

An Economist's Take on Pricing Art and Craft --
A Pricing Manual

by
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Artists and craftspersons are often faced with the problem of deciding how to price their work. Much of the time they lack the knowledge and experience of how to go about it. The problem is complex and can be stressful. It is compounded by the fact that their decisions can have an important effect on the outcomes. The purpose of this manual is to help you through the process by providing a better understanding of the issues involved and suggesting ways of getting through them.

I. First Things First

The Oh My Gosh! experience

You've just finished the piece. It is there before you. You look at it and admire your accomplishment. "Wow, I did a really good job. I really like it" are the words that come into your head.

Let your imagination take a step further. The studio doorbell unexpectedly rings. When you open the door, there stands a potential buyer. You invite them in and show them the just completed work. They say, "I really like that. How much are you asking for it?" Without thinking, you say \$150. They reach into their pocket, pull out the money, hand it to you, pick up the piece and walk out the door. You never see it or them again.

The next morning when you wake up. All you can see in your mind's eye is the image of the beautiful piece you created yesterday. The next thought that comes into your mind is, "Oh my gosh. I should never have sold it for \$150. I'd much rather have it than the \$150."

Now, that's where I come in as an economist. I'd like to introduce you to a concept from economics. It may very well be new to you. It is called "reservation price". It is the price -- just at the margin (another economist's term) -- where you are indifferent as to whether you want to keep the piece or sell it. Either makes you equally well off.

Here's how you can figure out what your reservation price is. You have just completed a piece, are looking at it and admiring it. Take some time to do just that. Then ask yourself some questions. Start off, lowballing. "If I got \$10 for it, how would I feel in the morning? Will I wake up wishing I had the piece rather than the \$10?" How about \$25, \$50 and so on until you come up with the price where you can say, "I just as soon have that amount as the piece." That's the **reservation price**. [Ed: Discuss with Erin whether to put this and similar pieces in the text or in a Sidebar]

You realize that the \$150 you just got for the piece is well below your reservation price. Moreover, you didn't even get a chance to get a picture of it before it went out the door. You must admit it is a good idea to determine the reservation price ahead of time -- before you quote a price to a potential buyer. The bottom line is that if you sell the piece at a price below its reservation price, you are making yourself worse off.

The Prerequisites

However, that's just the beginning. There are a number of other things to consider before attempting to determine the price you want to charge.

Prerequisite of all prerequisites

As adults our primary prerequisite is providing or providing for the basic inputs and other inputs required to sustain life, live our adopted lifestyle and meet any other commitments and obligations we have taken on. The basic inputs include fresh air, clean water, food, rest, clothing and shelter. Those inputs that we don't provide for ourselves can be obtained in exchange for the goods and/or services we provide others. That can give us the income necessary to purchase the

things we need. (Sidebar I-A -- In order to produce artwork we need to take care of ourselves first)

Other prerequisites

The other prerequisites include deciding:

- What you would like to do with the piece of art you created?
- Why did you make it? That is, what was your objective?
- Would you like recognition and approval?
- As we have shown, what is the reservation price?
- What it took to make it.

Let's look at each of those issues.

What would I like to do with it?

After looking at the recently completed work of art and admiring it, perhaps you decide want to hold onto it for a while. "Gee, wouldn't it look great on the wall in the bedroom or on the mantel over the fireplace?" Or, perhaps you made the shawl with your friend in mind and have decided to give it to her as a gift. It is only when you decide to sell it that you have to come up with a price.

Your objective

Importantly, the price that you ask for the piece depends on why you made it and on what you want to accomplish by selling it.

In order to answer that question you first have to ask yourself a very important one. It is "Why did I produce this work of art? What did I and do I expect to get from it?" Putting the question somewhat differently, What was my objective?

Perhaps, you created it because it is something you just had to. "If I'm not creating art I'm not happy." It was an idea you had that you brought to fruition. Or perhaps, you like working in leather. You picked up a piece, began working on it and this is the result. Or a friend asked you to make a purse for her. Or you simply enjoy painting or working in leather, pottery or wood. It has gotten to the place that you have decided to devote any extra time that you have available to it as a hobby or in retirement. Or, perhaps, creating works of art is how you make your living. The reason you made the piece has an important effect on what you do with it and on the price you place on it if you decide to sell it.

Would you like recognition and approval?

Even if it turns out to be, "That's something I just had to do," there is a secondary issue to consider. It is, Do you like it? Do you think you did a good job? Are you satisfied with it? Or would you like someone else's opinion or, perhaps, their recognition and approval.

When outside recognition and approval important to you, when someone says, "I really like that piece" that statement alone provides it. That approval is doubly reinforced when they take it a

step further and buy the piece. They are giving up the other things that money could buy just to own it. That approval is especially significant when it comes from a knowledgeable buyer. Moreover, the money they spent supports you, the artist, and makes it possible to produce additional works of art.

Since the piece is one-of-a-kind for a better understanding of some of the complications involved when it is new and novel see Sidebar I-B -- The challenges imposed by new and novel work.

When what you have created is new and novel one of the real challenges that you will face is making others aware of it. Until they know about it and what it has to offer, they certainly can't be interested in telling you what they think about it and in buying it. In fact, providing information about the work could well be your first priority if you are interested in attracting potential buyers. That puts you into the position of having to market the work. That is a different role from just producing it. More on that later.

The reservation price

As we have seen determining the reservation price before you sell the piece can help ensure that the money that you get for it will make you better off than you would be if you held on to it. Going through the process of determining the reservation price allows you to discover the value you place on the work of art. That is true regardless of whether you decide to sell or to give it away as a gift. Consequently, before deciding to give away, it is a good idea to make sure whether that would feel better than hanging on to it. Doing that provides the basis for deciding which way to go -- whether to keep it, gift it or sell it,

Of course, the reservation price can change over time. It depends on other conditions. They include the fact that you've enjoyed it for a while and no longer feel as attached to it. Or you are short on cash and can use the money to buy something you really like. Importantly, when you decide to pursue your art or craft as a business, any work that you sell contributes to your revenue/income. That very likely changes your reservation price. Consequently it pays to check the reservation price from time to time. *Sometimes the piece is worth more to you than you can get from it even when it is much more valuable than you thought it was. That happens over and over again with the Antiques Roadshow appraisals. It is so evident when you see the person's reaction when they learn the news from the Roadshow expert.*

The relation between reservation price and the reserve price when a piece is put up for auction is discussed in Sidebar I-C.

The bottom line is that if you sell the piece at a price below its reservation price, you are making yourself worse off. However, that's just the beginning.

What it took to make it

Let's think about how we spend our time. The day has only 24 hours. Part of that time we spend taking care of ourselves. Whether it is sleeping, eating, brushing our teeth or whatever. Some is spent doing personal and household chores and tasks, like preparing meals, doing dishes and laundry, cleaning the house, straightening up after ourselves, going shopping, taking out the

garbage, walking the dog and whatever else we do to sustain our lives and contribute to the household.

Let's call the balance discretionary time -- the time we can devote to other things. That includes socializing, recreation, the transport time we spend getting from one place to another and back. All the time we spend out of the 24 hours doing things other than creating our art.

For some of us that includes having a job in order to earn enough income to support ourselves, contribute to the household income, and pay for any commitments or obligations we have taken on.. That income enables us to pay for those things we don't provide for ourselves.

Out of the time still remaining in the 24 hours, some can be devoted to our art. It is the residual discretionary time after all the higher priority tasks have been taken care. It is the time available for performing any and all tasks involved in creating art. Adequate discretionary funds must also be available to purchase the necessary supplies, materials, tools, equipment, space and possibly the labor services of others involved in producing a work of art.

Creating a work of art involves going through all the steps in the production process beginning with the initial creative concept and ending with the piece of art in its final form, one that you can see and touch. When it is there in front of you, you have gone through the production phase and have taken all the time, energy, resources and funds necessary to bring your creative idea to fruition. That is what it takes to make a work of art.

I would like to give time, energy, resources and funds an acronym -- TERF *with a e*. Every time you see the acronym TERF, please ask yourself, "How much of my time, energy, resources and funds were involved?"

Remember that among the prerequisites to producing a finished work are.

- Taking care of yourself first. (See Sidebar I-A)
- Having the time and effort required to make the piece.
- Going through the process of imagining, creating and making it.
- Have the funds to acquire the materials, supplies, tools and other resources required to produce it.

When all those factors are in place, you are able to go through the production process and create the work of art.

However, that is not enough. As we shall see just because you would like to sell the work and have set a price that would make it possible to achieve your goal, it doesn't mean that you will be able to. It requires finding a buyer who is willing to pay that price and consummating the sale. So let's see what the next step is in order to make that happen.

Sidebar I-A -- In order to produce artwork we need to take care of ourselves first

Each of us as adults -- like every other mammal -- must have the basic inputs required to sustain ourselves. They include fresh air, clean water, food, rest, clothing and shelter. If we don't provide them for ourselves, someone else must. Sometimes we get those inputs in direct exchange for the goods or services we provide others. At other times spending some of the income we derive from providing those goods or services allows us to take care of ourselves; to fulfill whatever commitments or obligations we take on, like raising children, taking care of ailing or aging parents or their estate; and to do whatever else we choose to do.

All that requires time and effort. That is time and effort that cannot be used in creating your art. That is, unless, of course, you sell the artwork and use the revenue --the income -- to provide the things required to sustain life and, hopefully, allows you to have the lifestyle you desire.

If you'd like to see how Erin's dad recommended that she take care of the problem and what could well happen if you followed his advice See Sidebar I-D -- John's rule.

Sidebar I-B -- The challenges imposed by new and novel work

When the work is creative and imaginative -- that is, when it is outside the box -- it bucks current trends and challenges existing ideas and norms. The new work also challenges work of traditional artists and those who promote the status quo. If it is successful it can also adversely affect their income. When that happens getting outside approval often is difficult.

The more confident you become in your own skill and ability, the less important outside approval becomes. Along with that confidence comes the recognition that you have something unique to offer. However, it is important to recognize the path you have taken bucks the current trend. When you do, you are likely to face resistance from those who are currently in control and live by the old ways. You are bucking the system, the establishment. In doing so you are a threat to them and their income. Expect resistance. Those circumstances also make it harder to sell new work, at least, initially.

Sidebar I-C -- Relation between reservation price and an auction reserve price

At an auction, like Christie's, Sotheby's or on eBay, if the final price bid does not exceed the **reserve price**, the sale is not consummated. The owner of it gets to take it back home.

In order to meet the conditions imposed by the reservation price, the reserve price must be greater than it. When the bid is higher than the reserve price and the sale is consummated, the net return to the seller is the sales price minus any fees and any other expenses involved in getting the piece to the auction and into the hands of the buyer. Consequently, the reserve price must exceed the reservation price by the amount of the auction fees and any other expenses incurred. If it doesn't, the amount of money the the seller receives will be less than their reservation price. Of course, if the piece doesn't sell, any additional expenses involved must be borne by the seller.

Sidebar I-D -- John's rule.

Erin's dad, John, had the solution for her. "If you want to become an artist, marry a wealthy guy." The only problem with that is finding one, one that wants to marry you. Surprisingly, there are not that many around, say only 1% of the population. Most are old, married already and don't travel in your circles. Even if you find one, there's no guarantee that he's the kind of guy you'd want to spend the rest of your life with. Moreover, while you're searching for him, you have to earn enough income to take care of yourself. Has your Dad offered to support you until then?

Then imagine what life would be like even if you found him. You'd be dependent on him and have to kowtow to all his wishes, just so he'd be willing to continue to support you. Where is your independence, your freedom?

And what about the guy or woman you are really attracted to, that you really want to be with? What if they can't support you in the lifestyle you'd like? Perhaps the most they are able to do is to take care of themselves. Where does that leave you? Or perhaps they are an artist as well -- and looking for you to support them.

That opens up the other side of the picture. The guy's side. Under Erin's dad's rules, his job is to go out there and get a job, to do well at it and to do whatever it takes to earn a good income. That will enable him to earn enough to support himself and you. It doesn't make any difference if it isn't what he wants to do or even if he hates it. Sometimes things don't work out. Through no fault of his own he loses his job or can't find one. Where does that leave him? And where does that leave you? Is that the kind of situation you want to put yourself in, the type of relationship you want?

Consider a different track. Try to figure out what you like doing, what you're good at and what really turns you on. If it is being an artist -- whatever your media -- decide to become one, a good one. Figure out what that involves. Take the time and effort to make it happen. Perhaps you can apprentice to someone to learn from or go to school and study under someone you really respect. While you're doing that, either you'll have to be able to earn enough money to take care of yourself or find someone to support you.

If things work out, you'll be able to live a free, independent lifestyle, taking care of yourself and be doing just what you want to do. You will be able to follow your passion and produce your art, whatever form it takes.

Along the way that will allow you to choose the person who is just right for you, the one you really want to be with. Hopefully, they'll be doing the same thing as well.

There is no guarantee that is possible under current economic conditions or that your artwork will be able to sell at a price that will enable you to live your desired lifestyle. The purpose of this pricing manual is to help you find out whether it is possible and to make it more likely.

II. You've Decided to Become a Seller

Until now we have devoted our attention primarily to producing the work. Once you decide to sell it, you immediately become involved in marketing. You have entered in to a whole new arena. In deciding whether to sell the work, it is important to understand that production and marketing are two separate functions, each requiring its own production process.

The decision to market It opens up a whole new set of issues. Importantly, it will require your time, effort, resources and funds (TERF). It is time and effort that will be taken away from your residual discretionary time -- that is, the time you have left over after having taken care of priority endeavors. That includes the time you use to produce your art. The same is true for the resources and funds as well.

Your specific marketing objective

Because of that it is important to be very clear about what you hope to accomplish by selling the piece. and to make sure that it fits into your reason for creating art in the first place. Here are some possible examples.

- I have no place to put it. It is cluttering up the house.
- I'd like to sell it and get whatever I can for it.
- We can use the money to take a vacation.
- I'll be able to use the money I get to buy that new piece of equipment that I've been wanting.
- I'd like to cover the cost of the materials.
- I'd like to be reimbursed for the TERF I put into creating it.
- And also for the TERF involved in marketing it.
- Producing art is my only source of income, so I want to price and sell it so that I can continue to do what I love doing.

What are **your** reasons for wanting to sell the work?

Before you can set the appropriate asking price you must be clear on your specific goals. Now is the time to think it over carefully and decide what you want to achieve by selling the work of art. That decision will have a determining influence on the price you ask for it. Ultimately, it will determine whether achieving your goal is possible.

Letting potential buyers know about the work

As obvious and as elemental as it sounds, a buyer can't possibly think about buying something if he/she doesn't know about the work you just completed. When the work of art is one-of-a-kind, new and novel, or if you, the artist, are not well-known with an established reputation, how can a potential buyer even know about it? Even in this day and age, what categories or keywords would they use when they go online and search for it? When my pepper mill broke, I knew what I was looking for.

As the seller it is your responsibility to make potential buyers aware of what you have to offer,

how it could benefit them and what price you are asking. You have to get the word out there. If the work is one-of-a-kind and new and novel, it is hard to know who the potential buyers might be. It is not easy under those conditions to find them just to make them aware of the work. Furthermore, it will take your TERF and, most likely, someone else's as well.

For an in-depth discussion of the marketing tasks, procedures and venues see Section V -- Marketing Options.

Opportunity Cost

Since your time, energy, resources and funds (TERF) are going to be involved in marketing and in choosing among the marketing options let me to introduce you to an important decision-making concept. Perhaps you have heard about it before. Economists call it "opportunity cost". Before making any decision ask yourself, "If I do that, take that action, what am I giving up?" What else could I have done with the same amount of time, effort, resources and money? What you are giving up is that foregone opportunity. In order to ensure that the action that you are planning on taking is likely to improve your well-being, it is important to make sure that it will make you better off than what you will be giving up.

Since your TERF will be involved in marketing, it is important to ask yourself, "Would I be better off if I use the same amount of TERF for something else, like producing more art?"

Moreover, either you perform whatever tasks are involved or someone else will. If someone else provides the marketing services, most likely they will expect to be paid since their TERF is involved. Consequently, with respect to the amount of money you must pay for their services the same opportunity cost question arises. Hopefully, you will receive money enough from the sale of the artwork to cover it. Otherwise, you will be financially better off holding on to the piece or just giving it away.

With this better understanding of what becomes involved when you decide to sell what you have produced and now that you are clear about your reasons for wanting to sell it and what is involved when you do, let's take the next step and look at the buyers side.

III. The Buyers Side

Now let's look at pricing from the buyers side. Again let your imagination to come into play. You've just completed the piece of work and everyone who would potentially be interested in buying it is gathered right there in the studio. Let's call it the **potential buyers cohort group**. Moreover, they have the necessary funds -- the discretionary income -- in hand. Each gets a chance to view and touch the piece and to interact with you, the artist. They are all right there together at the same time.

Each one has his/her own **maximum demand price** -- that is, the highest price they are willing to pay to get the piece. Once a potential buyer knows about a work of art, their demand for it depends upon how much it contributes to their level of satisfaction. their discretionary income and its price. The price determines what they must give up of all other goods and services when they purchase it. The more the piece contributes to their well-being when compared to the other things they can buy with the same amount of money, the higher their priority for the work of art will be. At any price above the maximum demand price they prefer the alternative to the piece.

One way to think of it is like an auction with all potential buyers present and bidding. The piece goes to the highest bidder. That is the **sales price**. In this situation it is also the **auction price**. But that's not quite enough. He/she could well have been willing to bid higher just to get the work of art. The maximum demand price of the winning bidder is the highest price that anyone would pay for the piece. It is important for the artist to take that price into consideration when deciding what price to ask for it.

Of course, the auction house charges a fee for the service it provides. That means you as the seller don't receive the price that was bid. Whereas in the fantasy, if the buyers cohort group all walked into the studio at the same time and the price that you asked for it was the same as the maximum demand price of the highest bidder, then that would be the highest price you could charge and still sell it.

With that said, let me introduce the last and most important concept -- **net revenue**. It is the amount of money that you pocket after all marketing expenses have been covered. That includes all fees and charges of the intermediaries -- like, auction houses, galleries and show organizers. It also includes the direct and indirect expenses you incurred for the time, energy, resources and funds (TERF) that you put into arranging for and consummating the sale. In short, the net revenue is equal to the sales price minus those expenses. Moreover, it is in net revenue -- not the asking price or sales price -- that determines how successful you were in meeting your objective.

Of course, the maximum demand price has to be higher than your **reservation price** or else you would have no interest in selling it. That is necessary but it is not sufficient. As we have shown earlier unless the maximum demand price exceeds reservation price plus any additional amount required to meet your sales objective (like covering the cost of materials) the sale will not make it possible for you to satisfy your objective. Clearly, the same conditions apply for the price at which the sale is consummated. It must be greater than your reservation price plus the amount imposed by your sales objective, otherwise the sale will make you worse off.

The lessons

While these concepts may appear to be abstract, remote and certainly hard to determine, understanding them increases the likelihood that the decisions you make about what price to charge for the piece will make it more likely that you will achieve your objective. What are some of those lessons?

- There is a price that is so high that no one would be interested in buying the piece.

- At any price lower than that there are potential buyers. Moreover, the lower the price the greater number of potential buyers.
- If the price set is lower than the reservation price and the piece sells, you will be made worse off. Therefore, it is important to determine your reservation price before setting the price.
- The same is true regarding your specific objective for selling the work. It is important to have a clear understanding about what you hope to accomplish by selling it and the amount it takes to bring that about. For example, if you want to recover the cost of materials, you must determine how much they cost. If, in addition, you want to be reimbursed for the time you put into making the piece, you have to keep track of how much time it took to make it and what your time is worth -- that is, what you charge per hour. Without that information, setting a price that will allow you to accomplish your objective simply becomes a guessing game.
- In setting the price you are always faced with two opposing forces.
 - The lower the price the more likely and the easier it is that you will find a buyer and the less of your TERF will be involved in finding a buyer and consummating the sale.

On the other hand, the lower the price the less likely it is that you will accomplish your objective and, in fact the price may be so low that you would be better off keeping it rather than selling it.

Sometimes the only price you can get for the piece is so low that it becomes an open question as to whether any of your discretionary time, effort, resources and funds (TERF) should be involved in trying to find a buyer. Of course, even if you understand the underlying principles in trying to get the highest price possible and/or to make it more likely that you will be able to meet your objectives, you are always in the position of not having all the information that you would like when making those decisions.

We are now in the position of taking the next step. It is answering the question that you raised in the first place, "What price should I charge for the piece?"

IV. Setting the Price

Now we are in the position of being able to set the price for your just completed piece. The first step is considering whether you want to hang onto it. To do that you have checked out your reservation price. That also makes it possible to decide how much money will take for you to give it up.

The next step is to be clear about your specific objective in selling the work. For example, if it is to recover the cost of materials, it is necessary to determine how much they cost. As a jeweler, for example, what did the gold and any jewels cost. Or perhaps, you'd like to be reimbursed for your TERF. Or if your intention is to make a living creating your artwork, it is necessary to cover all of the expenses involved in production and marketing and make enough over and above that sustain your desired lifestyle. Whatever the basis for choosing to sell the artwork is, it is necessary to determine what those expenses were before you can set the price.

Now you are in a position to set a price that will allow you to meet your specific objective. The price will cover your reservation price plus all the expenses you incur in accomplishing your primary objective. If producing your artwork is your primary income source, then, typically, your reservation price will be zero. All you need to consider in setting the price is the amount of money over and above your TERF that allows you to survive and sustain your desired lifestyle. You are now in the position of being able to set your minimum asking price.

As we have shown, it is important to distinguish between:

- the **Asking Price**,
- the **Sales Price** -- the one at which the sale is consummated, and
- the **Net Revenue**. It is the amount of money you walk away with from the sale after all the expenses involved in making it happen are covered.

The **asking price** exceeds the **sales price** by the amount of any discounts or allowances that you provide the buyer. One example is when you say, "I'll cover the sales tax". The **sales price** exceeds the **net revenue** that you receive by the amount of any expenses you incur that you are not reimburse for before the piece is delivered into the buyers hands. They can include the gallery's share; any auction house fees; packing, shipping and delivery expenses; credit card charges; and any similar expenses.

The **net revenue** after all those expenses are accounted for is what you take home from the sale. In determining the asking price is important to take that into account. If you don't, even if you get your asking price, you may come away without having gotten enough money to meet your specific objectives.

One way of dealing with the asking price is to treat it as a firm, fixed price, not subject to negotiation. Another way is to expect to negotiate, as you would if you were selling your house. When you do, it is a good idea to have a higher asking price and to know ahead of time how low you are willing to go. You might call it the "Negotiating Asking Price". Set the modified asking price taking all those factors into consideration.

There are a number of other pricing concepts, like auction price, retail price, competitive price, etc. See Sidebar IV-A -- Other Pricing Concepts for a discussion of them and their relationship to the ones discussed above.

We have focused our attention on artwork that is one-of-a-kind. For a discussion of the additional considerations in pricing multiples, see Sidebar IV-B -- Pricing Multiples.

When making any pricing decision is important to pay particular attention to how it will affect you and your ability to create art. From a financial perspective the concept to pay particular attention to is not how it affects your asking price or the sales price. It is how it affects your net revenue. That is the key.

Your chosen marketing venue -- a craft show

As an example let me use pricing your work at a craft show. Assume that you have decided that the best way to present and market the fine piece that you just produced is at an art or craft show. Let's look at how that affects your pricing decisions by seeing what will be involved and how the costs that you will incur affect your net revenue.

You've decided to sell the piece. What you hope to accomplish by doing so is to cover the production and marketing costs involved including any of your TERF involved in creating it. If you are successful, you will be able to do what you love doing with no drain on your income or your savings. For example if you are retired and living off a pension that also provides healthcare insurance, that provides the funds required to cover your basic needs.. Selling the work furnishes the additional funds that make it is possible for you to pursue your art.

The first thing is deciding which show you want to participate in. Once you figured that out, you have to get the application, fill it out and submit it along with the digital images or slides. That involves deciding which of the pieces to use -- of course, in addition to the one you just created --and taking the pictures of them or getting them taken. The better those images are the more likely it is that you'll get in. You submit the application and along with it the jurying fee.

Then you wait to see if you made it through the jurying process. Always remember (and now I'm speaking professionally) there are most likely five or more others just like you trying to get into the same slot. Each is equally good. Yet some make it in, some don't. None-the-less each has paid the jurying fee.

Let's assume you are one of the lucky ones. Once you have been accepted things really begin and expenses mount up. Let's take a look at what they are.

- Building the additional inventory of artworks to be presented at the show
- Booth fees and the additional charges for things like carpets, draperies, etc.
- Booth design and implementation including display cases, counters, pedestals, etc.
- The announcements, e-mails and postings you send out to let people know that you'll be at the show
- Shopping bags, packaging materials, brochures, pamphlets, announcements, business cards, etc.
- The time and effort involved in loading and unloading the van both before and after the show with all the pieces that did not sell.
- Transportation of yourself, the artwork and paraphernalia to the show and back
- Set up and break down at the show

- Any additional expenses involved in being at the show including the charges for the hotel, parking and food, especially if an overnight stay is involved
- Any assistants you hire to help at the show
- All your own TERF that is required to participate in the show including that involved in getting there and back
- And recovery time as well

That is what is involved in being at a craft show. Those are the costs -- including the financial, time, physical and emotional ones. What are the benefits?

There is the **gross revenue** -- the amount of money you receive from the sale of the artwork minus any additional fees or expenses involved. They include the 3% credit card fees, delivery charges, etc. Hopefully the one-of-a-kind piece that we began the discussion with was among those sold.

And now we can come to the bottom line. What was the **net revenue** -- that is, the net amount of money that you take home as a result of participating in the show. It is the gross revenue minus all the out-of-pocket and other expenses involved and also minus the charges for all your time and effort entailed in applying to and participating in the show. In deciding whether the show was worthwhile it is important to consider the net revenue and not the gross revenue.

There can be ancillary benefits from participating in craft shows and other venues. For a discussion of some of them see Sidebar IV-C.

Since your objective in selling the work was to be reimbursed for the cost of materials and whatever TERF was involved in producing and marketing the piece of art you created, by comparing the net revenue to those costs will make it possible to decide whether participating in the show was worthwhile. The more the net revenue exceeds those cost, the more successful the show was.

Furthermore, this approach provides a basis for comparing different venues. For each of them the net benefit from that venue is its net revenue minus the production and marketing costs. While the net revenue and the marketing cost will differ from one venue to the next, the production costs for any given piece remains the same. See §VI - A -- Production costs and Sidebar VI-A -- Making a leather wallet for the discussion of estimating the costs of production.

Of course, at the craft show you will be showing and selling a number of one-of-a-kind pieces. The show costs will have to be allocated among them. Just as with production costs, some are specific to the individual item, while others are incurred by them as a group. Those costs must also be allocated among them in some fashion. Another reminder. Here again, whatever specific objective you have in selling the work also comes into play.

Clearly, all the costs of marketing the work -- that is, those over and above the ones involved in the fantasy when the potential cohort group arrives at your studio at the same time -- must be

taken into consideration when making your pricing decisions. That includes any additional amount your time, effort, resources and funds (TERF) that were required.

Some artists and craftspersons have been successful at creating their art and selling it. Among them are those who have made a living by participating in craft shows. Here are the names of some of them. [Ed: Insert names] Not only have they covered their TERF they have also made a living producing and selling their fine artwork. They have earned enough to sustain their desired lifestyle.

There are different marketing venues. Each one has a different pattern of benefits and costs and importantly, different net benefits. The ideal is finding and choosing the one or ones that are best for you given the nature of your work, the appropriate market(s) for it and your general objectives for creating the work and the specific objectives is for selling it..

The same issues apply regardless of what marketing venue you choose. That leads us to the next step -- Marketing Options.

Sidebar IV-A -- Other Pricing Concepts

There are a number of other pricing concepts. I'm sure if you watch Antiques Roadshow on PBS you are familiar with some of them. We will discuss them and show how they are related to the ones presented here. In fact, watching the show or checking it out online may help you understand some of the issues you will face in pricing your work.

The **auction price** is just what the name implies. Is the price the piece would sell at if it were sold at an auction. Even the experts place a range on it. They can't tell beforehand precisely what it will sell for. Sometimes, as they admit, it can sell for much more. Sometimes the bidding doesn't even reach the **reserve**.

The **reserve** is the minimum price the seller puts on the piece. If the auction price is less than the reserve, then the sale is not consummated and the piece is returned to the seller.

It all depends on who shows up at the auction. They are a subset of the potential buyers cohort group. Consequently, the final bid can differ from one auction to another. If there are two buyers there who really want the piece they can get carried away. The winning bidder may have **buyer's remorse** afterward. When that occurs he/she is willing to sell it just to get back some of their money.

As an artist a lesson to learn from that is that you cannot know ahead of time what the highest price you will be able to get for the piece is. Even if all potential buyers are there, present and accounted for there is some degree of uncertainty regarding the final auction price.

When it exceeds the **reserve price** and the sale is consummated, what you receive is the **auction price** minus the auction house fees. That is your **net revenue**. In addition, since the new owner is

responsible for any expenses involved in delivering the piece to its final destination, those are expenses you don't have to incur.

A related price is the **preauction estimate**. It is the price that is published in the auction catalog announcing the show. It is the experts guess on what the piece will sell for. As we have shown, the sometimes the bidding does not even reach that level. At other times they exceed it, sometimes by a substantial amount.

Another price frequently mentioned on the Antiques Roadshow is the **retail price**. It is the price that a retail outlet, like a gallery or craft shop, charges the final consumer. It is always higher than the **auction price**. Here again, what you as the artist gets is the remainder after the retail outlet has taken its cut. That can be some 30, 40, or 50% of the sales price. Their share depends upon whether they purchased the work from you at your **wholesale price** or took it on consignment. They are being reimbursed for taking on part of the marketing function. Out of the **net revenue** you must cover any additional marketing expenses that you incurred, including those involved in seeking out and finding the retailer and getting the work to them.

Another concept that is often mentioned on the Antiques Roadshow is the **insurance or replacement value**. It is the amount of money that the owner should insure the piece for in the event of loss. It is what it would cost to replace the piece if it were lost in a fire, from breakage or stolen. Typically is well above the retail price. Here again, **reservation price** comes into play.

Three related prices are the **catalog, list and published price**. They are the initial asking price that you put out there to let the public know what you would like to get for the piece. The **wholesale price** is the price you would like to get from retailers who resell it.

Another pricing concept that you may have heard about is **competitive pricing**. It only comes into play when you are talking about comparables. With one-of-a-kind items finding similar items is difficult. They are not what economists call homogeneous products, those where you can't tell one from another. Nor are they differentiated products -- that is, similar but not quite the same. Even if they fall in to the same category -- like jewelry or wearable art -- they are sufficiently different in function, form and appearance that comparing prices between them has little relevance.

For example, jewelry includes a necklace is made of paper and a brooch is made of gold with gems. Even though the paper necklace and a shawl could both be consider as wearable art or fiber art, they can hardly be considered as substitutes for one another.

In short, the pricing of one-of-a-kind items has to be based on other considerations. For a discussion of the pricing issues regarding multiples see Sidebar IV-B -- Pricing Multiples.

Because of the potential ambiguity about which pricing concept is involved; the lack of the ability to predict the actual **sales price** or the **net revenue** beforehand; and the uncertainty regarding outcomes, it very important that you understand what you expect to achieve by selling the work. It is only when the **net revenue** -- the amount you receive from the sale after deducting

any marketing expenses involved -- meets or exceeds your objectives that you will have a beneficial outcome.

Sidebar IV-B -- Pricing Multiples.

[Ed: discuss “competitive” prices; one-of-a-kind, differentiated products, homogeneous products; products in the same crafts category at a show]

Sidebar IV-C -- Ancillary Benefits from Participating in Art or Craft Shows and Other Similar Venues

In addition to any net revenue that you get from participating in an art or craft show there are other potential benefits. They include:

- It provides a direct contact with buyers.
- That personal contact, that experience, is embodied in the work. When the buyer recalls it, it adds to their satisfaction whenever he/she views or uses the piece. That makes them willing to pay more for it.
- It presents the new work to both previous and new members of your buyers cohort group. They might not have known about it if they had not been at the show.
- Often there are post-show orders and sales.
- It allows you to see what others working in your medium are doing. Not only does that provide you with the perspective on your work, it can lead to new ideas as well.
- The experience provides you with a better understanding of what is involved when you participate in this type of venue. That makes it possible to make better choices in the future.
- It also helps in the decision of whether to participate in this show again next year.
- It allows you to meet other artists and develop professional and personal relationships and connections with those with similar interests.
- It makes it possible to see and meet other artists who have been making a living creating their art -- sometimes for their entire career.

It is important to remember that some shows are more successful than others. That success depends upon other factors over which you have no control including the weather and the general economic conditions. You simply can't know ahead of time how successful any particular show will be. That is not only true for any show, it also applies to the type of work and to the one-of-a-kind piece that you are hoping to sell.

A related consideration is that developing a long-term relationship with an intermediary -- whether it is an art or craft show, a gallery, etc. -- can help in future marketing or add new potential clients/buyers to your buyers cohort group.

V. Marketing Options

Setting the asking price is just the first step. Consummating the sale is still ahead. To get there it is necessary to understand your marketing options and how to choose among them.

Imagine if you knew all the members of the potential buyers cohort group and were able to get in touch with them in order to make them aware of the new piece. Ideally you would know ahead of time what the maximum demand price of the highest bidder would be and who he/she is. You would set that as the asking price and consummate the sale with him/her covering any delivery expenses. The function of marketing is to fill the gap between that ideal and reality.

A part of it is to inform potential buyers about the existence of a product they might be interested in. Clearly, if they are unaware of the piece itself or of your work, they cannot have an interest in buying it. So providing the information about it and the price is the necessary first step. Accomplishing that is not easy if it is a one-of-a-kind piece. It is even more difficult when the work itself and the techniques used to create it are new and novel.

The steps involved in filling the gap include:

- Attempting to find and put together the buyers cohort group,
- Informing the potential buyers about the work and what it has to offer them,
- Trying to find the buyer who has the highest maximum demand price,
- Letting potential buyers know the asking price, and
- Ultimately consummating the sale at or above a price that allows you to meet your objectives.

Those are the functions of marketing.

Whether it is possible to find the potential buyer and consummate the sale depends upon the relationship between the asking price and the individual buyers maximum demand price. Let's first look at that from the conceptual side and then from the practical side.

The conceptual side

If the maximum demand price of the highest bidder is lower than the asking price there cannot be a sale. If it is just equal to his/her maximum demand price, the trick is finding them and consummating the sale. The lower the asking price is below the maximum demand price of the highest bidder, the larger the number of potential buyers in the cohort group. That makes it easier and less expensive to find one to consummate the sale and still meet your objectives.

Do you ever watch the Antiques Roadshow? How many times have you seen the owner of the piece shocked by the appraisal value? That is because they simply do not understand its value and what potential buyers would be willing to pay for it, either at auction or at retail. Nor do they know what its insurance replacement value is. And then there is the Feedback Booth. There we see the potential seller go home disappointed because the piece has little or no value and is

certainly worth less than they expected.

The higher the sales price is above the amount that meets your specific objective plus your reservation price, the more successful the sale will be.

The practical side

The function of marketing is to help consummate the sale and provide you with the net revenue. Of course it must also cover any residual TERF that you put into marketing. Clearly, the higher the asking price the less likely it is that the sale will take place. Since some venues are better than others they can make it more likely that the sale will occur and/or that the final price will be higher. However, it is necessary to take into consideration that they may well be more expensive and consequently result in a lower net return.

In addition to selling directly out of one's studio, here are some of the other venues that can help make marketing a success.

- A website
 - Art or Craft shows
 - Retail
 - Wholesale
 - Open studio shows
 - Street fairs
 - Farmers markets
 - Galleries and other retail outlets
 - Museums
 - Collectors
 - Commissions
 - Corporate sales
 - Sales representatives
 - An agent
 - Auction houses
 - eBay
 - Esty
 - Catalog sales

Choosing the venue or venues that are most appropriate is not easy. It depends on the nature of your work and the "market" for it. That is the colloquial expression for the nature and size of the potential buyers cohort group and their interest in the piece.

The outlets within each venue differ as well. For example, each gallery has its specialty, location, clientele and level of expertise. Consequently, each one reaches a different subset of the potential buyers cohort group. That makes their ability to sell the work different. Furthermore, the conditions under which they make the sale and their fees can differ as well. For example, some galleries purchase the work outright, while others take it on consignment. Similarly, one craft show will markedly differ from the next both in the likely outcomes and in the expenses involved. (See Sidebar VII-A -- Choosing the best marketing outlet.)

The bottom line is that in choosing among venues and among outlets in any given venue, it is necessary to take account of both the likely benefits and costs. One systematic way to help in making that decision is with a benefit/cost approach.

[Each venue *and each outlet* has a different set of benefits and costs.]

The **benefits** include the probability of consummating the sale at a price as close as possible to the maximum demand price. If multiple pieces are involved, as at a craft show, the benefits also include the number of pieces sold, post-show sales and informing potential buyers about the nature of your work. (See Sidebar IV-C -- Ancillary Benefits from Participating in Art or Craft Shows and Other Similar Venues)

The **costs** include all the expenses involved in participating in the venue. Among them are those enumerated above as well as any of your TERF that goes into finding, participating in and recovering from your being at that venue.

Of course, an inherent difficulty is knowing beforehand what the benefits and costs will be. One advantage of having participated in any venue is that the experience and knowledge gained from it reduces some of the uncertainties. However, it is not possible to eliminate all uncertainty. It is, and always will be, inherent in the process. The bottom line is that if you elect to sell the work, you must choose among marketing venues and you can never be sure ahead of time which will provide the greatest net benefit -- that is, the venue where the benefits minus the costs are the highest. Approaching the decision by using a benefit/cost approach will make it more likely that you will choose the best one or ones.

A principal-agent relationship

Think of all the intermediary relationships between you, the artist, and the buyer as your agents. They perform the functions, the marketing services, that you don't have to. That can be anything from locating potential buyers, informing them of the piece, to consummating the sale. That is, any of the marketing functions listed previously. In fact, they are frequently able to perform them better than you can.

When they become involved it is like any typical principal-agency relationship. As your agent they represent you and expect to be compensated for the services they provide. They are substituting their time, energy and resources for yours. Ideally, their knowledge, experience and expertise in marketing will make it possible for you to be more successful in selling the work at a higher price and with lower marketing costs. The hoped for result is that you will have a greater net revenue than you would have had you undertaken it on yourself.

Here again, each alternative marketing venue has its own benefits and costs. Each one should be weighed from that perspective in choosing among them. There can be lost opportunities when you decide to hire an agent. You can lose direct contact with the buyer. When that happens, that experience is often an integral part of the work of art itself. When it is recalled by the buyer it can contribute to his/her satisfaction making them willing to pay more for it. Another is that the experience can provide you with a better understanding of the market for your work and it can

also be a stimulus for new ideas. (See Sidebar IV-C -- Ancillary Benefits from Participating in Art or Craft Shows and Other Similar Venues) Another potentially significant benefit of working through an agent is that you reclaim the TERF that you would have spent had you marketed the work on your own.

The best alternative is the one that has the greatest net benefit taking account of the net revenue --the money in hand --and the other indirect benefits and costs. In making that decision always remember that doing it yourself is always one option. It has its benefits and costs including what you would have done with the foregone TERF.

The opportunity cost of marketing

When deciding which venue to use it is important to take into consideration the opportunity cost of the marketing. Once you decide to sell the piece you automatically and immediately become involved in marketing. It requires your TERF. Furthermore, just like when making the work itself, a process is involved -- in order to get from where you are to where you want to be. Economists call it the process of production. That is, it takes TERF. Some of the TERF must come from you. If it comes from others they will expect to be reimbursed. If it comes from you, it comes out of the discretionary TERF that you will be giving up. That TERF can be used for other things, including creating additional artwork.

What you are giving up by engaging in any activity is what economists call “opportunity cost” -- the cost of the foregone opportunity. (See Section II -- Opportunity cost) In order to ensure that any activity -- including the time spent in marketing -- will improve your well-being, the satisfaction you derive from it must be greater than the satisfaction you would have gotten had you used the same amount of TERF for the best alternative.

Let me emphasize again that what you are interested in is the net revenue that you get from any venue, not the gross sales. Take into account any costs involved including any of your own TERF.

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VI. Estimating Costs

Regardless of your reasons for selling the work, once you decide to you will be faced with marketing costs. That is true regardless of which marketing venue you choose. One thing that differs from one venue to another is how large those costs are. Furthermore, as we have shown, when you would like to recover the costs of the time, effort, resources and funds (TERF) that you put in to making the piece, production costs are involved as well. So before we go any further, let's take time out to show how to estimate those costs. Knowing what they are is essential to making good decisions about the asking price and in choosing the best marketing venue(s).

Let us begin by looking at the cost of production. They are the simplest and easiest to understand. Admittedly, some of the time, depending on your objective in selling the work, it is

not necessary to determine what they were. Nonetheless, by understanding them it will be easier to estimate the marketing costs which will always be involved.

Production costs

No one knows better than you what it took to make the piece. It all began when you first got the idea. Perhaps you sketched it out or the wood or leather spoke to you. Next were each of the steps that you had to take along the way until the piece came into its final form. Sometimes there were glitches that you had to overcome. It was all part of the “process of production.” It is different for each one-of-a-kind piece.

You, as the artist or craftsperson who conceived of and created it, are the only one who knows exactly what you went through, what was involved and what it took to make the work of art.

In order to determine what it costs you must go back over the process step-by-step. At each step you ask yourself:

- [• What was involved?]
- *What does this step involve?*
- *What do I have to do to get through that step be ready for the next one?*
- What materials did I use?
- [• What did I have to do to get to the next step?]
- What tools or equipment were required?
- How much time did it take?

By answering those questions at each step and determining the costs of each of the components involved, you will be able to determine the cost of producing the piece.

Correct me if I’m wrong. But, as the artist, while you were creating the piece probably the last thing on your mind was what it cost to make it. Nonetheless, to determine the cost you have to go back through the entire process step-by-step. However, that is only necessary if your objective in selling the work is to recover the cost of production or if you would like to be reimbursed for the time and effort you put into making it.

Here again, let me step in as an economist, and help you understand the cost concepts and the issues you will face in attempting to determine what it cost you to produce the piece.

In making the piece you are faced with two types of costs -- variable costs and fixed costs. The variable costs are those that can be directly and easily attributed to and allocated to the piece. You cannot make it without providing those inputs. They include, for example, the metal, gems, your time and energy, etc. in making a necklace. For a leather wallet it was the leather, thread, button and the time it took to make it. For a closer look at the process of production and the issues involved in estimating costs see Sidebar VI-A -- Making a leather wallet. It describes the process that Erin went through in making it and shows how to use that information to determine the cost of making the wallet. Let us use it as the example.

The variable factors of production -- the ones used up in the process of making the piece -- go into making up the total variable cost. The cost of each component depends on the amount times

the price. An additional part of variable costs is the reimbursement any labor services involved. Together they make up the total variable cost. For the wallet they were \$151.36.

The fixed factors of production -- that is those are not used up in the process of production in the short run -- lead to the total fixed costs of the inputs used. Some examples include the tools and equipment involved. To make the leather wallet they include the workbench, the lock-stitch awl and needles. To replace those inputs, their costs must be covered as well. The estimated cost of the fixed factors that went into making the wallet is \$11.62.

The variable and fixed costs together make up the total costs of producing it. The wallet cost \$162.98 to make.

Marketing costs

Just as making a work of art involves a process of production, so does marketing it. The discussion of the steps that are involved when you decide to participate in an art or craft show provides one example. (See Your chosen marketing venue -- a craft show in § IV. Setting the Price) Each marketing venue has its distinct production process with its distinct steps, TERF and costs. Importantly, the nature and extent of your involvement in each of them differs as well. When others provide the marketing services, most likely they expect to be reimbursed. When that money comes out of your pocket it leads to a reduction in your net revenue. And so does the value of your own TERF that goes into marketing.

The cost of marketing are estimated in a similar way to the the cost of production.

Here's an example of one of the variable costs in marketing. Imagine that you have just sold the piece and agreed to ship it to the buyer. All of the expenses involved in packing it up, taking it to the post office, paying the postage and all the other charges, including your time, are part of the variable costs of selling the piece. If you had decided not to sell it or had they picked up the piece at the studio, you would not have incurred them.

The same thing goes for the fixed costs associated with marketing, like the use of the van to take the piece to the post office.

Here again the total cost of marketing is this sum of the variable and fixed costs.

The fact that you weren't considering the costs at the time you made the piece or marketed it make it that much harder to reconstruct them afterward. Nonetheless, if your objective is to recover the cost of producing or marketing the work when you sell it, it is necessary to determine what those costs were.

Now that we have seen how to determine the costs let's see how to find the best place to market it.

Sidebar VI-A -- Making a leather wallet

Erin entered the studio and moved the worktable and storage cabinet, both on wheels, into place. Each contained the boxes of equipment and tools along with a bag of leather. She was ready to make a leather wallet similar to the prototype she made earlier in order to check out the process. [Ed: Provide images]

Step I -- Designing the wallet

Erin sorted through the leather and found a piece she thought would be ideal. It was a 14" x 18" piece of red leather, smooth on one side, buff on the other. Like the prototype, the wallet would have a pocket for bills and one for credit cards. On the bills pocket there would be a panel with an open face to hold a driver's license. The flap closure with its button would take advantage of the reverse rough side of the leather with its somewhat different hue for the aesthetic effect. It was time to begin. For the purpose of costing out the wallet, let's call that the first step in the process.

I watched and carefully made notes about the components she used at each step and how much time it took.

Step II -- Cutting out the leather panels

Erin put a piece of leather on the wooden board to measure out the back panel with the ruler and leather marker. She knew the measurements -- 13" x 8" -- from the prototype. She intended to use the leather shears, as the person at Tandy Leather recommended. However, she found that using an X-Acto knife along with the straight edge ruler made a cleaner cut, one that made it easier to sew. So she placed a resin board on the table with the marked leather on top and cut away. The next step was to do the same for the credit card panel -- 7½" x 2¾" -- and for the license window -- 4" x 2¾". It was also necessary to cut out the center portion of it so the license would show through.

Step III -- Revising the design

Erin then placed the pieces on the wooden board to make sure they fit together and that there was enough room for the money, credit cards and license to fit properly. She decided to stitch the center of the credit card panel to create two separate pockets. The next step involved the design and creation of the closing flap. As indicated earlier, Erin decided to use the reverse side of the leather. Working with the piece, she chose to give the flap a triangular shape rather than a simple rectangular closure. She played around with the wallet 'til it had the look of the one in her mind's eye. Erin then cut and shaped the piece for the flap out of a 7½" x 3½" piece of leather,

Step IV -- Gluing the pieces together

Once all the pieces were in place, they were glued together with a special leather glue. When it was carefully applied, cleaned off and dried it became invisible. That made the wallet ready for the next step -- stitching. Of course, that had to wait until the next day. So the glued leather wallet was covered with wax paper and placed under heavy books to give the glue a chance to set.

Step V -- Tweaking the design

Two days later Erin set up the studio and examined her handiwork. She was pleased. But she decided to make a few adjustments. Erin trimmed and smoothed the edges and reshaped the flap a little. She also realized that the credit card panel was too deep, not allowing their tops to show.

She cut out a piece of corrugated cardboard and slipped it into the credit card panel in order to be able to trim the edge without damaging the back. Erin also decided to reinforce the corners of the license panel by adding a stitch to make it more secure.

Step VI -- Preparing for stitching

Then began the stitching. First there was the license window panel. Erin carefully slid the resin board into the bill pocket and using the two-pronged leather stitching chisel made holes at each of its corners. She then threaded the triangular pointed leather needle with waxed brown linen thread and stitched each of the corners. Next with the leather marker she marked each of the outside edges for the stitches that created the panels, the location for the center stitches on the credit card panel and slanted line connecting the flap to the back. The stitching along those lines is an integral part of the design. Then the punching began. Out came the six-pronged stitching chisel. Erin banged away to create the holes along each of the lines.

Step VII -- Stitching

Operations then shifted with Erin sitting at the drafting table/desk. She threaded the lock-stitch awl with brown waxed linen thread and began. One stitch at a time, first up one side and then the other. Then came the center stitches on the credit card panel and those along the top edge of the flap. All went smoothly at first. The technique involves pushing the threaded awl needle through the hole, pulling back on it to create a loop in the thread, threading the long end of thread through the loop and pulling the needle back through hole. Lo and behold you have a stitch. You go on to the next one, hole by hole, stitches by stitch.

After a while a problem developed. Wax accumulated on the needle making it hard to push through the hole. It had to be cleaned off. That was done with the flame from a lighter and Kleenex. Once fixed, Erin went on again until she was finished.

Step VIII -- Checking it out

She folded the wallet to look at her handiwork. It was fine except for one slight change in the design. After setting up Erin first trimmed the edges of the wallet. Erin added a pen holder along the top fold. It made the wallet easier to fold and provided a pen, available when needed. She made the loop out of a thin strip of leather and stitched it in the center of the top fold after using the two-pronged punch. Then she slipped a thin pen into it and closed the wallet. All looked well. The money, the credit cards and license fit just fine.

Just one more step to go -- adding the closing snap and button. Erin took a break before getting into it.

Step IX -- The final touches

Having found a handmade polymer clay button she really liked, Erin must answer the question, "Button, button, where shall I put the button?" Closing the almost finished wallet, she moves the button around on the flap until she finds just the right place for it..

Then comes the process of installing the magnetic closure. To do that she takes out the worktable

with the equipment and tools. The clasp comes in two parts -- the male component and the female one. Each has four prongs and a backing metal washer with holes to match them. One part must be placed on the back of the outside panel, the other on the flap.

In each case holes in the leather must be made to accommodate the prongs. Since those on the back panel are inside the bill folder, to protect it a piece of corrugated cardboard is inserted into the bill pocket. The holes are marked with a leather marking pen and drilled using the X-Acto knife. The female half of the clasp is inserted into the holes and backed by the washer. The prongs are bent to hold the washer in place and pounded with the Poly Mallet on the Pouno Board to secure it.

The wallet is closed and once the right position on the flap for the other half of the magnetic clasp is located, Erin engages in a similar procedure. When she is done the functioning part of the clasp is on the inside of the flap and the secured washer is on the outside ready for the next step.

Erin hollows out a portion of the clay on the reverse side of the handmade polymer clay button using the X-Acto knife, She then mixes the two components of the Steelstik steel reinforced epoxy putty and applies a portion of it to the button and the washer and puts them together. [Ed: Erin did you use a piece of aluminum foil and a stick?] She put the wallet aside for 24 hours to allow the glue to set and was finished for the day. Of course, that is after putting everything back and returning the studio to its everyday state. That took another 5 minutes.

The next day Erin looked at the wallet and decided to use it herself, replacing the prototype. Her license slipped nicely into place with her picture looking up at her, the bills fit neatly in the bill folder, the credit cards slid right in where they belonged and did not fall out even when the wallet was opened up. As a last touch Erin took out her favorite pen and slid it into the pen holder, closed and secured the flap, and stood back and admired her handiwork. Of course, the final touch came when she slipped the new wallet into her purse.

Take a look at pictures of the wallet and tell me what you think.

Determining the cost

In attempting to determine the cost of the wallet it is important to remember that at each step the physical space, equipment, tools, materials and supplies were required, as well as the time Erin put into making it happen. The cost depends on the amount of each of those components used times its price. Economists divide those costs into two types -- variable and fixed. The variable costs are the cost of the components that are used up in making the wallet, like the leather, the thread and Erin's time. The fixed costs are those components -- those factors of production -- that are not used up. The lock-stitch awl, the punches and the mallet are examples. They can be still be used in making the next piece.

The costs at each step in making the wallet are developed in the accompanying tables. (See Table VI-A-1 -- Estimating the Cost and Table VI-A-2 -- Estimating the Fixed Cost)

The tables lists each component -- each piece of equipment, tools, materials and supplies -- used in each of the steps described above. For each of the variable factors the amount used along with its price provides the cost of that component. For the fixed factors their original or replacement cost is provided.

In addition to the materials and supplies two other important components in variable cost are the transportation and shipping cost involved in getting those materials to the studio and reimbursement for the time and effort Erin put into making the wallet. That information is provided as well. Since the fixed factors of production were used in a number of the steps and in other projects as wel, their costs are estimated separately and a portion of them is charged to the wallet. For the details see the tables.

Here's a summary of what it cost to make the wallet.

Variable Costs	
Leather, other materials and supplies	\$ 25.48
Transportation and shipping costs	\$ 39.38
Labor costs	<u>\$ 85.50</u>
Total variable costs	\$ 151.36
Fixed Costs	
Total fixed costs	\$ <u>11.62</u>
Total Costs	\$ 162.98

Those costs, along with the benefits, are also presented in the accompanying spreadsheets. (Sidebar VI-C -- The Cost and Benefit Spreadsheets)

Table VI-A- I -- Estimating the Cost

Component	Amount	Price (\$/unit)	Cost
<u>Steps</u>			
Session 1:			
I -- Designing the wallet			21 min. Elapsed time

*14" x 18" piece of red leather (Notes #1 & #2)			
	252 sq. in.	\$0.0625 /sq. in.	\$15.75

II -- Cutting out the leather panels 37 min. Elapsed time

Wooden board 12" x 18"			
Ruler			
Leather marking pen			
Poundo Board			
X-Acto knife			
*X-Acto knife blade (#3)	1	\$.72	\$.72
*13" x 8" back panel (#2)	104 sq. in.		
*7½" x 2¾" credit card panel	21 sq. in.		
*4" x 2¾" License panel	<u>11 sq. in.</u>		
	136 sq. in.	\$0.0625 /sq. in.	\$ 8.50

III -- Revising the design 18 min. Elapsed time

Wooden board			
Ruler			
Leather marking pen			
Poundo Board			
X-Acto knife			
*7½' x 3½" Leather flap (#2)	26 sq. in.	\$0.0625 /sq. in.	\$ 1.63

IV -- Gluing the pieces together 15 min. Elapsed time

Wooden board			
Ruler			
*Eco-Flo Leather Weld (#4)	1/4 bottle	\$ 8.00 /btl.	\$2.00
*Qtips (#5)	10	\$ 0.00624	\$.06
*Kleenex (#6)	4	\$0.046	\$.18
*Waxed paper sheet (#7)	1	\$0.05	\$.05
Heavy books as weights			

(Returning studio to its usual setup -- 9 minutes, making the total elapsed for the first session 104 minutes. Preparing the studio for next session.

Session 2:

V -- Tweaking the design 9 min. Elapsed time

Wooden board			
Ruler			
Leather marking pen			
Poundo Board			
X-Acto knife			
*Corrugated cardboard insert	1	\$ 0 .05	\$ 0.05

VI -- Preparing for stitching			24 min. Elapsed time
Wooden board			
Ruler			
Leather marking pen			
Poundo Board			
X-Acto knife			
Two prong stitching chisel			
Triangular leather needle			
*Waxed linen thread (#8)	½ yd.	\$0.15	\$ 0.08
Six prong stitching chisel			
Poly Mallet			
Knife for roughing up leather			

VII -- Stitching			105 min. Elapsed time
Drafting table/desk			
Chair			
Lock-stitch awl			
*Waxed linen thread (#8)	3 yds.	\$0.15	\$ 0.45
Lighter			
*Kleenex (#6)	2	\$0.046	\$ 0.01

VIII -- Checking it out			5 min.
Elapsed time			
Wooden board			
Ruler			
Leather marking pen			
X-Acto knife			
*Leather strip for pen holder			
(3/8" x 1 ½") (#2)	2 sq. in.	\$0.0625 /sq. in.	\$ 0.13
Two prong stitching chisel			
Poundo Board			
Poly Mallet			
Triangular leather needle			
*Waxed linen thread (#8)	½ yd	\$0.15	\$ 0.08
*Pen (#9)	1	\$1.00	\$ 1.00

(Returned studio to its usual setup.-- 9 minutes, making the total session 152 minutes. Prepared studio for next session using only the worktable..)

Session 3:

IX -- Final touches			25 min. Elapsed time
Wooden board			
Leather marking pen			

X-Acto knife			
Poundo Board			
Poly Mallet			
*Corrugated cardboard insert	1	\$ 0 .05	\$ 0.05
*Magnetic Clasp (#10)	1	\$3.99	\$ 3.99
*Steelstik steel reinforced epoxy putty (#11)	½ oz.	\$5.99/2 oz.	\$ 1.50
*Handmade polymer clay button (#12)	1	\$5.00	\$ 5.00

(Returned studio to its usual setup.-- 5 minutes, making the total session 30 minutes.)

Summary

Variable Costs			
Leather, other materials and supplies		\$ 25.48	
Transportation and shipping costs (#13)		\$ 39.38	
Labor costs (#14)		<u>\$ 85.50</u>	
Total variable costs			\$ 151.36
Fixed Costs			
Total fixed costs		\$ <u>11.62</u>	
Total Costs			\$ 162.98

Notes:

1. The variable factors of production are indicated by an asterisk(*). Their cost determined in this table.(Table VI-A- I} The cost of the fixed factors are estimated in Table VI-A-II
2. The original piece of leather had 252 in. At a price of \$9.00 per square foot that comes to \$0.0625 per square inch. The wallet used 163 sq. in. making the cost of the leather used \$10.26. That assumes that the balance is usable. If not, the leather cost is as much as \$15.75
3. The X-Acto knife replacement blade is being treated as a variable cost. The packet of five cost \$3.60, \$0.72 each. Think of it this way. The old blade was to dull to use. When the wallet was finished it was dull again.
- 4.. Eco-Flo Leather Weld \$8.00 per bottle.
5. Qtips packet of 625 cost \$3.90, \$0.00624 each
6. Kleenex, box of 90 for \$4.16, \$0.046 each,
7. Waxed paper, one sheet \$.05
8. The waxed thread -- 135yds @ \$20.00; \$0.15 per yd.
9. Pen, \$1.00 est.
10. Magnetic Clasp, \$3.99
- 11.Steelstik steel reinforced epoxy putty 2 oz., \$5.99
12. Handmade polymer clay button, \$5.00
13. Each of the components must be available and ready to use at the studio when Erin is ready for them. Consequently all transportation and shipping costs in getting them from the supplier to

the studio must be included as well.

Transportation and shipping costs -- Tandy Leather is 35.4 miles from Carrboro. Transportation expense for the 71 mile round trip at the current IRS milage rate for business travel of \$.56 per mile is \$39.75. The trip itself took 90 minutes and shopping 40, for a total of 130 minutes of Erin's time. At her hourly reimbursement rate of \$18 per hour, the labor cost for the trip was \$39.00, making the total cost transportation cost for the trip \$78.75. One half the cost of the trip, \$39.38, is charged to the wallet, the balance went to other purchases.

At the higher AIO of \$60,000 the total charges for the trip are \$104.75. The portion chargeable to the wallet it would be \$52.38.

The shipping cost for all of the other components are included in their price.

14. Labor costs -- Erin's Annual Income Objective (AIO) is \$36,000 per year. That comes to \$18 per hour. It took 284 minutes, or 4¾ hours, to make the wallet. That makes the labor cost \$85.50. At the higher AIO of \$60,000 per year the labor cost at \$30 per hour would be \$142.50.

Table VI-A-2 -- Estimating the Fixed Cost

Component	Amount	Price (\$/unit)	Cost
<u>Fixed factors of production</u>			
Worktable	1	\$104.99	
Storage cabinet	1	\$ 60.00	
Drafting table/desk	1	\$275.01	
Chair	1	\$ 65.00	
Wooden board 12" x 18"	1	\$ 10.00	
Ruler	1	\$ 5.60	
Leather marking pen	1	\$ 3.00	
Poundo Board	1	\$ 30.00	
X-Acto knife	1	\$ 3.80	
Two prong stitching chisel	1	\$ 9.00	
Triangular leather needle	1	\$ 3.00	
Six prong stitching chisel	1	\$ 10.50	
Poly Mallet	1	\$ 20.00	
Knife for roughing up leather	1	\$ 1.00	
Heavy books as weights	2		
Lock-stitch awl	1	\$ 18.00	
Total			\$618.90
Share of rent and utilities (See Notes)			\$5.43

Notes:

An important thing to realize about the fixed factors of production -- the equipment and tools, etc. -- is that they have to be there and ready to go whenever Erin wants to use them. The original price of each component varies widely and so does their lifespan; how quickly they wear out; how much use is made of them on any given piece, like the wallet; and how costly they are to repair. All those factors make it difficult to determine how much of the costs of each one should be assigned to any individual piece.

It is hard to imagine trying to determine the fixed costs taking account of all those differences. In the end, however, they must be covered. Consequently, we will arbitrarily assign 1% of the total of the original cost of all the fixed factors of production to the wallet. It was \$618.90, making the wallet's share \$6.19.

An additional component in fixed costs is the share of the rent and utilities that can be charged to the wallet. The house has 1850 square feet. The 16' x 20' studio takes up about 20% of it. Erin not only uses the studio to create her art but for other functions as well including giving massages. The studio is available 40 hours per week, 4.5 weeks per month or 180 hours per month. Rent and utilities on average come to \$1125 per month making the studio share \$225 per month. That works out to \$1.25 per hour. Since it took 4 1/3 hours to make the wallet, \$5.43 of the rent and utilities is charged to it. That brings total fixed costs to \$11.62.

Sidebar VI-B -- Annual Income Objective (AIO)

Before you can answer the question, "How much do I have to earn to say I am making my living as an artist?" you must first decide how much money is necessary to live your desired lifestyle -- that is, to live comfortably. There are a number of ways to begin to answer that question.

One way is to look back and take out last year's report to the IRS. When you find it, see what your net income after taxes was. Then to ask yourself, "Did that provide enough money for me to live comfortably?" If the answer is yes, that is a starter. If no, you need to figure out how much more, or less, money would be required.

If you are currently employed, another approach would be to determine your annual net income after taxes at your current salary. It is possible that you would be willing to make somewhat less -- say 10% less -- to be doing what you really want to do, creating your art. Then walk yourself through the same next questions we raised above. Is it enough, not enough or more than enough?

A third way would be to base the estimate on the sum total of your annual expenses. How much did you pay for rent, food, gas, entertainment and all the other things you spent money on for last year? That also includes your payments for health insurance, co-pays and deductibles. Adding it all together allows you to come up with a final number based on expenses, [If you pay most of your bills by credit card Quicken can help.] It is a good idea to add on (and set aside) an additional, say, 10/15/20% for unexpected expenses -- call it a contingency or shit happens fund.

Once you come up with a number, you have to ask the secondary questions again.

Some way or another you have to come up with an estimate of the amount of money you have to have in pocket to live the lifestyle you would like to have. Let's call that your Annual Income Objective (AIO). Remember that every dollar that you add to it, over and above the minimum amount, requires your time and effort. That is time and effort taken away from what you say you want to do most, namely, "I want to be able to create my art."

Erin thought about it and decided that she would like to have \$3000 per month or \$36,000 per year. After thinking it over she thought \$60,000 per year would be more comfortable.

Once you've decided on your Annual Income Objective (AIO) a number of things fall into place. The first is that you'll be able to determine the hourly rate required to meet that objective. Let's start by assuming that you will work 40 hours per week, 50 weeks per year. That comes to 2000 hours per year. That still leaves 16 hours each day to do the other things you need to do to take care of yourself.

Dividing your AIO by 2000 gives you your hourly rate. At \$36,000 per year that works out to be \$18 per hour. That is the value of the time and effort that goes into making any piece of work

Then you must ask yourself the next important question, "How much time did it take from when I originally conceived the idea until I finished the piece?" Do you know? Can you come up with an estimate? If not, you might consider timing yourself for one or two pieces, just to be able to come up with a guesstimate. It took Erin $4\frac{3}{4}$ hours to make the wallet making its labor cost \$85.50. (See Sidebar VI-A -- Making a wallet). If Erin's objective is to make a living creating her art, in addition to covering all the other costs involved in making the wallet, she must also cover her labor costs.

I must remind you of two things. One is that there will always be additional costs involved in marketing, selling and delivering the piece. That takes more of your time and effort. The second is that there is no guarantee ahead of time that you will be able to find a buyer who is willing to pay that price or more. Unless you can, you will not be able to make a living just making and selling your art. But with that information you will know how much it would take.

If Erin insisted on making \$60,000 per year that would increase her hourly rate to \$30, raising the labor costs for just making the wallet to \$142.50. The total cost of the wallet would go from \$162.98 to \$231.98.

This approach also allows you to answer another important question, namely, "How many pieces of art do I have to make a year to meet my Annual Income Objective?"

If we assume that on average each piece takes five hours to make, at \$18 per hour its labor cost is \$90. You would have to make 400 per year in order to meet the AIO of \$36,000. That is 80 wallets or similar pieces per week. They would have to be sold at or more than \$160 each in order to cover the full costs of production. Any marketing costs would have to be added leading to an

even higher price and further reducing the prospects for a sale. Moreover, any of your time and effort that go into marketing takes away from the time you would be doing the leather work.

If the AIO is \$60,000 per year, the hourly rate goes up to \$30 per hour increasing the labor costs of the piece to \$150. The total production costs would go up to \$226.55. You would still have to produce and sell 400 per year at the higher price in order to meet the higher income objective.

With that information you have a better idea as to whether being able to make a living creating and selling your art is possible and what would be required in order to do that.

Sidebar VI-C -- The Cost and Benefit Spreadsheets

[Ed: Create]

VII. Choosing Among Marketing Venues and Outlets

As we indicated earlier a good way to choose the best marketing venue and outlet is by using a cost-benefit approach. An important first step is to have a clear understanding of what your objective in selling the work is. For a list of possible reasons see “Your specific marketing objective” in Section II. Does any of them match your reason? If not, what is your reason? Be real specific. The best way to sell the piece and determine how successful you are depends on knowing just what you want to accomplish. That’s where we begin. It is a good idea to write it down.

Let me give you an example. My friend, Susan Laswell, makes really fine, creative baskets. She has a full-time executive position and is the principal breadwinner for her family. She loves making baskets and her baskets show it. If she could she’d be making them full-time. In my opinion there is little doubt that she could get into major craft shows. [Take a look at some pictures of her work and judge for yourself. [Ed: Add images]] However, participating in shows is simply not an option. You can see her most every Saturday morning at the Carrboro Farmers Market displaying and selling her work. (See <http://www.carrborofarmersmarket.com/heartsongbaskets.shtml>)

Once you have the reason for selling the work clearly in mind, the next step is to determine the likely benefits and costs for each of the venues you are considering. The costs we are referring to here are the extra costs associated with marketing, not the costs involved in the production of the piece itself. Production costs only come into play when you are attempting to recover some or all

of them in selling the work. When you are, they become an important factor in determining the asking price and the net revenue. For now, however, let us focus on the costs directly associated with marketing. That includes any of your TERF that is involved. Let me provide you with some examples.

Let's use the leather wallet that Erin made as an example. (See Sidebar VI-A -- Making a leather wallet) She has decided to sell it. Before she did, she thought about keeping it. She decided that unless she got more than \$100 she would hold onto it. That is her **reservation price**.

Since there are a number of possible reasons Erin might want to sell the wallet, let's see how that choice among them affects the venue; it's likely costs and benefits; how successful she will be; and what she might be giving up because of the choice she made. Here are five possible different objectives along with their scenarios.

- Any price that yields a net revenue above the reservation price
- The highest possible price
- To recover the cost of materials
- At the price the market will bear
- To make my living creating my art

Let's look at each one to see how they play out.

Above the reservation price

This objective allows you to set the asking price for each venue and outlet. To do that there are two things you have to determine. The first is your reservation price. (See Section I -- The Oh My Gosh! experience and The reservation price) The second is the marketing expenses you will incur. The expenses include reimbursement for any of your own TERF involved in selecting the outlet and getting the piece to it. As we shall see, for some outlets reasonable estimates are easy to obtain. That information allows you to set a firm fixed price. Here's how it would play out in various venues.

- A retailer is willing to buy the piece from you at that price, mark it up and put it for sale at their retail price.
- A retailer takes it on consignment and gives you 60% of the sales price if and when it sells. That setting involves a gamble on your part, especially since some retailers are more likely to sell it than others. At one extreme they could sell it as soon as they put it out. At the other, none of their buyers are interested in the wallet. You have to take it back and market it somewhere else. That increases your marketing expenses including the additional TERF involved in selecting the new outlet and getting the piece to them.
- You can put it up for sale on eBay with a fixed price listing. The asking price covers your reservation price plus eBay's fees and any other charges. As long as someone who shops on eBay finds the listing and is willing to pay that price, the piece is sold and your objective is met. If the asking price is greater than the maximum demand price of any of the eBay buyers, there is no sale and you get the piece back.

Those are three types of marketing outlets that potentially will make it possible to meet your objective of getting more than your reservation price of \$100 for the piece.. Each has its own benefits and costs. those costs include any and all expenses involved in marketing the wallet including reimbursement for all the time and effort you put into marketing it. In the final analysis only you can choose the one that you think would be best for you and go with it. Once it plays itself out, either you end up with the money -- the net revenue -- or the piece. Then you can decide whether or not you met your objective. Of course, in the back of your mind can be that little voice saying, "You could have done better." Perhaps, but perhaps not.

The highest price possible

If your objective is to get the highest price possible for the leather wallet, your course of action will be quite different. When you start out you don't know what that price is or what venue can provide it. (See Sidebar VIII-A -- Making it Happen -- Selling the Maynard Portfolio) You check online to get an idea of what similar wallets are selling for, but yours is not like any of them. It is special. Nevertheless, that gives you an idea of what the wallet might sell for. It is a starting point. If it is well below your reservation price you could have a problem.

One approach is to put the wallet up for auction either on eBay in an auction-type listing or place it with an auction house that is willing to take it on. Another would be to take it around to a number of galleries or stores. Let's look at those options and see what they have to offer.

You can list it on eBay with a high reserve. (See Sidebar VII-B -- Putting it up on eBay*) Initially, your objective is not to sell the piece but to find out how much eBay customers are willing to pay for it. If it were to sell, there could well be someone out there who would have been willing to pay more. Consequently, if it sells your objective will not have been met. The highest price bid or the sales price provides a low ball number for the highest price possible. The buyers at other venues may be willing to go even higher. The trick, however, is finding them and in finding out how much they would be willing to pay. Filling that information gap is not easy and it will require more of your TERF. Because of that you might want to use the eBay price that you have now as a best guess and make future decisions based on it. For example, let's assume that the estimate of the highest possible price for the wallet is \$85 and your reservation price is \$100, you decide to hold on to the wallet and use it yourself or give it as a gift.

The maximum reserve eBay allows is \$5000. If your reserve exceeds that you can't use this approach on eBay to estimate the highest possible price. (See Sidebar VII-B --Putting it up on eBay)

Another way to pursue this objective is to put the piece up for auction at a well-publicized auction at a house that specializes in your art or craft. Once you choose them and they agree to accept it, they will provide you with their preauction estimate and a reserve. If you agree to put it up for sale and the piece sells below your previous high estimate, you will be left without the piece itself and will not have met your objective. Furthermore, the net revenue from the sale may not allow you to meet any other objective you might have for selling the piece.

The auction price is determined by the potential buyers who knew about and participate in the auction. One or another of the potential buyers outside that group may have been willing to pay a higher price. His/her maximum demand price could be higher still. That price is the one you would like to know if you want to know the highest price possible.

Still another approach that you might try is to take the piece to a number of galleries or shops or to an appraiser that specializes in your particular art or craft. Trust me, the first question they will ask you is, "What are you asking for it?" That is when what you want to know from them is what they think it will sell for. Once you get a guesstimate from them you can go on from there, using that price to see if anyone is willing to offer you a higher one. (See Sidebar VII-A -- Choosing the best marketing outlet)

As you can see by watching Antiques Roadshow, pre-sale estimates always fall within a range and they are unreliable. Furthermore, it is in the gallery's or shop's best interest to quote a low price because if you are willing to sell it at that price they are better off. It is also important to remember that going through this process involves your own TERF, frequently large amounts of it. Moreover, the additional information that you get is not likely to be accurate or valuable. That is especially true if your one-of-a-kind piece is new and novel.

The bottom line is that getting good information about the highest price possible is not easy and in attempting to achieve that objective could use up a lot of your discretionary TERF.

To recover the cost of materials

Some artists have accumulated sufficient income or wealth from other sources to sustain themselves so it is not necessary to use the income they would get from selling their art for that purpose. Nevertheless they may choose to recover the cost of materials used in creating the piece. Let us examine how that objective affects pricing and selling options.

The starting point is determining what the cost of materials was. Again, let's use making the leather wallet as the example. (See Sidebar VI-A -- Making a leather wallet) There is the leather, the thread and other materials and supplies used in creating it. All were required to make the piece. Economists call them the variable inputs. Without them there would be no wallet. Moreover, they are used up in the process of making it. For each of them it is necessary to determine the amount used and their price. The details of how each of those components is costed out is presented in Table VI-A- I -- Estimating the Cost. Their total came to \$25.48

To that must be added the transportation and shipping cost involved in getting those inputs to the studio and ready for use. They are estimated in Table VI-A-I, Note #13. They came to \$39.38, 19 the total cost of materials and supplies at went into the wallet \$64.86

As an aside, if the leather was given to you as a gift or if its price has gone up since you purchased it, in estimating costs it is important to use the replacement cost. That is what it would have cost to purchase the leather that would be required if you were to make another wallet just like this one.

Now that we have determined the cost of materials, let's see how it affects pricing and the other decisions. Since the objective is to cover the cost of materials, when all is said and done the net revenue must be greater than the cost of materials delivered to the studio -- \$64.86 in this case -- plus any marketing expenses. Anything less than that will not allow you to achieve your objective in selling the piece.

“At what the market will bear”

One craftsperson, who displays and sells her baskets at the Carrboro Farmers Market, told me, she sells her work “at what the market will bear.” At the marketing outlet she has chosen she probably only sees a limited number of the potential buyers. Moreover, she has put an asking price on each of them. If the basket sells at that price there is no way of knowing whether that buyer or other buyers, once they became aware of the piece, might not be willing to pay an even higher price. Consequently, the approach she has taken will not allow her to meet her objective of selling “at what the market will bear.” If the basket sells, the money in hand provides information on how much it and similar baskets can sell for.

Remember they are one-of-a-kind. Here again you can check out what similar items have sold for as a starter. Importantly, the net revenue from the sale -- that is, the sales price minus any expenses, fees and charges involved in consummating a sale and getting the piece to its final destination -- must be greater than your reservation price or else you would be better off holding onto it. Similarly, if the net revenue is not greater than the reservation price plus the cost of materials you will have to dip into your discretionary funds in order to make the piece and the sale. Additionally, when you are not compensated for the time and effort you put into making it, it would be a good idea to ask yourself what else could you have rather done with the same amount of it. (See Blog post Think before you say ‘Yes’’) Once the piece is sold “at what the market will bear” you will know what the net revenue is. [Ed: Add numbers] That will enable you to decide whether the time, effort, resources and funds (TERF) it took to make and sell the wallet were worth it.

To make my living creating my art

And then there are those artists and craftpersons who want to make a living creating and selling their art. Once that becomes your objective things change. One way of thinking of it is that you have now become a business. You are no longer just a creative artist. You have been transformed into the CEO, Chief Operating Officer and principal employee of a company -- all rolled into one person. In order to be successful and earn your living doing it, the revenue from selling the art must cover all the expenses involved in producing and marketing the work. When it does the net revenue will provide you with sufficient income to sustain yourself and maintain your desired lifestyle.

Let's take a closer look at what's required during one year of operations. First you must produce a body of work. Let's say that involves a number of one-of-a-kind pieces. We will stick with leather. They can be wallets, coin purses, handbags, belts, vests or anything else you can think of made from leather. In order to make them you will have to have a physical workspace, a studio, a worktable, sewing machine and other equipment, tools, leather and other materials and supplies, utilities and, most importantly, your time and effort. All those “inputs” are required to produce

the pieces of art.

In order to get the revenue necessary to make it all happen, the work must be sold. That is where the marketing phase of the operations comes into play. The gross revenue that you get from the sale of the work is just the beginning. Out of it you must pay for all the inputs that were involved in production and marketing. That includes payment for all the 'factors of production' listed above. Of course, among them is your salary as CEO, COO and principal employee as well as the wages and any other payments to any employees.

As an example let's use the making of the wallet. (See Sidebar VI-A -- Making a leather wallet) Once you establish your Annual Income Objective (AIO) things begin to fall into place. (See Sidebar VI-B -- Annual Income Objective (AIO) For Erin it is \$36,000. If she works 40 hours per week, 50 weeks per year, that is 2000 hours per year, at \$18 per hour, she would achieve her objective. That still leaves her 16 hours each day to do all the other things she wants to do. That includes taking care of herself. It leaves over some discretionary time as well.

That same \$18 per hour allows us to determine the labor cost involved in making the wallet. Making it took 282 min. -- 4¾ hours. At \$18 an hour the labor cost for it is \$85.50. She also spent 130 min.-- 2.17 hours -- acquiring materials. The value of her time that went into the transportation costs chargeable to the wallet is \$19.50. That makes the value of the time and effort Erin put into making the wallet \$105. Based on that the total variable cost for making the wallet was:

Leather, other materials and supplies	\$ 25.48
Transportation and shipping costs	\$ 39.38
Labor costs	<u>\$ 85.50</u>
Total variable costs	\$ 151.36

Adding the estimated fixed costs of \$11.62 allows us to come up with the total production cost required to make the wallet -- \$162.98. (See Table VI-A- I -- Estimating the Cost)

Using that it is possible to come up with an **asking price** for the wallet. Whatever **net revenue** -- the final sales price minus any marketing or selling expenses -- you receive must be equal to or greater than the total production cost if you are going to achieve your objective.

Remember, however, that your time, energy, resources and funds -- your TERF -- is also required to market and sell the work. You must be compensated for it as well. Furthermore, there is no guarantee ahead of time that there is a buyer out there who is willing to pay the price that will cover the production and marketing costs and provide you with a net revenue that covers your labor costs. The role of marketing is to find that potential buyer and consummate the sale.

Clearly, different venues and outlets are likely to be more or less successful. The trick is finding the one that is likely to be the best. Looking at the likely benefits and costs of each will help in choosing among them. In the end, for you to be able to make a living creating your art finding one who sells the work at a price that covers all those costs is what is necessary if you want to meet your objective.

[Ed: consider discussing marketing costs]

Having established the AIO also makes it possible to answer another important question, namely, “How many pieces per year do I have to make to make that income?” Let’s assume that on average each piece takes five hours to make. At \$18 per hour the labor cost would be \$90. In order to earn \$36,000 per year Erin would have to make 400 similar pieces, or 80 per week. Of course, that does not take into account the additional time and effort required to market and sell them. Based on this approach and the numbers, Erin and you can decide whether you think it is feasible.

Let’s see what happens if Erin’s AIO is \$60,000 per year. Her hourly rate goes up to \$30 per hour. The labor cost for the wallet become \$142.50. The transportation cost go up \$13. Total production costs go from \$162.98 to \$231.98. The higher costs make it harder to sell the wallet and are likely to make marketing more difficult and more expensive. At no surprise, that makes earning the required net income more difficult. Interestingly, at the higher AIO Erin still has to produce the same number of pieces of leather work -- 400 per year -- to achieve the desired level.

Sidebar VII-A -- Choosing the best marketing outlet

Within any given marketing venue the process of production and therefore the costs will differ from one marketing outlet to the next. For example, the show fees and other expenses at the American Craft Council Baltimore show are different then those at the Carolina Designer Craftsmen show in Raleigh, NC. So is the cost of getting there and back from wherever you are. Similarly, so is the production process at different venues and the amount of your TERF that is required. Participating in a show is different than selling the piece on eBay or any other auction. Each venue and each marketing option within that venue has a different set of costs.

Their benefits will differ as well. For example, the likelihood of success in selling your individual artwork will differ from one to the other. So will the sales price and the net revenue. In some cases you have a degree of control over the final outcome, in others, less so. For example, at an auction if the final bid does not reach the reserve you get the piece back. At a show or in the sale to a gallery, you can always lower the asking price in order to make the sale.

The important thing to recognize is that in the sale of any given piece, the net revenue -- the amount of money you will receive after all costs have been covered including your TERF -- will differ from one venue to the next and within any venue from one marketing outlet to the next. Understanding that and what each has to offer and how they function will help you decide which one is best for you.

Since net benefits (benefits minus costs) differ from one venue and one outlet to the next, the best is the one where the net benefit is likely to be the greatest as we have shown in the Maynard portfolio story. (See Sidebar VIII-A -- Making it Happen -- Selling the Maynard Portfolio) Even

when you are familiar with the outlets and have prior experience that you can rely on, choosing among them is difficult because some of the information you'd like to have is simply not available. Since you are in that position when you have to make a choice, the best you can do is make an educated guess and go on from there. Always remember that taking no action, in fact, is taking an action and you bear the consequences of that as well.

Sidebar VII-B --Putting it up on eBay

When you choose eBay as a marketing venue you have two options. You can put the piece up for sale either with an auction-style or a fixed price listing.

When the sale is consummated with a fixed price listing the net revenue you receive is the asking price after deducting any fees, charges and expenses involved. They include eBay fees, shipping and other charges and reimbursement for your TERF involved selecting eBay, implementing their procedures and finalizing the sale. If you haven't sold on eBay before, figuring out what is required and selecting the approach that is right for you will take some time and effort. In order for the sale to be successful, the net revenue must meet or exceed your specific objective for making the sale. Consequently it is important to take all the likely expenses involved in marketing into consideration when setting the asking price. Of course, the lower the asking price the larger number of potential buyers, making a quick sale the more likely. When choosing a fixed-price listing you forgo the possibility of getting a higher price.

With an auction-style listing you are allowing the buyers to determine the final price. It opens up the possibility of a greater return. All the same considerations involved in setting the asking price in a fixed-price listing should be taken into account when setting the reserve. Also remember that the eBay fees in an auction-style listing are determined by the final sale price. Taking those factors into consideration beforehand helps ensure that you meet your objective. [Ed: Erin check to see if there are any things I haven't taken into account.]

It is important to remember that not all potential buyers are familiar with and use eBay. Consequently, one or another of the other venues may provide a greater net revenue than eBay.

Putting it up on eBay has limitations for one-of-a-kind pieces especially if they are new and novel. That situation makes it harder to find a keyword or description that attracts potential buyers. Another important consideration is that the maximum reserve they allow on any sale is \$5000. Consequently, if \$5000 minus any of the expenses involved does not provide an adequate net revenue, eBay is not the appropriate venue. (See Sidebar VIII-A -- Making it Happen -- Selling the Maynard Portfolio)

Furthermore, rather than going through the hassle of putting the piece up on eBay yourself -- especially if you're new at it and when the reserve is above the maximum eBay allows you as a new seller -- you can turn the job of selling it over to someone who is familiar with and has experience selling on eBay. The new asking price must be increased to cover any fee they charge for their services. Of course, under those circumstances, since less of your time, energy and resources are involved in marketing, your asking price can be lowered to account for that difference.

As with any other venue, eBay has its own benefits and costs. Taking them into consideration can help in deciding whether eBay is right for you.

VIII. Bringing Buyer and Seller Together -- Consummating the Sale

Finally the buyer and the seller come together. It is either with you or an agent representing you. They agree on the final price, shake hands and consummate the sale. Of course, there may have been some negotiation involved and the final price may be lower than the asking price, but it is the final price. Along the way a number of other issues may have come up. They include:

- Payment terms
- Arrangements for delivery and who should cover those costs
- Whether payment is by debit or credit card, with a check, cash or bitcoins.

Once all that is resolved is a done deal.

If all goes well, both parties are satisfied and the sale is completed.

The buyer, as the new owner, takes possession of the work of art and it is transported to its new home. Then they to enjoy, see and/or use the work of art.

The artist, in turn, takes home the money he/she receives from the sale. That is the sale price minus any additional charges or fees involved. If the sale was made by an agent, there is another step involved. They get their share and you get the balance (at some specified future date). The final delivery expenses can include the cost of delivery, auction house fees, the gallery's percentage and the credit card company fee. You must deduct all of the expenses that were incurred in marketing the work from the time you decided to sell the piece until it was delivered into the buyer's hands. The costs associated with the transaction include any of your time, energy, resources and funds (TERF) involved in the marketing process. The balance is your return for producing it.

The artist and buyer's interaction prior to the sale

Larry Favorite, a longtime personal friend, works with ancient ironwood from the Arizona desert. Check out his website. (See www.favoritedesigns.com) He has been doing craft shows for years and making his living as an artist. While talking on the phone this morning he said that he realized that if he spends more time interacting with potential customers, talking to them, explaining the work and the process of creating it, he makes more sales and can charge higher prices.

That reminded me of a comment he made many years earlier. He said, "I know what to do with

the piece when the wood talks to me.” That realization is part of his creative process. It is part of what brings the piece to what it ultimately becomes -- along with Larry’s skill, of course. That is what makes the piece special.

It reminded me of another experience I had. Michael Sherrill is a well-known ceramist -- again check out his website. (See <http://www.michaelsherrill.net/>) He came down to St. John in the USVI where I lived at the time and stayed with me. He was there to lead a workshop. In the process he created a bowl. He gave it to me as a gift. [Ed: Add picture] Every time I look at or use it, I recall the experience. That energy along with Michael’s in creating the bowl is embodied in it. It contributes to my pleasure every time I see or use it.

In fact, that is one of the distinct advantages of a handcrafted, one-of-a-kind work of art over a mass-produced item. Moreover, when the the artist is involved in the sale and talks about the work while selling it, that experience is embodied in the work as well. It contributes to its value. As Larry put it, the interaction can increase sales and make it possible to charge a higher price.

Importantly, however, face-to-face interaction with potential buyers requires more of your TERF. The higher prices and additional sales that increase your **gross revenue**. However, they only increase your **net revenue** if the additional costs are covered by the extra amount of money you receive. It is more likely to be helpful and enjoyable if you like talking to potential customers and telling them what it took to create the piece of artwork that they are seeing, touching and enjoying. If they elect to buy it, that experience will be embodied in the work and contributes to their satisfaction.

One other distinct advantage to direct interaction between you, the artist, and buyers is that they learn about you and become aware of your work. They and their friends, the ones they talk to about the work and, perhaps, who get it as a gift, become part of your potential buyers cohort group. In fact, that is one of the side benefits of participating in an art or craft show. Other ways of developing an established reputation include giving lectures, teaching classes, doing one-person shows, joining craft organizations or having articles written by or about you.

You can capitalize on current technology by keeping a file of buyers and potential buyers e-mail addresses and also by creating a website that enables the members of your potential buyers cohort group to become aware of what you are doing.

In this day and age if you have previously established a reputation, have a following or, perhaps, even some collectors, you can take a picture of the work and put it up on your website along with an **asking price** -- one that allows you to meet or exceed your objective. Seeing an image of the work is not the same as seeing and touching the piece itself, but it is better than not seeing it and not knowing about it. You can follow that up with an e-mail to previous buyers and friends informing them of the new work. Or put it on Facebook. Hopefully, someone will find it and be interested.

That takes us to the final step in the process -- that is, determining whether and how successful you are in meeting your objectives.

Sidebar VIII-A -- Making it Happen -- Selling the Maynard Portfolio

In order to help you understand some of the problems an artist or craftsperson faces in pricing and selling his/her one-of-a-kind works of art, let me tell you a story. It is one where the outcome was certainly unexpected.

After deciding to sell a portfolio, I faced similar problems in spite of the fact that I am an economist who understands art and craft markets and how they work. I have studied markets for over 65 years. A good part of the time has been spent on high-end crafts markets. Moreover, I've worked with those artists to help them understand the nature of the market they face.

In 1987 when I moved to St. John in the US Virgin Islands, I left behind my Ford Aerostar in North Carolina with my son. While teaching at the University of the Virgin Islands I met the artist, Valerie Maynard. You can Google her on Wikipedia to see more about her and her work. A number of years later she got a position in the States and moved back. I agreed to sell her the van. Sometime after as part payment for it she sent me one of her portfolios.

The Valerie Maynard portfolio is entitled "Lost and Found". It contains ten 20" x 30" black and white silkscreen prints. They are signed and numbered 11/20. There is also a cover sheet written by Toni Morrison, dated July 1989. You can see images of the portfolio and each of the prints on [http://www.wsworkshop.org/artist_books/pdf/i5.pdf]

Fast forward some 30 years later. I am 86 years old, have moved back to North Carolina and am living in a small, two bedroom, 675 square foot apartment with the portfolio with its 10 20" x 30" prints in the back of a closet in its original packaging. There is no room for them on the walls. So I decided to sell them to help fund a video documenting my collection of over 25 St. John baskets.

With my associate Erin Coyle's help we googled and found the images of the prints on the Woman's Studio Workshop (WSW) website. (See URL above) Previously the portfolios were for sale at up to \$4000 each. They were no longer available. On a different site Stone Metal Press had the individual prints for sale at \$2000 each. On checking later we found that they had gone out of business.

I am not familiar with the market for Afro-American art. So I contacted a friend, Paul Romaine,

to see whether he might be interested in selling it and taking his cut off the top. That would relieve me of the responsibility and free me up to do other things. He wasn't but he checked with a friend is knowledgeable about that type of art. He had no interest in selling it either.

So the question became, how should I proceed from there? How should I sell it? What price should I charge?

Each of the potential buyers asked, "What would you like for it?" The problem, of course, is that typically the artist doesn't have any idea about what the appropriate price would be. In this case, however, there are some indications. The Woman's Studio Workshop had them available at \$4000 each. Even though they were no longer available that was a starting point. Furthermore, the price of \$4000 was low enough to attract 20 buyers out of the potential buyers cohort group. Another was Stone Metal Press' offering price for the individual prints -- \$2000 each. It is always possible for the new owner to break up the portfolio and sell the prints individually .

Keep in mind that when an artist wants to sell a one-of-a-kind piece, he/she does not have those benchmark prices. Furthermore, selling a portfolio numbered 11/20 is different than selling a one-of-a-kind piece. Nonetheless, the experience can provide important insights into some of the likely problems. So I decided to pursue it further and see what happened.

As an initial step I contacted the Woman's Studio Workshop and left a message for the person they suggested that I speak to. When Tanya called back and I told her about my copy of the portfolio, she said she get back to me. Sometime later she called and said that she had discussed it with their Board. They offered to purchase the Maynard portflio for \$7000 subject to their review.

Since they are in New York State some 50 miles south of Albany and I live in North Carolina that distance poses somewhat of a problem. Appropriately they wanted to see the prints to make sure they were in good condition. Had they been close by I would have taken the portfolio to them. They suggested sending it by FedEx insured to cover any loss or damage. Their maximum possible insurance coverage is \$1000. Anka at The UPS Store said they would insure it for \$7000. She estimated that the shipping cost would be \$146, \$100 of which would be insurance coverage. Furthermore since I had no prior experience with WSW, once the portfolio was out of my hands, I had to trust they would handle the problem responsibly. Face-to-face transfer avoids that issue. Of course, if I could find someone to take the portfolio to them, any potential problems would be resolved. Except, of course, the costs of the trip would mean a reduction in the **net revenue** from the sale. So before I decided to sell the portfolio to WSW I looked at other closer options.

They included the:

- Ackland Museum at UNC-Chapel Hill
- Nasher Museum at Duke University in Durham
- NC Museum of Art in Raleigh
- International Civil Rights Exhibit and Museum in Greensboro
- Weatherspoon Art Museum also in Greensboro

- The Harvey B. Gantt Center for African- American Arts + Culture in Charlotte
- Virginia Museum of Fine Art in Richmond, VA

I also decided to contact an auction house -- Sotheby's. They were not interested but recommended Swann Auction Galleries who were, but that's all part of the story. And so is our experience in trying to sell the portfolio on eBay.

Here's what happened when I approached each of them. Whoops, I forgot to record the amount of TERF required. Oh well, at least you can learn from what happened.

The Ackland Museum had no interest in it.

I contacted the Nasher Museum through a friend who put me in touch with someone on the staff. Brad checked with their specialist who said they were not interested but after checking on the web found that Karen Berisford Getty had written a thesis at UVC about Valerie Maynard. It is entitled, "Searching for Transatlantic Freedom: The Art of Valerie Maynard". He suggested that I contact her. Ms. Getty is currently employed as the Coordinator of Tour Services at Virginia Museum of Fine Art where I was able to reach her. (A copy of her thesis is available at <https://digarchive.library.vcu.edu/handle/10156/1506?show=full>)

The North Carolina Museum of Art had no interest, but recommended a contact in Wilmington, NC. It turned out to be an appraiser. No help there either.

So I turned to Greensboro. First to the International Civil Rights Exhibit and Museum. There I found Banidale Demerson who knew about Maynard and appreciated her work. In fact, he has met her. Because of a lack of funds the museum was not interested in the portfolio.

At the Weatherspoon I reached Elaine Gustafson, the curator. She was interested and asked what I was asking. I said I didn't know but the WSW had offered \$7000. She indicated interest and said she would discuss it with her colleagues at a meeting in mid-June and get back to me. If they were interested they would have to get their Board's approval at the meeting in October. Because of budget constraints they were not interested either.

Next came The Harvey B. Gantt Center for African-American Arts + Culture. The attempts to contact the curator of contemporary African-American art were unsuccessful. So I reached out to my financial advisor who lives in Charlotte to see if he knew anyone at the museum. He said that I should not pursue that avenue any further.

At the Virginia Museum of Fine Art I approached Ms. Getty who I knew would be familiar with Maynard's work. I described how I had acquired the portfolio. She was not familiar with it but that was quickly remedied when she looked at the URL while we were speaking. In fact, she recognized an image in one of the prints. She said she would discuss it with the curators and they or she would get back to me. They did. Partly because they were prints on paper they decided not to acquire them.

So much for the museums, now let's look at auction houses. As I said, Sotheby's had no interest, but they referred me to Swann Auction Galleries. My phone call eventually led me to Ms. Alaina McEachin in the African-American Fine Art Department. I told her about the portfolio, how I had acquired it and where she could see images of the prints. She said she would get back to me and was the first one to do so.

She agreed to put the portfolio in Swann's next African-American art auction on October 2014. Her preauction estimate was \$2000 - \$3000. Here are the terms and conditions that she laid out in the e-mail.

"The terms of consignment are be Swann taking 10% commission, with a \$100 fee for illustration of the work in the auction catalogue. Additionally, the works will be covered by insurance while here at Swann and there would be a 1% (of the amount the work is sold for) insurance fee for that. There is also an unsold fee of \$25 if the works don't sell. The reserve--minimum selling price--for the works would be half of the low estimate." In a later discussion she said if we agreed on the conditions the portfolio would have to be in their hands by June 30th.

The final bid at the auction depends upon the group of potential buyers that show up. As long as it is more than \$1000 the piece is sold.

In order to compare it to the \$7000 offer that I got later from the WSW, let us assume that the final bid at the Swann auction is \$7000. After paying their fees how much of that would I get back?

If the piece sold at \$7000

Swann's 10% commission	\$700
Illustration fee	100
Insurance fee	<u>70</u>
Total	\$870

If the piece did not make the reserve of \$1000

Swann's unsold fee would be	\$25
Illustration fee	<u>100</u>
	\$125

and the portfolio would be returned to me.

The net revenue from the \$7000 auction sale would be \$6130. If I sold the portfolio directly to WSW the net revenue would be \$7000 less the cost of getting it to them. That turned out to be \$289, making the net revenue \$6711.

If I decided to place the work with Swann, there is no guarantee that it would sell for as much as \$7000. Moreover, if it sold for anything between \$1000 and \$7000 there would be an even greater discrepancy in the return. Of course, there is always the chance that the portfolio would bring more than \$7000 at auction.

And then there's eBay. For a discussion of the marketing options eBay has to offer, their benefits and costs see Sidebar VII-B --Putting it up on eBay. The only reason to would be the hope of being able to get more than \$7000. Since the maximum reserve for their auction-type sales is \$5000, that opened up the possibility that the highest bid might fall between \$5000 and \$7000. Because of that I decided to go with what looked like the more certain outcome and sell the portfolio to WSW.

It turned out that Erin was going to northern New Jersey in August. She could make a side trip to Kingston, NY -- an additional 191 miles each way -- taking the portfolio with her and make a person-to-person exchange. The extra costs including her time and the mileage turned out to be \$289. So that is what we decided to do.

We made the arrangements with the Women's Studio Workshop and everything seemed to be on track.

Here's what happened. Tonya look at the prints and found some of them had water damage, in spite of the fact that they had never been taken out of the original packaging. Of course, she refused to buy the portfolio. We were out the expected \$7000. Erin brought it back home and we were back to square one. Only this time instead of 10 20" x 30" silkscreen prints we had damaged goods and no idea of their potential value.

Just imagine the problems we avoided by not shipping the portfolio to WSW by FedEx.

Promises and expectations aside, it is never a done deal until the buyer and seller finally agree and the exchange takes place. Only then is it possible to determine the actual benefits and costs and whether you have met the objective you had in mind in creating the work of art and in putting it up for sale.

What can we learn from this experience?

In the end we are right back where we were in the beginning with the exception that this time we have damaged goods with no understanding of their value. Nor do we know whether their deterioration can be stabilized or restored and how much that would cost. The portfolio is certainly not worth the \$7000 we had reason to expect. Moreover, think about all the wasted TERF that went into getting us here. At the very least, we, and you, can learn from the experience and know that selling a work of art can be difficult. Moreover, in some way or another regardless of the outcome, it is necessary to be able to provide for yourself whenever the unexpected happens.

In summary

The artist as the seller of the one-of-a-kind work of art and the buyer must come together on an agreed-upon price for the transaction, the exchange, to take place. There are inherent difficulties especially if the work is novel and new. Yet that has to happen and, believe me, it does.

From the buyer's perspective, he/she must learn about the work and have seen or touched it (or perhaps an image of it). Without that they can't decide whether they like it and would like to own

it. Nor can they decide how much they would be willing to pay for it. The problem of making potential buyers aware of what was for sale was largely bypassed with the Maynard portfolio because they could see a copy of it online. If a buyer is interested, the first question out of their mouth is likely to be, "How much are you asking for it?" As long as the price the artist quotes in response leads to net revenue that exceeds the minimum required to meet their objective and the buyer is still interested, there is room for negotiation and the possibility of a sale.

The problem, of course, is that the buyer almost never reveals his/her maximum price. If the seller knew that price, he/she could set it as the asking price, still consummate the sale and be better off. At times when pressed the buyer will make an offer. That then opens up the possibility for a sale.

Even once there is an agreed-upon price there is always a hidden specter in the background. Namely, it is that there could be another potential buyer who is willing to pay an even higher price. That prospect exists whenever the current price is below the maximum demand price of all potential buyers..

That situation puts the onus on the seller in the form of a question, "Do I wait to see if I can get a higher price?" In answering that question -- as we have shown with the Maynard portfolio -- there are three important things to remember. The first is a potential buyer who is willing to offer a higher price may or may not be out there. The second is that locating him/her and consummating the sale will almost certainly require more of your TERF. The third is that an unexpected glitch can happen.

Making the decision is always made considerably easier when you have a clear understanding of your objective along with the knowledge of what price is required to give you the net revenue necessary to meet it. For example, if your objective is to cover the cost of materials, it is important to know those costs beforehand as well as the value of your time, effort, resources and funds (TERF) required in the marketing process. With that information you will be in a better position to decide whether to accept the current buyer's offer, to negotiate or to seek another buyer. It will also put you in a better position to come up with an asking price when asked.

IX. Did You Meet Your Objective?

Let us begin at the beginning. For many of you the reason you create art because you have to. Is your way of expressing yourself, of communicating. For some it is your passion. You can't

imagine life not doing it. For others, it is something you enjoy doing whenever you have the time. Art is part of you, part of who you are. When you aren't doing it, you don't feel fulfilled.

There are others of you who have found out that you are good at it. That while you enjoy doing it, it is not your passion. You've found people like your work and are willing to pay for it. How nice it is to get the recognition and the money as well. That money makes it possible to create more art and do other things..

Your objective

An important starting point is figuring out why making art is important to you. What you want to accomplish by creating it?

Once you have figured that out, the next step is determining what's required to make it happen. Here's where I step in as an economist. Your time, energy, resources and funds (TERF) are limited. That is an economist's way of saying that there are only 24 hours a day. There are never enough of them. Whenever you decide to do something, anything, you are always have to give up something else. That is why it is important to figure out what you really want to do. It establishes your priorities. By sticking to them you will be spending your time, effort, resources and funds on what you want to do most. That will make you feel and be better off.

You start by clearly establishing your objectives. Then ask, "If I do that, what will I be giving up that I could do with the same amount of TERF?" When you can say to yourself, "I'm doing just what I want to be doing" then you know you are on the right path.

It goes without saying, the more modest your objective, the lower the **asking price**, the more likely you are to be successful. Importantly, however, if the **net revenue** meets the objective but fails to cover some of the costs of production and marketing, those funds must come from elsewhere. The same is true for the time, effort and money required to sustain your desired lifestyle. They can come from savings, investments, outside employment, gifts or grants or from selling the art work. Wherever they come from, they must be readily available.

If all you wish to accomplish by selling the work is to cover the reservation price, pay for vacation or have enough to buy a new piece of equipment, it is unnecessary to determine what the costs of production were. All that is required is that the **net revenue** after all the marketing costs are covered meets or exceeds the amount required to accomplish that specific objective.

Perhaps you sell your artwork to provide additional discretionary TERF so that you can produce additional work. Or taking it a step further you may want to make your living from producing your art work. When you do you must earn enough money from it to cover your basic survival inputs, have the funds necessary to support your desired lifestyle and meet any obligations you've taken on. When you reach that level as an artist not only are you taking care of yourself, you are doing what you love doing -- creating your art. Moreover, it has the additional advantage that by purchasing it, the buyers are acknowledging both you and the work. In addition, you have contributed to their satisfaction, to their well-being.

Did you meet it?

There is only one person who is intimately connected with your creative process -- your production process -- and is knowledgeable about it. That person is you. You know what it takes to get from the original idea to the finished work of art and all the steps along the way. You may not have kept track of them and of the time, effort, resources and funds (TERF) that went into it. Nonetheless, that is what it took to create the piece. They take the form of the materials, supplies, equipment, etc. that do into making the piece -- just like in the example of the leather wallet. (See Sidebar VI-A -- Making a leather wallet) Moreover, all the thought, time and effort you put in to creating it is included as well. They are embodied in the piece itself.

If you are interested in being reimbursed for your TERF, it is necessary to determine the cost of those components. Only then you will know what price to ask. Recalling that information after-the-fact is not easy -- especially since it is highly likely that you were not even thinking about it at the time you were making the piece. Incidentally, had it come to mind it probably would have disrupted the creative process. Nonetheless if your objective is to be reimbursed for the TERF involved, an accurate estimate of those costs is necessary. Ultimately, to meet your objective, your **net revenue** must meet or exceed the production and marketing costs -- regardless of whether or not you made an estimate of them.

For one-of-a-kind pieces you can't know whether it is salable and what the **final price** will be until after you have sold it.

Larry Favorite is an artist. He works in ancient Ironwood that he collects in the Arizona desert and inlays with turquoise and silver. He was trained as an engineer and left the corporate world in 1975 to pursue his life and his passion as an artist. That is how he has been making his living since then. You can see pictures of his work and learn more about him on his website. (See www.favorite designs.com)

In 2006 he came up with an idea that extended his work beyond what he had done previously. It was a 40" x 60" wall piece made up of 48 blocks. You can see a picture of it in the Portraiture Gallery on his website. It is impressive. Of course, it is not possible to fully appreciate it until you actually see and experience it.

Eight years later it is still in Larry's studio. It has also hung at three different galleries and in a number of the craft shows he participated in. Up to now it has not found a home.

Larry's experience with the wall piece points out a problem that artists who make one-of-a-kind pieces face. That is especially true if it is new and novel, something that has never been seen before either structurally or aesthetically. When that happens it is hard to let potential buyers know about the work, to find a buyer and to consummate the sale. Without having done that it is not possible to know how much **net revenue** you can get from the sale. Moreover, until you have made the sale you cannot even recover any of the costs you incurred in making it. That is a problem artists face all the time. In spite of it Larry has been successful as an artist and has made a living pursuing his craft and his passion.

Once the sale is completed and the piece delivered, all the information necessary to determine whether you have met your objective becomes available. The final **sales price** and all the costs involved in producing and marketing the piece including the amount of your TERF involved become known or, at least, knowable. If you kept records the **net revenue** -- the amount of money in pocket after all the expenses have been covered -- is no longer speculative. Once known it is possible to determine if your objective has been met. (See Sidebar VI-C -- The Cost and Benefit Spreadsheets) Of course, a problem could still exist if you did not keep adequate records, but at least, the potential is there. Yes, I know, keeping records takes more of your TERF and that is time away from making more art. The bottom line, however, is that unless the **net revenue** meets or exceeds your specific objective for selling the work, the funds required to achieve it must come from elsewhere.

As difficult and speculative as making a living creating your art can be because of the very nature of what is required -- that is especially true if you make one-of-a-kind pieces of art -- some artists have been able to do it. Let me tell you about some of them.

Full-timers

When you think of LEGOs you see a kid sitting in the middle of the floor playing with the bricks. You don't imagine an adult man making his living creating sculptures with them. Yet that is just what Nathan Sawaya does. He gave up his career as a practicing attorney to be a LEGO artist, to follow his passion. And he has been quite successful at it. I saw his work at a traveling exhibit at the Captain White House in Graham, NC. It is one of a number of exhibits of his work that travel around the globe. He is known as The Brick Artist™. You can see images of his work at brickartist.com.

He is not the only one. Each of us can come up with the names of artists and crafts persons who have achieved a national and international reputation. For me Noguchi comes to mind. When you check it out on Google you find there is a museum in New York City in his honor. (www.noguchi.org) Then there is Dale Chihuly, the renowned glass artist who raised the craft to a new level. (www.chihuly.com) Not only have they made their living creating their art, they have become household names.

Here are some of the others I have known, some I have worked with over the years and some who have become personal friends. Let me introduce you to them and their art. Of course, you may know about them already. Check out their websites. Take a look at their art work and their history.

Paulo Soleri, the internationally known bellmaker turned architect who I visited and worked with at the Cosanti Foundation and at Arcosanti. (www.arcosanti.org/paolo_soleri)

Michael Sherrill, the well-known ceramist, who was mentioned above. (www.michaelsherrill.net)

Tim Grannis is a designer goldsmith who works in metal. Not only does he make jewelry he

creates larger sculptures as well. Some of his work is an extension of the Möbius strip. Earlier in his career he worked as an artist and a gallery owner/operator. He has returned to the studio to continue to create his art. You can see and hear him on his website to learn more. (www.timothygrannis.com)

Michael and Maureen Banner work as a team. After many years they have retired from the crafts show circuit. They work in the sterling silver and are known for their uniquely designed hand wrought sterling silver holloware. Their artwork is in a number of museums including the Renwick Gallery of the Smithsonian. (www.mmbanner.com)

Sandra Byers is renowned for her miniature porcelain vessels. She works along with her husband, Winthrop, who makes larger, colorful functional stoneware. You will often see them at the high-end craft shows together. (www.thebyersstudio.com)

If you're interested in seeing something exciting and different check out Wendy Ellertson's mythic creatures. They are made of leather, clay and other materials. Wendy has made her living creating her exceptional visionary art. (www.ellertson.com)

Mark Hewitt is known for his large, decorative ceramic pots. With the help of his wife Carol, who takes care of the business side of things, they have made a living creating art. Mark also teaches the next generation of potters. (hewittpottery.com)

Jackie Abrams is an internationally known basketmaker-teacher. Her work is always new and novel. It is in the Smithsonian collection. (www.jackieabrams.com)

Larry Favorite who works in Ironwood was mentioned earlier. (www.favoritedesigns.com)

Herman Prince, a premier basketmaker-teacher, lived his entire life on the small island of St. John, USVI. He told me that before I wrote about baskets I should learn to make them. Which I did -- from him. But that's a whole other story, one that I hope to capture in a documentary film that honors the St. John basketmakers and the culture that gave rise to them. His St. John Market Basket is in the Smithsonian collection. (See *A Measure of the Earth: The Cole-Ware Collection of American Baskets*, p. 144)

Part-timers

Here are some artists that sell their artwork in order to get a supplemental income.

Susan Laswell, mentioned above, is a creative, imaginative fine basketmaker who has a corporate executive position. She would much rather be making baskets full-time.

Nancy Raasch, formerly a graphic artist, now supplements her income creating beautiful and novel jewelry made from handmade paper. Some of them deserve to be displayed as sculptures. (www.raaschdesign.com)

Wendy Gellert, after a successful career as a photographer in the U.S. Navy, now adds to her income with the sale of the artwork she creates in glass and steel. (www.wendypgellert.com)

Those are just some I know about or have had the pleasure of knowing. I'm sure you know others as well. They are artists who made or make their living or at least supplement their income following their passion and creating their art. Perhaps you are one as well.

It may not be easy but it can be very satisfying and rewarding.

There is no guarantee that there is a market out there for your work. I certainly hope there is and that this manual helps you find it so that you can spend the rest of your life doing just what you want to do -- creating your fine art.

I wish you well.

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