Visual Art as a Positional Good. What Determines the Value of Visual Art in a Market?

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Abstract

As noted in may places, the market for visual/fine arts is a multi-billion dollar world-wide market about which very little academic work has been done (Velthuis, 2007). This void would seem to present an opportunity for economists and marketers to offer their perspectives and to then inform practice within the visual arts market. While there have been some efforts to help artists (Smith, 2011) little has been accomplished. This paper seeks to answer the main question as to why marketers and economists have difficulty making inroads in the visual arts markets.

As noted by Marshall and Thach (2014), efforts by marketers to offer perspective within the arts are very often viewed with suspicion. This suspicion is often triggered by the existing internal conflict faced by many artists that contrasts the intrinsic value of self-expression with the extrinsic rewards of the market (Marshall and Forest, 2011). The conflict between intrinsic and extrinsic motivations was described by Marx (2007) as the "alienation of man from his labor." As stated by Marshall and Forest (2011), "this tension places the fine art artist in the unusual position of being a producer attempting to create without concern for the market while depending on the market for the ability to create."

So, how do we deal with these issues? What possible avenues do economic and marketing theory offer that might shed light on the market for visual arts? This paper suggests that one possible path is opened by changing how we view the "good" visual arts.

The Oxford Dictionary of Economics defines "goods" as things that people (e.g., consumers) prefer to consume more of rather than less. Further, these "goods" overwhelmingly adhere to a relationship between price and quantity known as the Law of Demand wherein consumers will purchase more of a good at lower prices than at higher prices. How the demand for these "goods" reacts to non-price stimuli is also well known and yields a place in the market system for marketing. Traditionally, the adoption of marketing techniques to alter the consumer satisfaction process and thus consumer demand has predictable impacts on the market for a good.

The demand for the visual arts have historically been treated in the literature, and in the "real world," as one of these traditional "goods." The way the visual arts are

priced, distributed and promoted have been crafted based on the assumption that the visual arts were a commodity to be dealt with the same way as any other traditional good. Implicit in this assumption was the idea that the application of traditional marketing techniques would lead to greater sales and profits for the parties involved in the production of the visual arts (i.e., the artist) would welcome these changes. Simply, the "good" known as art would follow the assumed tenants of both marketing and economics to the betterment of all parties involved in the market transaction. As noted above, scholarship in the visual arts reveals this is not likely to be the case.

This paper attempts to answer several questions related to the how the "good" the visual arts is defined. What if the visual arts are not a traditional "good" in the sense that consumers (and producers) do not react to marketing in the typical way? What if some, if not many, producers/artists (and maybe some consumers/collectors) are "turned off" by the market growth for a visual artist resulting from the traditional marketing techniques (i.e., selling out)? How can we redefine the "good" art and how can economists and marketers alter their behaviors in light of the redefinition?

This paper suggests that the "good" visual arts in many cases should be defined as a positional good. Positional goods are goods whose value/utility or satisfaction is based at least partially on its ranking in desirability by others. The concept of a positional good makes market analyses more complicated.

As noted above, the traditional good reacts in predictable ways to actions like a reduction in price. If price falls, consumers are more willing and able to purchase the good and sales increase. The producer simply needs to think about the balance between the price/quantity tradeoff, production costs and profitability. With positional goods, the analysis takes on an additional dimension in that the increase in sales resulting from the price reduction now makes the good less attractive in the marketplace to many consumers thus lowering the number of consumers. Thus, the traditional equilibrium between supply and demand is not sufficient to predict market outcomes. Alternatively, the mere act of placing a price on the good may alienate producers thus lowering the availability of the good at the outset. With positional goods, you have the additional issue of variability in the underlying nature of demand and supply that must be considered.

This paper will discuss how shifting the definition of the "good" visual arts from a traditional to a positional view might enable marketers and economics to better address the needs of the participants in the visual arts market.

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Keywords: Positional Goods, Visual Arts, and Marketing.

Relevance to Marketing Educators, Researchers and Practitioners: Most marketing, like most economics, is based on traditional assumptions about the nature of the good(s) involved. This study presents discusses how viewing the visual arts as a positional good can impact the economics and marketing of the visual arts.

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