of an artwork can be influenced by a back-story to an artist's life. Such a story affects the appreciation of him and the works he produced. It is a romance made up of the glamour and myth of his artistic creation. Other positives in an artist's life story include unhappy love-affairs, rebellious behaviour and even spells in jail.

## **6. A Desirable Phase in the Artist's Development**

The price of an artwork can be affected by periods of an artist's career, which was more desirable. Hook (2014) finds that "Late Van Gogh is more expensive than his early work. A Renoir from the 1870s will be worth more than a late one. Any Picasso is desirable, but one from the early 1930s particularly so."

## **7. Signature Artwork**

The price of an artwork may be affected by unique characteristics of works of a particular artist that market prices highly recognize. For instance, after purchasing a Monet, one would obviously want his visitors to see the painting as Monet's work. "Thus a painting showing water lilies or Rouen Cathedral will be more expensive than a less typical portrait or still life by the artist." (Hook, 2014).

## **8. Condition of a work**

The price of an artwork can be determined by the condition of the work. Having a Damien Hirst's work does not mean that the work can be priced like another Damien Hirst's work. The condition is important whether it is a painting or a drawing, an original, or an edition. Irrespective of the medium, condition is the first thing that is assessed. The assessment takes cognisance of the effects of retouch, restoration or any damage or change of the physical integrity. Works of art suffer and age over time, some more than others. Like human beings, some are subjected to cosmetic surgery, through restoration. Where this has been too extensive, the price of the painting will be affected.

## **9. Wall-power**

The price of an artwork can be influenced by wall-power. Wall-power include such factors as composition, colour, and emotional power. Thus, blue and red, tend to be good news for most people. Hook (2014) posits that "Surpassing artistic quality (difficult to define, but you know it when you see it) is always reflected positively in the price a work of art realizes, sometimes by an astonishing margin." A good example of an artist's work may fetch ₦400,000; but with such effects as Wall-power, it could make ₦1,000,000.

## **10. Subject of the Artwork**

The price of an artwork can be determined by the subject. Some subjects are more desirable than others: portraits of pretty women will always sell better than those of gloomy old men. Sunny landscapes are more attractive than dark ones, and calm seas are preferable to rough ones. Animals and birds are generally preferably being depicted alive, because most people regard death in a painting as a bad news. The theme

depicted can affect market. Nudes, sell well if the models are beautiful. On the other hand, nudes are not favourably received by most Islamic buyers.

### **11. Provenance**

The price of an artwork can be affected by provenance. The history of the painting itself can make a difference to its value. Provenance refers to whose collection it has been in, where it has been exhibited and which dealers have handled it. (Hook, 2014). A Cezanne from the great Paul Mellon collection is worth more than the same painting with an unspecified provenance. Similarly, an El Anatsui's work owned by a celebrity will worth more than another Anatsui's work, which its provenance is unknown.

#### **Advantages of Auction over Exhibition**

The auction system and exhibition are essential in determining the incentives for works of art. Their effectiveness is a major determinant of the cost of creating and distributing artworks. However, Ashenfelter & Graddy (2003) finds that "The value of most important works of art is established by public auction, either directly, by an actual sale, or indirectly, by reference to other sales. How the auction system works is thus a critical determinant of how the public's preferences are translated into the evaluation of artistic work." The following are among the conditions that can affect the pricing of artworks in auction, which could be of significant benefit to the artists.

#### **1. Seller request estimate**

Price of an artwork can be established through seller request estimate. Agarwal, et al (2014) finds that "Estimates are given for all lots and can be based on prices recently paid at auction for comparable property." Thus the auction house can estimate a price for a particular artwork going for auction based on the price reached on related works sold.

#### **2. Subjective private value**

Price of artworks in auction depends more on the subjective private value to the bidders than an objective common value. Sooke (2011) notes that the competition among bidders to acquire a particular artwork leads to increase in the price of the work.

#### **3. Uniqueness, scarcity and genre differences**

Price of artworks can be influenced by the uniqueness of each work, the scarcity of the work along with genre differences among the artists. Onuzulike (2015) finds that works of art that are unique and rare are valued higher at auction than those that are easily available.

#### **4. Past value of an artist's work**

Price level can be affected at the beginning of the auction by past value of an artist's work. Ebay (2016) finds that "Artists who have been featured or discussed in various catalogs or books are likely to be well established. Pieces that are high priced usually come from a respected and well-established artist." Castellote & Fagbule (2016) discovers that price level of works of some notable artists in Nigeria (El

Anatsui, Ben Enwonwu, Yusuf Grillo, Kolade Oshinowo and Bruce Onobrakpeya) remain higher in Nigerian auction than similar works of other artists practicing in Nigerian.

## **5. Established artists**

Price of artworks can be influenced by the reputation of the artist. Agarwal, et al (2014) find that “Established artist show a positive relationship with price at the beginning of an auction.” They observe that the rate of price change, when buyers are bidding for a work of an established artist, rises towards the end of the auctions. EBay (2016) stresses that “The price of artwork largely correlates to the reputation of the artist.”

## **Advantages of Exhibition over Auction**

Exhibition is essential to an artist due to the following advantages: promotion, meeting other artists and industrial colleagues, inspiration and selling of works.

### **1. Promotion**

It is necessary for artists to promote their works at exhibition as it provides opportunity for them to meet people and share with them what they do. Exhibition enables the artist and his work to become more popular and attract more clients. For upcoming artists, who are trying to establish themselves, exhibition is better and more cost effective way than auction. If an artist or his work is not known, he will not succeed. (Fleskes, 2014). There is no better way to make an impact with another person than a face to face encounter. Shows will help make him better known. Promotion at events builds a growing awareness of him.

### **2. Meeting other artists and industrial colleagues in person**

Having a booth at a show makes an artist accessible. It is a location where fans and industry people can find him and solicit commissions and artworks. He can pick up jobs at shows. An artist can receive calls a few months later from someone that met him at the show, who is following up a request. If the artist did not make money at a show, he might make it down the line. (Fleskes, 2014). This goes to show an advantages an artist enjoys from exhibiting.

### **3. Inspiration**

Walking around a show and seeing what others are doing is an inspiration that can last for a long time in the memory of the artist. Most shows are networks of booth after booth of artists who paint, draw, sculpt, hand-craft and use technology to create several imageries. Variety of styles, materials and techniques broaden the artist’s creative mind. (Fleskes, 2014). The analysis of artworks displayed by other artists at show could help the artist resolve many technical issues concerning his work.

### **4. Selling of works**

A show enables an artist to attract buyers who are looking to purchase artworks directly from him instead of buying from a dealer. It helps the artist to sell his artworks at the price he wants. A show aids an artist to

know the kind of artworks that are in vogue. It acquaints him with the business of art with fresh ideas and sells strategies that are necessary in marketing his works of art.

### **Conclusion**

In comparing auction and exhibition regarding price of artworks, the reputation or popularity of the artist plays a vital role. For emerging artists that are not well established, exhibition is a better way of getting better prices for their artworks than auction. For well established artists, auction is a better way of getting better prices for their artworks than exhibition. With public auction most valuable artworks are sold at the highest possible price. Sometimes the eventual price is more than the expected selling price. In a Documentary of British Broadcasting Corporation (BBC) on art, Alastair Sooke found that price of artworks is very subjective. A renowned art dealer, Arne Glimcher in Sooke (2011) observes that: "The whole thing of art and money is ridiculous. The value of a painting at auction is not necessarily the value of a painting. It is the value of two people bidding against each other, because they really want the painting". They want the artwork desperately, not because of its beauty, but to enhance their social status.

On the other hand, auction is a big disadvantage for emerging artists, as the rich people who come to bid are oftentimes seeking for works that were produced by legendary artists, most of whom are dead. Auction can destroy the business of the emerging artist, if his work did not get a bid. Auction houses prefer to avoid such artists than to reduce price. This sort of transaction can destroy the price of the artist's work or even his career. Most emerging artists wants to be successful in their art business.

To attract bids and good price for their artworks, emerging artist need to do several exhibitions, some of which has to be mounted at high profile galleries or art fairs. Works of a Nigerian artist, Chris Ofili went from affordable to exclusive, immediately after his exhibition at the Tate Gallery London. Now his works can sell for high price in most auction houses.

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