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The Logic Behind the 50/50 Split

Perhaps the most controversial aspect of the Gallery/Artist relationship is, not surprisingly, the most controversial aspect of any relationship in any business: money. Specifically, the 50/50 split of sales between the artist and dealer. Many folks outside the gallery system will look at that split and be amazed, I'm sure. The artist is the creative genius, the artist spent years in art school, the artist is the one putting it all on the line for the public to take pot shots at their vision. In other professions, like acting, managers only get 15% and agents only get 10%. Why on earth does the gallery take 50% of the money? The short answer is because it costs that much to promote the artist's work. The longer answer is, well...a bit like the adage about watching sausages being made. The following is a very unromantic discussion, leaving out issues such as how much the gallery believes in the work or how important the artist is to the world. Those things do matter, but I'm taking a wholly bottom-line view here to provide the most objective analysis and hopefully most useful information toward understanding this.

It must be noted that the 50/50 split is not universal. A few notable galleries offer artists a better split, and if an artist can get into them, they probably should. Also, many artists can and do renegotiate a better deal when their work is selling consistently at higher prices. Some very prominent galleries only get 25% -30% from certain artists. Of course those artists' works are in very high demand, but I'll come back to that later.

In general, I find the artists most upset about the 50/50 split fall into one of two categories: 1) they don't understand the business that well (and many of them have never had full-time representation) or 2) they have a bad relationship with their gallery (i.e., their gallery is not doing enough in their opinion to earn the 50% they're taking). This second category of artists can also be broken down in two groups: those who are correct in their assessment that the gallery is not doing enough for their 50% and those who may not understand that the gallery is still behind in the deal in terms of recouping their investment and is actually doing more than their fair share for the 50%.

All in all, I feel the artists who get it the best are also the artists who take the time to understand the business realities of the relationship. Many artists will complain about the split wholly unaware that at the point they're doing so, the gallery has spent more money promoting the artist than they've taken in through sales. In other words, the gallery has yet to recoup its investment. So in the interest of helping artists either renegotiate a better deal for themselves or feel better about the deal they have, I'm going to spell it out in detail:

Because emerging artists are most likely (and understandably) the least likely to understand the business, I took a small survey of young(ish) galleries with bare bone staffs and predominantly emerging artists in their stable in New York. They reported that it costs between $6,000 to $12,000 per exhibition for the overhead/rent alone (these are all galleries with relatively modest spaces). This is before the gallerist takes a salary, let alone sees any profit for the business. That means, that with the 50/50 split, those galleries must sell between $12,000 and $24,000 of artwork per exhibition before they even break even. Before they can pay themselves anything. Before they can expand the business and reinvest in more resources to promote their artists. For many (if not most) emerging artists out there, I suspect, that means the gallery took a loss on your first exhibition. Sometimes a hefty one. If nothing in the exhibition sells (and it happens more frequently than any young dealer will admit), that's a very significant loss of money.

Why does it cost that much money per exhibition, you might wonder. Here's a partial list of the bills/expenses we must find the money for during any given exhibition (more or less in descending order of how expensive they are):

- Rent
- Staff expenses / salaries
- Electricity / heating / AC
- Invitations
- Postage, Postage, Postage
- Insurance
- Adverti$$$$$ing
- Opening Reception Refreshments/Expenses
- Phone 1, Phone 2
- DSL
- Accounting Fees
- Banking Fees
- Subscriptions/Professional Fees
- Storage rent

- Art Fair applications/expenses
- Shipping/Crating expenses
- Entertaining collectors expenses
- Office Supplie$$$$
- Travel Expenses
- Gas/Water
- Garbage Collection
- Alarm system

Now I realize that there are many similar expenses for running a studio, but a commercial gallery is a business and should only be in business if it can pay these bills AND see its way (some day at least) toward profit on top of that. With emerging artists prices, however, it requires a good deal of hustle and determination to make it some times.

Essentially, a gallery is investing in an artist, betting they can develop a market for the work and (one day hopefully) see a return. Like any investment, however, this includes a significant amount of risk. There are far more artists who didn't become overnight sensations out there than otherwise. Regardless of how well-connected or determined a gallerist is, there are some artists with more challenging work for whom it takes years to sell anything. If it takes five years to develop a market, for example (which is not that uncommon), that will represent at least two solo exhibitions on average, meaning the galleries I surveyed might at this point have invested as much as $50,000 in this artist (including taking the work to art fairs and promoting it in between exhibitions) before they see the first significant sales. Unless those sales total $100,000, the gallery will still be waiting, five years later, to break even on their investment. Multiply this by the number of artists in a gallery, and you begin to sense how risky a business it can be.
Further, it happens all the time that after 5 years, after an investment of $50,000 or more, an artist will leave a gallery, or stop making art, or a whole range of things that make that investment disappear. It's risk like this that, to my mind, justifies the 50/50 split. At least initially.

I know there are dealers out there who will disagree with me on this, but I happen to believe that after an artist's market is well established and they're clearly bringing in more money than it costs to promote their work, it's a gallery's obligation to reconsider the split. Without opening myself up to questions about the details, I'll note that we have indeed done just that. As I noted above, big galleries do it as well. It makes sense to me. It seems justified and fair. When all the expenses are covered (and, granted, that's a complicated equation [and one you should feel free to ask your gallery to sit down and outline with you...just be prepared to learn/accept they're still in the hole], but still sometimes it's obvious), the artist deserves to make more IMHO. Of course, a gallery is within its rights to refuse to reconsider the split, but then so is the artist within his/her rights IMO to reconsider which gallery they work with. Other factors, like loyalty and a collaborative spirit are considerations as well, mind you. It doesn't hurt an artist's soul to be fair to the gallery that first believed in them. Still, when it's clear the artist is earning more than their fair share, a better split is only fair.

Until that point, however, the 50/50 split is more than fair, to my mind.
And now, I'll take questions. I won't reveal details about specific artists, however, and I won't suffer in silence misplaced animosity for things I personally haven't done. I know this is an emotional issue, but keep your questions civil please. Finally, I should note that these are my opinions only and don't represent all gallerists, many of whom have years more experience than I have.