

# WorkInCulture

## TOP TIPS FOR SETTING PRICES

Created by Heather Young for the workshop “How Much Am I Worth? How Much Do I Charge? – The Secrets of Pricing and Negotiating”, originally presented in 2006 by WorkInCulture

**Artists and arts organizations need to set prices for tangible goods (e.g. works of art, CDs, publications) and for services (e.g. admissions, registration fees). The considerations for goods vs. services are rather different – as are the circumstances of individuals and organizations.**

**These tips are offered from a very generic point of view. I have tried to make them applicable in a wide variety of situations. This may make them a challenge to apply specifically! I hope the examples will help to clarify how you might use these ideas to support your personal decision-making.**

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### 1. There's no “recipe.”

Take heart if you feel uncertain about how you are going about setting your prices. My research turned up no “correct” method, in the art world, the not-for-profit world as a whole, or in commercial business. There are, however, some useful guidelines.

### 2. Take your time.

Think of this as an iterative or recurring process. You're going to draft a price list, sleep on it, run it past colleagues and friends, and revise it again before making a final decision.

### 3. Three approaches

Here are three approaches that you might find useful. You can choose the one that works best for you, or you can consider all three, and decide after playing with the options:

#### A. Cost-based:

*Figure out your costs, and charge more than that. Price = your cost + mark-up.*

- Example - If I'm selling admissions to a concert, I could add up all of the costs, subtract grants and donations, and divide the net cost by my estimate of how many people will attend. Thus, if I expect to spend \$12,500 and I have \$7,500 in grants and donations, I need to raise \$5,000 from ticket sales. If I anticipate that 200 people will attend, I need to charge each person \$25. That gives me my

break-even price. If I wanted to make a profit, I could then tack on a markup of so many dollars.

*Or, Price = a multiple of your cost.*

- Example - Book publishers need to pay for editorial expenses, writer royalties, book production and promotion, as well as their own administration. They often “peg” their book prices on the printing cost, by charging 5 or 6 times cost. So, if a certain book cost \$8 to print, the publisher would look at a price between \$40 and \$48. Experience has shown that a multiple of 5 or 6 generally covers all of their expenses.

## **B. Market-based:**

*Charge what everyone else charges. “Everyone else” should include comparable artists/arts organizations as well as the other options your buyers might consider.*

- Example – A performing arts organization might compare its prices to what its peers are charging – as well as to the cost of a movie ticket, the cover charge for a band, and other “night out” options.
- Another example – A visual artist might look at what their buyers are considering. For instance, if the art in question is usually purchased for its decorative value, buyers may be deciding between buying a picture and another decorative object (e.g. fine craft, furniture, area carpet)

## **C. Value-based:**

*What's it worth to you?*

- This is how hotels and airlines do it – not to mention gas stations and ticket scalpers. Today's rate on a hotel room or an airfare depends on how far in advance you're booking, plus demand, plus any other factors that affect its desirability. The price a scalper can get before the game is vastly different from what he'll accept half an hour after the puck drops!

## **4. Know your limits!**

- Floor = your cost (If you sell below cost, you're losing money!)
- Ceiling = what the market will bear (You can't charge more than what people are willing to pay.)

## **5. Consider your environment and how that might affect the prices you can charge.**

- Geography: are you in a large city, a town, a rural community, a remote area?

- Accessibility/distribution: how easy is it for people to come to you – or for you to get your work to major centres of population?
- Economy: how's the local economy doing, how much disposable income do people have?
- Political framework: what taxes do you have to take into consideration, what public policies affect you (e.g. copyright, availability of government funding)?
- Local arts community: are there many colleagues/competitors close by, or are you the only game in town?

**6. Consider how the characteristics/qualities of your art – whether it's a canvas or an exhibition or production should affect its price.**

- Artistic merit is definitely a factor in pricing – and one of the hardest to confront. It's also a factor that's likely to change over the course of your career. You need to consider the significance of your work in relation to other artists, and the market overall.
- Popular appeal is also important. It's easy to see that more people want to buy tickets to mega-musicals and Broadway-style shows than to a lot of other performing arts genres. You must consider the size of your market, and hence the volume of demand for your work. This could push the price up or down! A lower price might make you more attractive. On the other hand, aficionados may be less price-sensitive, and thus willing to pay more for something harder to come by.
- Use price to send a message about quality and value, and where your work fits in the marketplace. Take coffee shops as an example: relative to your competitors, you need to determine if you're more of a Starbucks or a Tim Horton's!

**7. Uniqueness is not a factor in setting prices in the arts**

You're unique, just like everyone else. Every artwork is one-of-a-kind: the visual art collector, or the performing arts engager, is choosing amongst a number of unique offerings, each of which has its appeal.

**8. Don't let the price be an emotional decision! Price your work dispassionately, without reference to your attachment to it.**

- Don't assume that your personal favourites will fetch a higher price. Your investment of time, effort and angst in the creative process won't necessarily “read” to the buyer or audience. If an artwork is so significant for you that you

can't part with it at your normal price, perhaps it's not the right time to offer it for sale.

- By the same token, you may not love a certain piece, and therefore be tempted to under price it – but don't assume that others will share your feelings for it.

#### 9. **Establish your base price according to your most typical art.**

It may be useful to think about how new cars are priced. Often, there's a “base price” plus the option to purchase “extras” – or to get the car “fully loaded.” In the same way, a visual artist, a performer or an arts organization may be able to identify their price baseline, and what their “extras” might be, and establish a range of prices for different types of work. For instance:

- An actor taking a lead role may be able to negotiate a better weekly rate than when he or she accepts a supporting part. A musician may be able to charge more for a soloist engagement than for a “sideman” gig. The difference is related to the perceived value of the service.
- A visual artist may charge more for larger or more elaborate works. This might be either a cost-based or a value-based approach.
- A theatre company may charge more per ticket for the musical it's offering this year than for its “one-hander.” This would almost certainly be a cost-based approach related to the number of artists involved and the scope of the production values.

#### 10. **Stick to your guns!** It's a good policy to keep your prices consistent no matter who the buyer is. This can be especially important for visual artists selling multiples or working with more than one dealer – and for performers hoping to build a client base of repeat customers.

- If you're an experienced artist with a track record, document your sales. When you can see how works have sold over time, it's easier to be consistent about pricing your new pieces.
- If you're still building that record, you can achieve consistency by pricing your art like a realtor would price a home for sale: look at “comparables” in terms of medium and style, as well as in terms of fellow artists at a similar level of accomplishment

#### 11. **Think carefully before you discount, to make sure the price cut will work for you strategically.**

##### A. **Discounts may be standard in some circumstances, for instance:**

- A commercial gallery may offer a standard 10% discount to arts consultants purchasing on behalf of clients, or to regular customers who purchase a lot of art.
- Performing arts organizations commonly offer discounts for group purchases, as well as to students and seniors, and for less popular nights.
- NOTE! Where a range of prices is in effect, you need to be clear on which is The Price. Your regular price is the Saturday night, full price amount. Everything else is a discount.

**B. Discounts may be used to introduce negotiation, so you can close a sale, for instance:**

- You might want to offer an incentive to a good client to buy more
- You might decide to make it possible for someone to buy the work who loves it but can't afford the regular price.

**C. You might wish to use discounts to adjust to market conditions, for instance:**

- If tickets are selling poorly, performing arts organizations may consider putting out two-for-one coupons, or offering discounted tickets within the arts community.
- A gallery in a tourist town might wish to consider special offers in the off-season.

**12. You might be tempted to price lower than your colleagues/competitors to gain an edge. Think seriously about whether this will really work in your favour. For instance:**

- Performing arts patrons definitely react to price points – but not necessarily to relatively small differences. Someone might decide that the current Broadway touring show is too pricey – but if they've decided to spend the money to see a local company, they're more likely to make their choice based on the title, the artists, the reviews, etc., than on a couple of dollars' difference in price.
- If all practitioners of a certain discipline charge within the same range, they can create a “going rate” which sets buyer/audience expectations, and helps everyone plan their budgets.

**13. Don't forget to raise your prices when it's appropriate!**

- A useful rule of thumb for visual artists is to contemplate an increase when you're selling at least 50% of last six months' output.

- Another benchmark would be to look at an increase when you've experienced six to twelve months of consistent success in your work. Once you've established steady demand, it's time to re-examine your pricing.

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Heather Young's company Young Associates has provided consulting, financial management and bookkeeping services to both creative businesses and the not-for-profit arts and cultural sector since 1993. Heather Young is the author of Finance for the Arts in Canada – an essential reference guide, self-study resource and textbook for not-for-profit cultural organization.