From the Branded Dealer to Crowd Funding: the Market for Art as Broad as it is Diverse

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Abstract
Two relatively new venues to the art scene, the Branded Dealer and the Crowd funding site, Kickstarter, represent the extremes of a vast continuum in the market for visual art. The former caters to societies’ super rich, the latter literally to its masses. In this paper we explore both the differences and similarities in these diverse worlds with respect to the role of the “dealer,” the nature and price of art produced the respective clienteles, and the artists themselves. While the differences here are enormous, the two worlds do share common elements in some fundamental if limited areas.

Keywords: Contemporary Visual Art, Branded Dealers, Crowd funding

Introduction
That the degree of inequality in our society has grown significantly over the past 40 years is not in dispute. However its source may be arguable. In their profound analysis, Robert H. Frank and Philip J. Cook suggest one of two possibilities: a “growing disparity of individual abilities” and alternatively, “changes in technology which has concentrated more and more leverage in the economy’s top positions.” (Frank and Cook, p. viii) They argue persuasively for the latter.

For our own purposes, it is somewhat prescient that they start the discussion with the comments of Kurt Vonnegut’s fictional abstract expressionist painter, Rabo Karabekian, who argues that modern technology has created a world where “The entire planet can get along nicely now with maybe a dozen champion performers in each area of human giftedness.” (Ibid, p. 2). And in Art & Physics, Leonard Shlain provides a wealth of historical evidence suggesting that the great discoveries in science have often been predated by artists, sometimes by well over a century. On a more modest scale, Vonnegut’s fictional Karabekian has done much the same thing. In The $12 Million Stuffed Shark, subtitled, “The curious economics of contemporary art,” Don Thompson (2008) characterizes this dramatic shift to a world dominated by what has come to be known as the branded dealer.

Google the term “branded dealer” and you will come up with a variety of suggestions, the first three being “Branded Dealer Stations,” (Exxon and the like); “Branded Dealership,” (referring to Penske Chevrolet in Indianapolis, In.); and the third, “Brands and Brand Names—Encyclopedia—Business Terms.” That is, it is obvious that the term used in the context of high priced art is relatively new to this industry. Or, as the subtitle of Don Thompson’s core work noted above, it best describes “The Curious Economics of Contemporary Art.” (emphasis added) The title of three of the first four chapters of Thompson’s study, Branding and Insecurity, Branded Auctions and Branded Dealers, suggest that he may well be responsible for the wide application of “branding” in this particular context. In his reference section, Thompson cites Minna Hanninen’s work, which may well be the source of his thinking regarding the concept of branding. (Ibid. p. 255)

1 For example, Shlain writes: “The artists’ interest in infinity and the vanishing point preceded by several hundred years the proposal by Descartes that space is infinite.” (p. 68)
2 “Branding in the art world is as important as the branding of blue jeans or soft drinks: branding is the necessary lynchpin for successful sales in galleries and in the established auction houses. No artist should underestimate the importance of branding him/herself as the foundation on which to build a financial success. You can read about the importance of branding in an
To fully appreciate the unique aspect of “branded art,” it is worth citing Thompson’s argument in some detail. He writes as follows:

The motivation that drives the consumer to bid at a branded auction house, or to purchase from a branded dealer, or to prefer art that has been certified by having a show at a branded museum, is the same motivation that drives the purchase of other luxury consumer goods. Women purchase a Louis Vuitton handbag for all the things it may say about them….Men buy an Audemars Piguet watch with its four inset dials and lizard-skin band even though their friends may not recognized the brand name…But experiences and intuition tells them it is an expensive brand, and the they see the person of wealth and independent taste...

Art world practices change when a branded dealer is involved. The price a dealer charges for work by a new artist is based on the reputation of the gallery and the size of the work rather than any measure of quality. (Thompson, 13, emphasis added)

…Branding of the artist is also important, in that a branded artist such as Jeff Koons seems able to sell at will, as his collectors can have almost any work accepted for resale at an evening auction. (Ibid, p. 15, emphasis added)…..What the rich seek to acquire is what economists call a positional good; things that prove to the rest of the world that they are really rich. (Ibid. p.16)

An analysis of the returns to art over extended periods makes clear that “branding” in art is obviously a new phenomenon. An interest in and the study of rates of return in the art market have been the subject of analysis for decades if not longer. For example, in their review of the literature, “Auctions and the Price of Art,” Orley Ashenfelter and Kathryn Graddy (Sep., 2003) consider over 60 articles---most published in the latter part of the 20th century, that is well before the rise of the “branded dealer”---along with the motives of the buyers that accompanied this movement. Based on this extensive review, the authors conclude that “the rates of return to art generally appear to be less than the real rate of return on common stock…[and that] investment in art over a short period of time can be risky” [Ibid, p. 770]. Indeed, among the studies reviewed by James Heilbrun and Charles M. Grey (2001), there is a suggestion that the rate of return to art held for extensive periods of time averages less than 1 percent in real terms, with variations ranging in the double digests, both plus and minus. This is not, however, to suggest that art is a bad investment, but rather, “ownership of artworks may well represent a very rational choice for those who derive a high rate of return in the form of aesthetic pleasure. [Ibid. p. 184]

Given the relationship between the buyer and the “branded” product dealer, it is difficult to argue that aesthetic pleasure plays little if any role at all. As indicated above, it is the “brand” as distinct from the product itself that is of significance. Again, Thompson makes the point with vivid clarity. He notes that at branded galleries, the sale is often made over the phone! One former Gagosian employee claims that in about a quarter of the cases, clients say, “I’ll take it” without ever asking “What does it look like?” or “how much?” [op. cit., p 36] And if in fact the art purchased in this manner is devoid of inherent artistic value, there is little reason to think it will maintain its monetary value any more than other commodities purchased on spec alone. As Thompson notes, this indeed seems to be the case.

When thinking about the potential prices for the works shown at USA Today…one should remember that the key part of the word contemporary is ‘temporary.’ Look at a listing of major galleries from a ten-year-old art magazine like Frieze, and note that half no longer exist. Inspect the-year-old evening sale catalogues from Christie’s or Sotheby’s and you will find that half the artists are no longer being offered in evening sales. [Ibid, p 25]

[He continues, asking if such work will gain in value.] Everyone I have talked to thinks ‘not’ is the likely outcome—and if these are not decorative objects that you might want to display in your home, then why is the work shown in USA Today collectively worth $15 million? Why is some of the individual work in the evening auctions worth so much? (Ibid, p. 24)

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A fair reading of Thompson’s analysis suggests that, at least in terms of a reasonable interpretation of rational investment behavior, the latter are essentially rhetorical questions.

The final question we want to touch on in this introduction is the extent to which a recent development identified by the term, Crowd funding, provides a democratic alternative to the “branded” dealers and their chosen artists, as well as the super-rich to whom they cater. That is, has this relatively new venue, so intimately reliant on the internet, opened the art market to a broader share of the population, both artists and consumers, the magnitude of which never before imagined. In an effort to explore these questions, we will examine in some detail the way in which access to art via the internet has impacted artists themselves, along with the ways in which the broader “buying” population has been brought into the process itself.

I Two Art Markets, “Worlds Apart”

a) The Primary Market for Contemporary Art

The primary market for contemporary modern art, essentially art produced within the past thirty years by artists, most of whom still alive and painting, is dominated by a few large regionally based firms. In exchange for the rights to sell the work of selected artists, these firms offer a number of services, including studio space, stipends, management, marketing, and most importantly, what has otherwise come to be known as branding. By attaching themselves to an established and prestigious dealer (to be branded as an artist of that firm), artists can take advantage of precedent to establish the value of their work. In the highly subjective market for art, promotion by a known luminary or institution can be the difference between selling a work for thousands, versus tens of millions of dollars.

The large branded dealers are synonymous with the most well know names in the world of commercial art, including Saatchi, Gagosian, Tate, Serota and Cohen. Such branding can be leveraged into hundreds of millions dollars at an art auction. These dealers also engage in the reselling of existing work, including works by the classical masters. Our focus in this paper, however, will be on their role in branding, and the resulting effects on the primary market for contemporary art.

Branded dealers invest significant time, money and skill in establishing and defending the prestige of both their brand, and the artists they represent. By investing in prestige, the dealer hopes to drive up not only the future value of their artists’ work, the rights to which will typically be held by the dealer, but also the value of the artists’ work previously sold. When successful, the firm, artists and buyers are all enriched. Indeed, investment in branding and marketing by these limited art houses can return massive profits.3

On the buyer’s side, the financial return on investment is often not the primary motivation. As has been the case with older art, as indicated above, returns on investments in modern art are subject to extreme variation. In the aggregate, and over the long term returns to purchases of modern art approach zero.4 The financial sophistication of the typical customer in this market (many of whom are involved in the financial industry), and the opportunity cost of putting millions of dollars into such an investment, suggests that returns to the purchaser again are non-monetary in nature.

The expression, “I don’t know anything about art but I know what I like,” might suggest that for most art consumers it is the aesthetic pleasure derived from art which drives the purchase. However, such is clearly not the case when examining modern art sold by branded dealers.

Rather, as alluded to above, contemporary art has all the characteristics of a positional good.5 Such art is intended to display one’s wealth and not, at least generally, for any aesthetic qualities inherent in the art itself. In the case of positional goods, counter to normal market logic, demand may well increase with price as the real value to the consumer is an exorbitant price. Such positional goods are of necessity defined by exclusivity, a key attribute and feature of the business model of art dealers.

3 Thompson (p. 20 ff) provides an extensive discussion of these near spectacular sums.
4 Based on an analysis of art sales going back close to 300 years, it turns out that while the rates of return can vary significantly, as the period of time the art is held increases, the real rate of return approaches zero. (Frey and Pommerehne, p. 197)
5 That is, essentially a good or service whose value is mostly (if not exclusively) a function of its ranking in desirability by others, in comparison to substitutes. Its value lies in the signal it conveys, and not in its ostensible function.
Just as a five star restaurant loses its position in the absence of one, two, three or four star restaurants, the value of an artistic brand is powerful in proportion to its exclusivity. The more exclusive the brand, the more status it can generate for its limited clientele, and thus, the higher the price of the art. The results of this price discrimination in the context of a good that grows in value as it becomes more expensive characterizes an industry where, save for price, every element—buyers, sellers, art—is limited in the extreme.

As was argued in the 12 Million Dollar Shark, the business of the contemporary branded dealer is not the art itself, but the provision of a set of services which allow the super-rich to discriminate themselves from the larger wealthy class. As Thompson notes, “A great many people can afford a small yacht. But art distinguishes you.” (op. cit. p. 16). This foundation of exclusivity by means of wealth has deep consequences for the funding of artists via these firms, as well as the public’s interaction with the art itself.

b) The History and Nature of Crowd Funding

What has come to be called Crowd funding stands in stark contrast to the extremely personal and equally limiting world of the branded dealer: namely the recent phenomenon using the internet to raise money in modest amounts from large groups of people. Such funding can take the form of pure donations, donations in exchange for some reward, or in some cases, payment for partial ownership or as a loan. While relatively new in its present form, funding from large groups to support business or charitable ventures has been with us for centuries.6

What differentiates contemporary Crowd funding from other viable modes of fund raising (such as an IPO or some forms of angel investing) is the extremely low barrier to entry for funding seekers, coupled with the ease of “investing,” regardless of how small a sum; the latter thanks to the development of information technology. The internet allows fundraisers to operate with no more investment of time than it takes to assemble a web page and promote themselves. And while opportunity costs for an individual operating alone might be significant, they pale in comparison to the capital necessary to pursue a public offering, or even the effort, time and money necessary to court angel or venture capital.7

The internet not only reduces the cost of solicitation, it has allowed for a massive reduction in fixed and marginal costs associated with receiving such funds. Absent today’s internet technology, the bookkeeping, postage, and the management of money was skill, labor and time intensive. Dealing with such contributors in the past was a losing proposition. Only purely charitable organizations, with no need to provide detailed acknowledgment or distribute returns, could afford to accept very modest contributions. The dramatic reduction in per-contributor costs of accepting small amounts has greatly expanded the type of venture able to court the most modest of investors.8

The effect of this new technology has been to lower the barrier to entry on both the project and the funding side. Today, projects with little or no expectations of financial return can court investors or donors. Simultaneously, the ability to accept very modest funding permits a large subset of society to participate in such ventures. This dramatic growth in funding participation has brought an equally dramatic change in the nature of the projects themselves. As discussed below, this significantly lower financial commitment from both the investor and entrepreneur allows fundraisers to offer returns of a totally different kind, as compared with those expected by the more traditional investor.

Of the numerous venues classified as Crowd funding platforms, Kickstarter.com is the most well-known and certainly the largest.9 Kickstarter (henceforth, KS) is a for-profit website which specializes in a broad array of creative projects, projects which are vetted based on a number of criteria, including originality and practicality. While some of the funded projects are profitable, KS has sought out non-commercial creative projects, and has been resistant to becoming a “wholesaler” for speculative technologies. KS has sought to limit its exposure to hardware based pre-order projects, emphasizing instead, creative projects less attractive to more traditional modes of finance.10

For a discussion of earlier forms of “crowdfunding,” See Davies (2002, pp. 174-86)
1See Pearce and Barnes (2006, pp. 51-4)
2See Kuppuswamy and Baus (2013, p. 9), where it is noted that on the most popular crowdfunding source, Kickstarter, the average contribution is about $75.
3 In the words of Marketingmoxie.biz, “Kickstarter is the quintessential crowdfunding website.”
4See for example, Tam, Pui-wing (July 2, 2012) for a discussion the issues raised here.
Those seeking funding submit a project description. KS then approves or denies the application. Its criteria is intended to keep the website free of offensive or ludicrous projects, as well as assuring itself a unique niche in the larger space of its competing online crowd funding platforms.\textsuperscript{11} After acceptance, the project creators are given one to sixty days to raise the necessary funds; the time is based on what the creator anticipates the costs will be and what he or she believes can be justified to potential investors. Not unlike any other pledge drive, the project creator then offers a set of rewards based on the amount an individual gives to the project. Potential donors find their way to the KS project via social media and word of mouth. They may then contribute towards the project goal, committing but not remitting their donations until the project reaches the funding goal set initially. A typical KS project offers a variety of rewards, each corresponding to the amount received. There is no simple way to characterize these rewards save to say that they are often as creative as the work being supported.\textsuperscript{12} If the funding goal is reached, the commitments are charged; KS takes a five percent fee and the fundraiser receives the balance. Despite not losing one’s potential contribution, failed projects may still have a negative impact, both on the failed donor as well as KS itself. In part, it is to avoid this fallout from failed projects that KS, and other funding platforms which use the same 'donation for reward' model, work to mitigate the expectations of donors regarding the certainty of rewards. One of the ways that KS has worked towards this has been by emphasizing creative projects. These engender a different set of expectations in contrast to projects with explicit commercial overtones. As Steinberg (2012) notes, “Kickstarter was founded by artists with the idea of helping creative work come to life.” (p. 27, emphasis added)

c) The nature of Art from the “two worlds.”

Just as these modes of fund raising differ, so too does the art produced. For The Love of God is a skull encrusted with approximately 30 million dollars’ worth of flawless diamonds. It was created by London based artist Damien Hurst, and unveiled in 2007 at the White Room in London. In the words of Art Historian, Rudi Fuchs, “a supernatural skull, almost heavenly...For the Love of God and Hirst’s personal selection of works from the Rijksmuseum collection reveal how fear of death has provided a theme in art over the centuries.” (artdaily.org, 6/25/2013)

For The Love Of God sold for an estimated 100 million dollars at a London auction, by far the most expensive piece of contemporary art ever sold. (Shaw, June 3, 2007) However, given the highly private nature of such transactions, the vaguely described “consortium of buyers,” including Hurst, and his agent, may well have had an incentive to inflate the reported sale price. Suspicion exists that because of economic difficulties, Hurst may have been unable to find a buyer for the skull at the promoted price. (The Economist Online, Sep 10, 2010) Indeed, the economic collapse of 2008 had a serious impact on the art market, including buyers of Hirst’s work who lost a significant amount of their wealth. (Ibid.) Had For the Love of God underperformed at auction it could have done significant damage to the value of Hurst’s existing and future body of work. Thus, such “intervention” could have represented a prudent move to defend its value, and the value of the Hurst brand, while waiting out the financial storm.

In significant contrast, A Portrait of Argentina is an ongoing project by American born artist, Antrese Wood. She is traveling throughout Argentina, painting its people and landscapes.

Wood, via KS, raised a few hundred dollars over her goal of $25K. A significant sum came in the last twenty four hours of the drive, with close to five thousand dollars raised in the 11th hour of the final day. This might have been a last minute buy in from people who had been on the fence, but did not want to see the project fail. Alternatively, and to assure full funding, Ms. Wood may have made some of those final donations herself. In this vein, as Steinberg and others indicate, very few projects which achieve 90 percent or more of their funding goal end in failure.\textsuperscript{13}

2) Artists from the “two worlds”

\textsuperscript{11}As indicated in Barnett (5/8/2013) Kickstarter not only leads the list, but unlike its closest rival, Indiegogo, requires full funding before any proposed contributions are finalized.
\textsuperscript{12}See for example, Pinchefsky, Carol (1/23/2013)
\textsuperscript{13}See Kicktraq, and Steinberg (pp. 150-60)
a) Similarities and differences among artists

A detailed analysis of the demographic differences and similarities between artists inhabiting the two worlds is beyond the scope of this paper. However, we have obtained data from a random sample of selected successful late 20th century visual artists, along with a number of prospective KS project creators. While these samples are small, they allow for some broad, if tentative insights.14

Among our sample of 125 20th century successful visual artists, 85 percent held university degrees in the arts, with 48 and 37 percent holding Masters of Fine Arts and Bachelors of Fine Arts respectively. The remaining 15 percent did not report any formal education in the arts. Among the 22 KS artists sampled, 45 percent held degrees in the arts, with 18 percent, MFAs, 27 percent BFAs. In the sample, 40 percent did not report any degree, with 13 percent reporting advanced training in a field other than art. Despite the considerable differences between the two groups—the most vivid being the 85 vs. 45 percent with degrees in the arts—both cohorts are highly educated in general and are very highly educated in the arts when compared to the frequency of these degrees in the general population. For example, as of 2009, and based on national sampling, only 3.9 percent of individuals over 25 years of age held bachelor’s degree in the visual and performing arts. (Siebens and Ryan, p. 3)

If one assumes that art training is positively correlated to artistic quality, and that branded dealers seek art of the highest quality, the significantly lower selective pressure placed on applicants to KS should result in a population of artists with less formal training. Based on the limited data cited in the paragraph above, this is clearly the case.

The manor of our sampling and the dual nature of Crowd funding as both a new and online medium make it difficult to extract information regarding age. However, it is clear that the cohort of artists on KS are typically younger than the artists from the list of established artists.15 This difference is likely due to a combination of factors. For one, the value of an artist’s brand tends to increase with the body of work, and is the subject of intense promotional investment by a dealer over the course of several years. One impressive sale at auction can give an incumbent artist’s existing and future work a major boost in value. As Thompson notes, an artist that makes it in the branded world is likely to continue to produce art, whereas artists who fail to achieve branded status are likely to change profession before their 30’s, providing an upward pressure on the age of any sample of commercially successful artists. (op. cit. p. 60) Upward pressure indeed, as the eight artists whose work Thompson provides in his “gallery” section (un-numbered after p. 155) have an average year of birth as 1950. That is, had they all been alive when KS began, they would have had an average age of 62.

Despite the absence of birth dates for most KS artists, one need only view the KS web site with its featured artists to know that most if not all of the featured artists are half that age at best. Indeed, the newness of KS, and similar Crowd funding platforms, lends itself to technologically savvy younger people, who are not only familiar with the technology, but with the culture of the communities which they tend to attract. This combination of forces serves to segregate the branded from the much broader non-branded artists by age.

b) Differential rewards in the two worlds

Significantly more wealth is to be had if an artist can break into the world of branded art dealerships and auctions. Thompson estimates that in New York City and London there is a combined total of approximately 80,000 artists.

Of these, 75 are superstars who earn seven figure incomes, 300 earn six figure salaries exclusively by way of their art, and approximately 5000 working artists support themselves by teaching or with other work. The vast majority give up after a short while, to be replaced by the next crop of art school graduates. (Ibid., p. 59) 16 For those who succeed in this world, the rewards can literally be a form of immortality, but as in many professions where superstars are the public face, such as professional sports or film acting, the brightly visible success hides a vast sea of thwarted ambition.

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14 The detailed sample information is not included here, but is available from the authors upon request.
15 For example, half of the Kickstarter artists who provided data on age were born before 1980, and a similar number after that. In other words, half of our sample were under the age of 34. Data for 2005-2009 indicate that the median age of fine artists, art directors and animators was 44. (National Endowment for the Arts, p. 11)
16 It may well be that some of this “vast majority” see the internet as a “fall back” option, at least for a time.
3) **The two worlds of buyers**  

**a) Demographic difference between consumers.**  

For reasons, albeit differing, inherent in both worlds, detailed information about the two sets of buyers is difficult at best. The general anonymity of the internet literally precludes any detailed information regarding the KS consumers. In the branded world, the buyer’s identity is either highly publicized or kept from the general public. Obviously, to purchase art at auction in New York or London, a typical patron of must have significant wealth. The growth of the financial sector and the increase in highly concentrated wealth since the 1980s has been a blessing for this industry. Patrons of these venues are worth hundreds of millions or billions of dollars. And yet, despite the growth of wealth inequality across the globe, and the concentration of money in finance, there are relatively few such buyers. By way of contrast, and based on a recent Kickstarter survey, among the more anonymous individuals who patronize the arts, close to 30 percent had an income of $20k or less, while less than 8 percent reported incomes above $100k.  

**b) The nature of purchases in the two worlds**  

As argued above, the purchasing of branded art is best seen as a positional good. That is, the primary “good” being bought at the White Cube in London is distinction and status. This is not to say that the art is not of the highest quality. However, the significant difference in the price of a given work, or work by a given artist, before and after branding is massive, suggesting that the primary value is not rooted in aesthetics or artistic merit, but rather is added in the process of branding itself.  

The degree to which art on KS is or is not a positional good is less clear cut. Even relatively inexpensive art, such as prints of well-known classical works, can be thought of as a type of status spending. It’s not unlikely that strong peer influence and social elements contribute to behavior on KS. KS, as well as every other Crowdfunding platform is heavily integrated into the social media, and the platforms as well as project creators encourage their contributors to spread the word to friends and acquaintances. These new venues often create an exclusive community of those who donate to the project, specifically as a way to instill a sense of belonging among the contributors.  

Thus, while the psychology implicit in these diverse modes may seem to differ, they both involve spending to gain acceptance with a desired peer group. In the case of the auction at the White Room, the magnitude of spending and status differ significantly from that of a potential KS contributor. It is also true that the KS patron has access to significantly more variety to choose from, and that unlike the case of his wealthier contemporary, he is less interested in committing money as the price goes up. Nevertheless, both transactions, however different in magnitude, should be considered a form of social spending.  

4) **Kickstarter vs Branded Dealers as funding sources for art**  

The fundamental functions of the branded dealer and KS are in fact quite similar. They both represent a form of market intermediary, although they go about promotion differently. KS and branded dealers both vet potential artists, and then “take them on” as clients. The primary differences lay in the degree of investment, and the scale of returns. KS makes no financial investment in the project generators; that is left entirely to the public. While there is significant help available to project creators in the form of literature about how to best use KS, the firm itself does not directly assisting individual projects. As such, the marginal cost to the platform of adding an additional offering is zero, as is the cost of a project failing.  

However, as argued above, KS has an interest in making sure that a certain ratio of projects which it admits get funded, not only to maximize its 5 percent take on successfully funded projects, but because its attractiveness to potential future project creators is based on KS’s ability and reputation regarding user success. On the other hand, branded dealers invest significant sums in the small group of artists within their patronage. Although there is substantial diversity in the financial relationships between art houses and artists, it is not uncommon for artists to be offered stipends, insurance and loans against the value of future work.  

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17 See Polson (p. 2) In this same survey, among the respondents, 91 percent were male, and 85 percent between the ages of 20 and 40.  
18 In their guidelines, items such as medical and safety products, real estate, weapons and “offensive material are explicitly discouraged. See [http://www.kickstarter.com/help/guidelines](http://www.kickstarter.com/help/guidelines) for the detailed list of restrictions.
Branded dealers also invest significantly in establishing the prestige and desirability of the art and artists associated with their brand. For example, for the record breaking Sotheby's auction of 2007, the promotional costs alone were estimated at $600k. This may have been exceptional, but is nonetheless illustrative of the magnitude of cost incurred from these auctions. (Thompson, p. 22) Combining this recurring cost with the sustained costs of supporting a stable of artists, and the physical presence in the most expensive cities in the world, implies an industry with significant capital needs.

The much more financial intensive set of services offered by dealers like Sotheby's or Christie's results in a much greater degree of security, more guidance and a higher lifestyle for the artists themselves. These factors added to the positional nature of the product itself, make it rare for any established brand to have more than a few dozen artists under contract at any one time. By way of contrast, and despite the caveats noted above, KS does have an incentive to include a large number of artists. The similarities between the two models flow from the fact that both systems provide some funding, promotion and distribution in support of the artists. Their differences are derived from KS’s economics as an internet based phenomenon, and the significant disintermediation between artists and art consumers that such an arrangement allows.

5) Art Produced by Kickstarter vs the Branded Dealer

The most difficult comparison to make between the two models involves the art itself, both in style and quality. In this regard, some broad observations stand out. Modern contemporary art, that offered by the major branded dealers, tends towards deep abstraction, and draws relevancy to a significant degree from novelty. A movement towards greater abstraction further empowers dealers who are likely to be more specifically educated than their clients. It is also the case that for the established branded artists, the movement towards novelty and pushing the boundaries of abstraction is ever present. The “gallery” of art provided by Thompson (2008) could not make this point more vividly.

KS art stands in sharp contrast. Successful artistic projects often make use of existing forms and popular iconography in attracting the large numbers of lay persons necessary to fund such work. Another constraint confronting the KS artist is imposed by the ‘donation for reward’ system. As noted above, for some KS projects, the return (reward) may be a replica of the art in scale with the donation. But for some forms of art, this is simply not possible. For example, the artist who is painting a mural on the side of a building may host a viewing party for donors, or send prints of the work. In the case of sending art to donors directly, the costs of creating and shipping are obviously relevant. And again, and adding to the complexity, given the multiple levels of potential donations, the artist must provide comparable levels of reward. As a result, desirable qualities in art produced by the KS funded artist may well include divisibility, some form of graduation (larger to smaller, lower to higher quality), and most importantly, a low cost of replication and distribution. The modes of dealing with these issues used by successful projects have varied. Just as the financial incentives of the branded dealers can be seen to have ripple effects on the art they sell, the financial incentives the KS artist (now also agent and sales person) operates under, impacts the artistic decisions and the very structure (divisibility and graduation) of the art itself.

6) Conclusions

The strong division of our visual culture into the spheres of popular mass media and High Art is in part explained by the business model and behavior of modern branded dealers. The commercial goal of creating scarcity has been effective in limiting the supply of (some) art available to all but the wealthiest members of society. This impacts the very substance of the art produced.

Exclusivity and novelty are key elements of the business model of fine art as a positional good, introducing incentives and selective pressures which drive art away from broad accessibility both in substance and cost. Status spending has been a part of human history, from the feudal estate to branded art. Indeed, Veblen’s concept of “conspicuous consumption,” offered over a century ago, couldn’t be more apt in the essential function of today’s Branded Art. (Veblen, 1889) However, the recent appropriation of a portion of society’s creative culture to the status of a positional good, affordable to a minuscule fraction of the world’s population, is inherently limiting and elitist.

19 For a vivid illustration of the numbers involved, see http://www.kickstarter.com/year/2012
In sharp contrast KS is highly egalitarian. Art funded by crowds must by definition have wide appeal. In such an environment, artists are driven to include, rather than exclude, as large an audience as possible. The recent and rapid introduction of KS and other Crowd funding platforms provides a competitive arena for artists who are able to draw on a market of seemingly unlimited breadth. This obviously has an impact on the substance of the art produced. Figurative art, and art which satisfies existing tastes and preferences is more likely “sell,” as is, in its way, a conservative impulse. Given KS’s relatively embryonic stage, it may take some time before market “tastes” can be drawn towards the creation of more avant garde art. Alternatively, it is possible that the mass-appeal nature of the funding mechanism may well mitigate against such art, with a consequential impact on artists as well.

Whatever the future holds in regard to these questions, funding platforms such as KS are experiencing rapid growth. As one media analyst indicates:

Last year, 308 crowd funding platforms across the world raised $2.7 billion, an 81 percent increase over the amount raised in 2011, according to the annual report released today from the Los Angeles based research firm, Massolution. The growth in 2012 represents an acceleration, up from 64 percent growth in 2011. Looking ahead, growth is expected to reach $5.1 billion raised in 2013, representing an expected 89 percent increase in the dollars raised, the report predicts. (Clifford, 2013)

This trend may well continue if not accelerate under regulatory changes soon to be implemented. Such changes are likely to adjust securities regulations, enabling “investors” to see Crowd funding platforms as investment opportunities, where cash becomes a legitimate form of “reward.” (The Economist, June 16, 2012) The effect of this funding mechanism may well have profound effects on our art, the public relationship with art, and the artists themselves. The vast difference in the cost of art funded and distributed via KS, in contrast to that of the branded dealers, will be passed on to the public in the form of greater access to, and participation in the creation of societies’ culture.

For the artists, the KS type opportunities, that is, a broadening of the market, increases the likelihood of financial support in their chosen profession. Although the highly competitive nature of Crowd funding suggests that it is unlikely to produce waves of wealthy artists, the massive growth of such funding presents a possibility that the demand for visual culture will grow significantly. That is, the very limited number of well-paid “branded” artists might soon be joined by a slowly expanding cohort of artists who manage to make a “living wage” by satisfying a powerful and broad cultural demand. It is also possible that the internet will serve as an enhanced entree for at least some artists who eventually find their home among the branded dealers. These respective approaches to funding, creating, and distributing art represent very distinct cultures and business models. In whatever way the process evolves, the expansion of opportunities for both the artist and the larger public is as hopeful as it is new.

7. A Brief Coda

The Branded Dealer and Crowd funding venues like KS represent two extremes in continuum where artists and buyers meet. According to Art-Collecting.com, there are approximately 4000 art galleries in the United States. Of these, and based on Thompson’s analysis, there are ten branded dealers in New York, and a similar number in London. (Thompson, p. 40) That is to say, the latter are indeed at the farthest extreme of the continuum. At the other end, and similar to Crowd funding in its “youth,” are many commercial venues whose primary business has nothing to do with the sale of art. These include service establishments—restaurants, coffee shops, barber shops and hair salons—in particular. Establishing the number of such “art galleries” is an impossible task.

20 There are over 250 listings for art galleries in NYC, (http://art-collecting.com/galleries_ny.htm#downtown; from Art-Collecting.com
But suffice it to say that in many cities, artists have found a fairly hospitable venue for their work. In other words, the analysis above, while including significant areas of the nation’s art market, leaves a new and unique portion of the world of artists and their venues unseen. And as is common in such a concluding section, an inquiry into some of this vast “middle” ground is ripe for analysis, in particular the more uncommon of venues where art is only a secondary motive for the individual, if a motive at all.

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