

ART ADVISORY 101

Module 3 – Building an Art Collection

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As an art advisor you want to give your clients the best possible buying experience, whether at a gallery, auction house, art fair or when buying directly from an artist.

In this module we'll show you how to help your clients build a meaningful art collection by educating them and reducing their transactional risk.



Learning Objectives

Participants will gain an understanding of:

1. The first conversation with your client
2. Buying from a gallery
3. Buying at auction
4. Taking your clients around the fairs
5. Buying directly from artists
6. Follow up: transport, installation and insurance

1. The First Conversation With Your Client

1.1 Briefing

1.2 Show images

1.3 Logistics

1.4 Managing expectations



1.1 Briefing

- The first conversation is about getting to know your client's preferences in art, nailing the logistics and managing your client's expectations about the acquisition process.
- The better you do your job here, the easier it will be to successfully source artworks for your client further down the line.
- *Side Note: In your acquisition phone call or meeting prior to this meeting, you've already established your client's budget and they have signed your agreement (more on this in Module 5).*
- *Side Note: Working with an experienced collector differs from working with a new collector. New collectors require more guidance, whereas an experienced collector may simply ask you to source a work for them.*

1.2 Show Images

- In your meeting, show your client a variety of artworks: paintings, sculptures, photography, works on paper, etc.
- Probe them on why they do or don't like certain works. This will help you narrow down your selection of artworks to send them.
- For example, your client may have strong (negative or positive) feelings about certain artworks, artists, movements or even colors. Maybe they'd like to explore or avoid certain themes in their collection.
- If you work with a couple, make sure that both partners or spouses are on board with the general direction you're taking.
- *Side Note: Many younger collectors are interested in artworks that are easily recognizable. Many baby-boomers tend to appreciate the art-historical value of an artwork, rather than its 'brand value'.*

1.3 Logistics

- Transport and installation are an important part of the service that you provide to your client. Avoid logistical nightmares by doing your homework.
- Ask to see the area where your client would like to place the artwork. It's helpful for you to be able to visualize this when sourcing art for them.
- Step 1: Take measurements of the wall or space. ALWAYS bring your tape measure.
- Step 2: Take photographs to be able to jog your memory later on. Always ask your client if you can take photos before actually taking them.
- Step 3: Do a walk-through of the home, measure entrances and note potential obstructions. If you are on a Skype call, ask your client to walk around their home with their laptop or iPad so you can see.

1.4 Managing Expectations

- At this point during the meeting, your client may feel a little overwhelmed. Take a break and give them the opportunity to ask questions.
- For example, many collectors are interested in private transactions. Realistically, for new collectors on smaller budgets, you'll probably source from a gallery, auction house or artist directly (primary market).
- Make sure your client does not feel pushed to buy something. It's not your job to sell the artwork, that's the job of the gallery owner. It's your job to be your client's advocate. Remember the Lemons Problem from Module 1?

2. Buying from a Gallery

1. Viewing and selecting art
2. Price research
3. Taxes and export regulations
4. Arranging the viewing
5. Finalizing the acquisition

2.1 Viewing and Selecting Art

- Before you send images to your client, you'll vet the works on wall-power, quality, price and potential condition issues (check back to Module 2).
- You'll research whether taxes are due on the purchase: for example, sales and use taxes in the US, and Value Added Tax (VAT) in the UK and European Union (EU).
- Reminder: this 101 course covers the research you do in the primary market, when your client buys directly from the artist (through his gallery or at auction).
- Due diligence in the secondary market, in relation to title and authenticity is a much larger topic, that we can't cover in this course.

2.2 Price Research

- Besides the Drivers of Value we discussed in Module 2, a contemporary artist's resume has an impact on pricing. There are three career stages: emerging, mid-career and established.
- Price levels tend to correspond with the artist's career stage (like in any career). This is not a hard and fast rule (there are exceptions) but it's a useful guideline.
- Emerging artists: c. \$5,000 to \$20,000. Mid-career artists: anywhere up to \$100,000. Established artists: the sky is the limit.
- Buying from an artist directly can be less expensive, depending on the agreement the artist has with their gallery.

2.2 Price Research

- Research the artist's resume. Have they had group and/or solo exhibitions? Museum shows?
- Do they have gallery representation? If so, is the gallery reputable and well-respected? Will the gallery be able to support their career?
- Has their work sold at auction and what is the difference with the prices their gallery is asking?
- Are the artist's prices consistent with that of their peers? If not, why?
- I have included a pre-purchase checklist with more factors in your Course Materials.

2.3 Taxes and Export Regulations

- In the US (in certain states) sales and use taxes may apply. In the UK and EU, VAT is added to purchases.
- In the UK and EU, Artist's Resale Right (ARR) is levied on all secondary market transactions. In the US, ARR is levied in California under certain circumstances.
- If you are shipping an artwork to your client's home in another country, check if that country applies import taxes to artworks. Where applicable, check export regulations for the country in which your client buys an artwork.
- (International) tax regulations are highly complex so your client should consult their CPA or tax attorney when in doubt. Read more about taxes and export regulations in your Module Resources.

2.4 Arranging the Viewing

- The research is done, you've sent the images to your client. Your client is enthusiastic and wants to inspect the work in person.
- Ask the gallery if your client can have the work on view for a couple of days or weeks. Unlike auction houses, many galleries will allow this.
- If that is not possible, go and see the work at the gallery with your client.

2.5 Finalizing the Acquisition

- When your client decides to buy the work, it's time to finalize the transaction. Confirm the price with the gallery so that an invoice can be sent.
- Most galleries provide discounts to clients of art advisors. Don't pocket this: it's a conflict of interest. Ask the gallery to extend the discount to your client.
- Make sure that your client receives all the paperwork associated with the artwork: sales invoice, certificate of authenticity, etc (see pre-purchase checklist in Module Resources).

3. Buying at Auction

1. The auction process
2. Auction terms to know

3.1 The Auction Process

- Many (emerging) contemporary artists are sold at auction these days. So you may find yourself at Christie's, Sotheby's or Phillips.
- Bidding at auction is different from buying from a gallery. A collector has to register and provide documents for identification.
- The auction house needs to ensure that your client can pay for his purchases so they may ask for additional documentation.
- You or your client will register for each and every sale you participate in so that the auction house can issue a paddle with a number.
- You can bid in the room, over the phone or online. If your client prefers anonymity, bidding over the phone or online will be more suitable.

3.2 Auction Terms to Know

- The hammer price is not what your client ends up paying. Auction houses add a substantial buyer's premium to the hammer price.
- I have included links in your Module Resources to Christie's, Sotheby's and Phillips' buyers premium schedules (also listed in the auction catalogs).
- Symbols next to each catalog entry indicate certain conditions (i.e. the work is guaranteed, VAT applies, etc). Make sure you understand them.
- The sales conditions for each auction are listed in the back of the catalog. Read them, particularly if you are bidding in a different country.

4. Taking Your Clients Around the Fairs

1. Difference between fairs and galleries
2. Be organized

4.1 Difference Between Fairs & Galleries

- Art fairs are a great way for your clients to meet with gallery owners, the artists and other collectors. They will enjoy walking around the fairs and learning from you about the art you show them.
- Buying art at a fair is similar to buying from a gallery but the experience has to be managed because of the sheer quantity of art on view.
- Be selective on what you show your client. Call up the galleries in advance of the fair to ask what works they are bringing to the show.
- Because of the perceived time pressure at art fairs, it's tempting for a collector to buy something in the spur of the moment.
- Your role as art advisor here is to manage that situation and to make sure your client does not feel pressured into buying immediately.

4.2 Be Organized

- Most galleries are willing to put an artwork on hold for a couple of hours or a day, if your client is serious. This gives you some time to do your research and for your client to gather their thoughts.
- Make your life easy: be organized. Use your iPhone to take pictures of artworks and the wall-label for reference.
- Don't lose track of an artwork by not photographing it, because I'll guarantee you that's the one your client will want to buy.
- Lastly, don't waste a gallery's time. They are at the fair to sell art so be courteous and let them know if your client is no longer interested.

5. Buying Directly From Artists



5.1 Buying Directly From Artists

- Buying art directly from an artist allows a collector to form a relationship with the artist and understand the artist's process.
- Many artists are delighted to have collectors visit their studio but only bring clients who are seriously interested.
- In advance of the studio visit, know the prices of the works your client is interested in. Also find out who handles sales: the artist himself or his gallery. Both scenarios occur.
- Perhaps your client would like to commission a work. Ask the artist or their gallery in advance if the artist creates commissions and what the process and time-frame is.

6. Follow Up

1. Transport and installation
2. Insurance during transport
3. Condition checking
4. Insurance at the collector's home
5. Follow up with your client

6.1 Transport and Installation

- Provide your client with great service by arranging shipment of the artwork to their home.
- This does not mean you pay for transport or insurance. Your advisory fee only covers your time, unless otherwise agreed with your client.
- Fine art transport companies are expensive but worth the cost. Experienced technicians can install the artwork. Your client's insurance carrier may require that you use a fine art transport company.
- It's good practice to be present during delivery and installation of the art, to make sure you can deal with any practical issues that arise and to condition-check the work.

6.2 Insurance During Transport

- Most damage to art occurs in transit so ensure that insurance coverage is in place before the artwork leaves the seller's premises.
- If you are organizing the shipment, ask your client to call their insurance broker to see if the art is covered on their policy.
- When it comes to insurance it's worth getting anything that is not clear from the policy document confirmed in writing by your client's broker.
- If your client does not have a policy that adequately covers the art, the transport company shipping the work can often insure it on their own policy.
- If the gallery ships the work, they will probably also insure it. Verify this and get confirmation in writing.

6.3 Condition Checking

- Before the artwork is packed or crated and shipped, do a condition check with photographs or have someone else do this for you (i.e. the gallery).
- Follow up with a condition check after the work has been delivered to your client's home. Ideally this is done with the technicians from the transport company still present.
- This way, in the case of damage, you can prove that the work was in good condition before it was shipped and that immediately on arrival, as it was being unpacked, you discovered the damage.

6.4 Insurance at the Collector's Home

- Getting insurance for expensive works of art, jewelry or antiques, is a smart financial decision unless your client can afford to self-insure.
- Generally, insurance rates for art or antiques are not as expensive as you may think.
- Many insurance carriers have lists of pre-approved transport companies and other art services providers which is helpful.
- Certain insurance carriers employ art experts who can advise your client on collection management and conservation.

6.4 Insurance at the Collector's Home

- Differences exist between homeowners policies and fine art policies.
- Even though artworks can usually be added to a homeowners policy, limits to insured values and other restrictions may apply.
- For example, when your client buys a new painting, he needs to check that it does not exceed the per-item \$ limit on his homeowners policy.
- Fine art policies tend to be all-risk. This means that art-specific costs such as conservation treatments and transport are covered (which are usually not covered or only partly covered on a homeowners policy).
- Your client's insurance broker will be able to help your client determine if a homeowners or a fine art policy is most appropriate for their needs.

6.5 Follow Up with Your Client

- The art has been installed in your client's home, the paperwork is in their archives and the art is insured. Call your client after a couple of weeks and check in.
- If your client was happy with your service, ask them if they'd be willing to provide a review, so that you can post this to your website.
- Explain to your client that they can do this anonymously: they may be uncomfortable with sharing their name. This also applies to installation shots taken in your client's home. Never post before asking permission.

End of Module 3

That concludes Module 3 of Art Advisory 101.

Up next is Module 4 – Managing & Selling Art Collections!

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