



Università
Ca' Foscari
Venezia

Master's Degree
in Economics and Administration of Arts and Culture

Final Thesis

**E-commerce in small and middle-sized
contemporary art galleries**

Proposal for a new business model

Supervisor

Ch.ma Prof.ssa Marina Mussapi

Graduand

Maria Tiziana Sprenger
975391

Academic Year

2021 / 2022

Table of contents

Introduction	5
Chapter I	
The contemporary art market and the art galleries.....	9
1.1 The contemporary art market	9
1.1.1 The artwork in the market.....	10
1.1.2 The artwork's price	12
1.1.3 The market segmentation	14
1.1.4 The features of the market	16
1.1.5 The actors.....	17
1.1.6 The volume and value of the market	28
1.2 The contemporary art galleries	31
1.2.1 History and evolution of contemporary art galleries	31
1.2.2 Galleries' roles, functions, and tasks	35
1.2.3 Dealer – artist relationship	37
1.2.4 The contemporary art galleries segmentation	38
1.2.5 The small and middle-sized galleries under pressure	42
Chapter II	
E-commerce in the art sector.....	49
2.1 The historical evolution of e-commerce in the art sector	49
2.2 The different typologies of online sales platforms	53
2.3 The impact of the Covid-19 pandemic on the e-commerce of art	61
2.3.1 The polarization of the art market fostered by the Covid-19 pandemic ...	65
2.3.2 Collectors' prospective and future scenario.....	70

Chapter III

The advantages brought by e-commerce to small and middle-sized contemporary art galleries and how to effectively implement it..... 74

3.1 Small and middle-sized galleries' requirement to innovate their business model.....	74
3.1.1 Magnus Resch's proposal for a new business model	81
3.2 E-commerce advantages in the process of business model renewal	85
3.2.1 New communication channels	86
3.2.2 International reach	87
3.2.3 New buyers	88
3.2.4 New possibilities for collaborations	91
3.2.5 New revenue models.....	92
3.2.6 Differentiation and new value propositions.....	93
3.3 How to effectively implement e-commerce	94
3.3.1 Suitable human and financial resources.....	95
3.3.2 Strategies to attract, foster trust, and retain customers	97

Chapter IV

Proposal for a New Business Model..... 106

4.1 Business Model and Business Model Canvas	106
4.1.1 Business model definition, functions, and components.....	106
4.1.2 Business Model Canvas	111
4.2 A New Business Model for small and middle-sized contemporary art galleries	119
4.2.1 Customer Segments	121
4.2.2 Value Propositions	122
4.2.3 Channels.....	122
4.2.4 Customer Relationships	123
4.2.5 Key Resources	124
4.2.6 Key Activities	125

4.2.7 Key Partnerships	125
4.2.8 Revenue Streams.....	126
4.2.9 Cost Structure	127
4.2.10 Final observations	128
Conclusions.....	135
Appendix of figures	141
Appendix of tables	144
Bibliography.....	146
Web References.....	161
Acknowledgements	164

Introduction

The contemporary art market, defined as the place where an uncommon artwork, judged worthy by the actors of the sector and realized by artists active in the last eighty or sixty years, becomes a commodity, is complex and problematic. As explained in the first chapter, it is characterized by a lack of transparency in prices, ownerships, and transactions, several distortions and manipulations, huge information asymmetries and illiquidity. Moreover, its inner intricacies even depend on the multitude of different actors active within it that constantly interact and influence each other. All these features finally result in a strong polarization between the high and low-end of the sector and make it assume a pyramidal structure. Indeed, a lot of small and middle-sized organizations with lower turnovers, compete at base of the market whereas, at the top, only a few brand actors, who have the power to control and influence its dynamics and dictate its prices, are active.

Even the contemporary art galleries' sector, which is one of the most important sub-sectors of the contemporary art market, is characterized by a strong polarization and a concentration of capital in its high-end where a few prestigious and big galleries operate. Indeed, most of the galleries are small and middle-sized organizations active at the base of the market. They usually achieve only scarce profits and this, together with the impossibility to enter the high-end of the sector due to its closed and elitist nature, puts their economic sustainability constantly under pressure. Small and middle-sized contemporary art galleries, therefore, struggle to stay afloat, and this is testified by the number of their annual closures. In particular, there are some reasons why they toil so hard to reach enough revenues and be economically sustainable. Firstly, they must cover several fixed and variable costs, linked in particular with salaries, rents and participation at the art fairs. Secondly, they are damaged by the artists' migration toward the most important and brand galleries. Moreover, the strong competition that characterized the sector negatively affects their survival; they must compete not only with direct competitors but even with their suppliers and partners and, more recently, also with online platforms and auction houses. In addition, in a globalized art world, contemporary art galleries must even fight at the international level. Finally, one last element that challenges their survival is the general lack of managerial competencies

that makes them unable to renovate their outdated business model, which is no more suitable to face the problems of the sector, compete and grow in the market and reach sustainability. The vulnerability of this business model has been particularly highlighted during the Covid-19 pandemic that has put small and middle-sized contemporary art galleries under the most pressure. In particular, their annual sales have continued to decrease even in 2021 and most of them have been forced to reduce the number of their employees or permanently close their activities.

Nevertheless, the Covid-19 pandemic, as fully explained in the second chapter, has also had some positive effects on the contemporary art world since it has accelerated the slow process of digitalization that had characterized this market in the past, filling the gap to the other sectors. Indeed, not to completely stop all their activities, the actors active in the market had to finally start intensively using digital technologies to display, communicate and make accessible their art. Moreover, during the several lockdowns, the internet has been the only possibility to purchase and sell art objects and this has led to a final acceptance of e-commerce and a huge increase in online art sales.

Even the contemporary galleries' sector, which has always been more reluctant to embrace digital innovations due to the importance given to personal relationships and observation in the flesh of the works, in the last two years has been obliged to embrace e-commerce and transfer part of the sales online, via galleries' websites or 3rd party marketplaces. However, a polarization of the sector has remained even online, since small and middle-sized contemporary art galleries rarely have enough human, financial and technical resources to implement effective e-commerce strategies.

In any case, in the light of this final acceptance of e-commerce not only by the sellers of the sector but even by the collectors, whose interest and confidence in online sales have highly increased in the last two years, the first aim of this thesis is to show all the advantages that a correct implementation of e-commerce can bring to small and middle-sized contemporary art galleries within the process of business model renovation. Indeed, as emphasised by several authors and thoroughly explained in the third chapter, the renovation of their inner structure and way of working is absolutely indispensable so that these galleries can finally achieve economic sustainability over time and be competitive in the market. The scholars, and in particular Magnus Resch

in his bestseller *Management of Art Galleries*¹, have underlined the necessity for small and middle-sized art galleries to innovate their communication channels; differentiate their offers and come out with original value propositions; expand the customer base and reinforce the relations with the current buyers; set up effective collaboration both with competitors, cultural institutions and businesses unrelated to the art system; expand internationally; renovate the revenue models to increase the annual incomes and reduce the costs linked with the old way of working. This chapter tries therefore to demonstrate the positive contribution that e-commerce can bring to the achievement of these objectives in order to convince these galleries to finally invest in and successfully implement online strategies. Furthermore, it also attempts to suggest some solutions to overcome the problems linked with a correct e-commerce implementation such as how to establish suitable human and financial resources and how to effectively foster trust, attract customers and retain them.

In the end, taking into consideration all the elements that came to light in the third chapter, the ultimate goal of the thesis is to propose, in a fourth and last chapter, a new business model visualized through a business model canvas that can concretely help and guide small and middle-sized contemporary art galleries in this indispensable process of renovation of their outdated business model.

¹ Resch, M., 2018. *Management of art galleries*. 3rd ed. London: Phaidon Press Ltd.

Chapter I

The contemporary art market and the art galleries

1.1 The contemporary art market

The art market is the place where cultural and artistic goods become a commodity². If it is simple to give such a definition, it is not equally simple to explain what the contemporary art market is. Indeed, the concept of contemporary art itself appears ambiguous, and a shared opinion does not exist. For somebody, contemporary art starts at the end of the seventies or during the second post-war period. Someone else explains it as the one realized by living artists or by the ones born after 1945³. Moreover, Donald Thompson in his book *The \$12 Million Stuffed Shark: The Curious Economics of Contemporary Art*⁴ describes it as composed of non-traditional works realized by artists born after 1970, in addition to the artworks auctioned by important auction houses as “contemporary”.

At the same time, especially in the field of contemporary art, it is fundamental to clarify what is considered an art object. A working definition is “any object that is judged to have substantial artistic merit by the community of interest that participates in the study, display, and collecting of objects of the same category”⁵.

To sum up, the contemporary art market is the place where an uncommon artwork, judged worthy by the actors of the sector and realized by artists active in the last eighty or sixty years, becomes a commodity.

As is going to be shown in the following pages, this market is characterized by deep intricacies and a complex actors’ system. Moreover, it is marked by a strong

² Moulin, R., 1987. *The French art market*. New Brunswick: Rutgers University Press, p. 3.

³ Zorloni, A., and Trimarchi, M., 2016. *L’economia dell’arte contemporanea mercati, strategie e star system*. 2nd ed. Milano: Franco Angeli, p. 40.

⁴ Thompson, D., 2009. *Lo squalo da 12 milioni di dollari la bizzarra e sorprendente economia dell’arte contemporanea*. Milano: Mondadori, p. 15.

⁵ Satchell, S., Roxburgh, D., Mueller, S., Johnstone, D., Belk, R., Horvitz, J., Campbell, R., Petterson, O., Williams, O., Rudd, A., Apt, A., Auld, J., Brown, A., Ashenfelter, O., Ashmore, D., Lalonde, R. and Barzilay, D., 2009. *Collectable investments for the high net worth investor*. Burlington, MA: Academic Press/Elsevier, p. 92.

polarization between its high-end, in which most of the capital and resources are concentrated, and its low and middle-end. This situation makes it hard for small and middle-sized players, in particular small and middle-size contemporary art galleries, to stay afloat, be competitive and reach economic sustainability.

1.1.1 The artwork in the market

Before analyzing the inner structure and complexities of the contemporary art market, it is necessary to clarify the nature of the works of art as a commodity since they have peculiar attributes that differentiate them from all the other goods⁶. Firstly, they are heterogeneous commodities. The artworks are outputs of individual creativity, so every unit is different and unique, and the supply is limited for the works of dead artists⁷. Moreover, they form part of the cultural capital of mankind and consequently, they have public-good features⁸. Finally, it is important to make some consideration on the use-value of this particular kind of commodity. Indeed, according to the definition given by Marx in the first chapter of *Das Kapital*⁹, commodities have both a use-value because they satisfy human needs and wants, and an exchange-value since they can be exchanged for other commodities with similar value or for money¹⁰. Speaking about the value coming from the “use”, the artworks primarily provide aesthetic and decorative benefits, but they even have some extra-aesthetic functions that should not be underestimated. Indeed, especially contemporary art has also a social and economic role¹¹. The works of art are a symbolic good and their possession demonstrates the status and the power of their owners. For this reason, they can be treated as a luxury good¹². Furthermore, they also have an economic function, and they can be considered from the point of view of the possible profits they provide. In this

⁶ Throsby, D., 1994. The Production and Consumption of the Arts: A View of Cultural Economics. *Journal of Economic Literature*, 32(1), p. 4.

⁷ *Ibidem*.

⁸ *Ibidem*.

⁹ Marx, K. and Engels, F. 1967. *Capital; a critique of political economy*. New York: International Publishers.

¹⁰ Walker, J., 1987. Art Works as Commodity. *Circa*, (32), pp. 26-28.

¹¹ Poli, F., 2011. *Il sistema dell'arte contemporanea*. Roma: Laterza. p. 46; Codignola, F., 2009. *Economia globale, concorrenza e mercato dell'arte contemporanea*. Bologna: CLUEB, p. 85.

¹² Adam, G., 2016. *Big Bucks*. Aldershot: Lund Humphries. Kindle edition, p. 76.

context they appear more like a financial asset than a commodity: indeed, they can be used as a hedge against inflation, as a source of speculation, or as an asset¹³.

Therefore, it is possible to conclude that works of art as a commodity have both artistic, social, and economic values since they satisfy not only aesthetic but even symbolic and economic needs. These values are strictly linked together and influence each other. Nevertheless, their definition and evaluation appear problematic and not immediate. Indeed, none of these values is intrinsic to the object itself but, on the contrary, they are a social construction established by actors of the sector¹⁴ and always “determined within the context of a set of preferences of individuals and groups that act as selectors”¹⁵.

In particular, during the past centuries, the artistic value had a priority over the others; the market logic intervened exclusively in a second moment, and they only validated, though an adequate purchase value, the previous aesthetic evaluation. Until the mid-nineteen century, the Academy of Fine Art judged and established the artistic value of an artist based on stylistic canons; later, thanks to the Impressionist revolution, the art critics, together with the contemporary art museums and the art dealers, started to assume a fundamental role in the art evaluation¹⁶. Nevertheless, this process of legitimacy required considerable time and many interactions among the different actors, and the emerging artists often waited several years before their works were accepted and marketable¹⁷.

Anyway, already at the end of the sixties, the critics and museums started losing their leading role, and they were completely replaced by the “sellers” of the market: the dealers, who not only bought and resold the work of arts but actively represented and supported the artists¹⁸, and the auction houses that were constantly enlarging their influences. In particular, the dealers wanted to speed up the process of legitimacy to make immediate profits. They began organizing exhibitions in galleries and museums

¹³ Resch, M., 2011. *Management of art galleries: business models*. Borsdorf: Diss. University St. Gallen, p. 70.

¹⁴ Zampetti Egidi, C., 2014. *Guida al mercato dell'arte moderna e contemporanea con le testimonianze dei maggiori protagonisti internazionali*. Milano: Skira, p. 40.

¹⁵ Wijnberg, N. and Gemser, G., 2000. Adding Value to Innovation: Impressionism and the Transformation of the Selection System in Visual Arts. *Organization Science*, 11(3), pp. 323-324.

¹⁶ Ivi, pp. 323-329.

¹⁷ McCarthy, K., Ondaatje, E., Brooks, A. and Szántó, A., 2005. *A portrait of the visual arts*. Santa Monica, Calif: Rand Corp., pp. 64-65.

¹⁸ Adam, G., *Big Bucks*, cit., p. 50.

and promoting their artists using marketing techniques and significant investments with the final goal to present fashionable artists and increase collectors' interest¹⁹.

Furthermore, the eighties were characterized by a boom in contemporary art sales with a huge rise in prices and demand. This was particularly caused by the rapid growth of highly affluent segments of the population, by the increase of the populations with more education and a greater familiarity with contemporary art, by the globalization of the art market with a lot of new important players involved (not only the Europeans and Japanese but also the Russians and Middle Easterners) and, finally, by the growing perception and social acceptance of the notion of art not only as a luxury good to be collected and appreciated but also as an investment²⁰.

As a final consequence, the prices started to be established based on the market logic and they stopped reflecting the artistic value coming from the long process of legitimacy among the experts. Nowadays, especially the works of art that appear for the first time in the market, are considered important and relevant when their prices are high; this means that their artistic quality is established based on their economic value and not vice versa.²¹ Anyway, without the evaluation given by the passing of time, these prices are constantly subject to speculations²².

1.1.2 The artwork's price

As just mentioned, in the last decade prices have stopped reflecting the artistic value established over the years. As a consequence, new elements started to be used to influence and determine them. Indeed, due to the specificity of the art objects and the subjectivity in their appreciation, prices cannot be set up only on the basis of the costs and time of realization²³.

Taking into consideration that the final price is always strictly linked with the buyer's propensity to pay, the starting point for its definition is the reputation of the seller; if

¹⁹ Poli, F., *Il sistema dell'arte contemporanea*, cit., p. 69.

²⁰ McCarthy, K., Ondaatje, E., Brooks, A. and Szántó, A., *A portrait of the visual arts*, cit., p. 67.

²¹ Thompson, D., *Lo squalo da 12 milioni di dollari la bizzarra e sorprendente economia dell'arte contemporanea*, cit., p. 253; Zorloni, A., and Trimarchi, M., *L'economia dell'arte contemporanea mercati, strategie e star system*, cit., p. 62; Velthuis, O. and Lind, M., 2012. *Contemporary art and its commercial markets*. Berlino: Sternberg Press, pp. 29-31.

²² McCarthy, K., Ondaatje, E., Brooks, A. and Szántó, A., *A portrait of the visual arts*, cit., p. 71.

²³ Thompson, D., *Lo squalo da 12 milioni di dollari la bizzarra e sorprendente economia dell'arte contemporanea*, cit., p. 269.

an artwork is sold by a brand gallery or a brand auction house, its price will be inevitably higher than the one sold by a lesser-known actor²⁴. In addition, the prestige of an artist is fundamental and the price for a brand artist's work can be incredibly high. Even the collectors' purchases and the museums' choices positively impact the economic value of an artwork. Indeed, brand collectors' decisions, as, for example, the ones made by Charles Saatchi, influence the market and can determine changes in prices²⁵. Furthermore, when an artwork is exposed in a museum, especially in a brand one, its economic value grows. Anyway, it is important to clarify that nowadays the museums' choices are bound to the dynamics of the market, and they have little to do with the process of artistic legitimacy typical of the past. Indeed, since museums have fewer and fewer resources to organize exhibitions and acquire artworks for their collections, they are obliged to accept help from the most powerful dealers and collectors, who donate or lend works and financially support the organization of exhibitions. Obviously, they take advantage of this situation to increase the notoriety of their own artists and influence their quotations.

In the end, also the place where the artwork is sold could influence its final price. New York is the centre of contemporary art and the artworks sold here reach the highest price²⁶. Anyway, in the last decade, due to the globalization of the art world, the impact of the sale location is reducing.

All the elements just analyzed are external to the work of art but, paradoxically, they play a more important role in the definition of its price than its internal elements. Nevertheless, it is possible to identify some components of the art object that can influence the final economic value: primary, the subject, the colour, and the technique used. An oil on canvas, for example, is more expensive than a drawing. In addition, the conservation status, the size, and the date of execution; an artwork realized by an artist in the early stage of its career is not evaluated as one realized in his mature phase.

²⁴ Ivi, p. 270.

²⁵ Zorloni, A., and Trimarchi, M., *L'economia dell'arte contemporanea mercati, strategie e star system*, cit., p.106.

²⁶ Poli, F., *Il sistema dell'arte contemporanea*, cit., p. 53.

In the end, also the quality and the uniqueness of a work impact its quotation: the more the number of copies is limited, the more the rarity parameter affects the value²⁷.

To conclude, in order to establish the price of a painting that enters for the first time in the market, the sellers often use a mathematical formula: the base and the high of the painting are summed and multiplied for a coefficient, between 1 and 10, assigned on the base of the artist's reputation²⁸.

1.1.3 The market segmentation

Starting now with the analysis of the inner structure of the contemporary art market and its complexities, it is first of all essential to speak about its segmentation into different sub-markets. Such division allows the actors to position themselves in a specific section of the market in order to develop and present a product with a competitive advantage.

In particular, it is possible to segment this business using multiple criteria: geographical (international, national, and local market), distributive (primary and secondary market), qualitative (photography, sculpture, paintings, video art, etc.), and based on the collectors' purchasing power (low, middle, or high-end market).

According to these principles of segmentation, the contemporary art market is horizontally divided into two different sub-markets and vertically into four.

Horizontal segmentation

The contemporary art industry, as the art market in general, is split into a primary and a secondary market.

The *primary market* is the one in which the works of art are sold for the first time, and it is composed of the artist studios, the art fairs, and the art galleries even if, more recently, also the auction houses began to be active in this portion of the market. Indeed, starting from the Sotheby's sale of 223 works by Damien Hirst in September

²⁷ Satchell, S., Roxburgh, D., Mueller, S., Johnstone, D., Belk, R., Horvitz, J., Campbell, R., Petterson, O., Williams, O., Rudd, A., Apt, A., Auld, J., Brown, A., Ashenfelter, O., Ashmore, D., Lalonde, R. and Barzilay, D., *Collectable investments for the high net worth investor*, cit., pp. 95-101.

²⁸ Zampetti Egidi, C., *Guida al mercato dell'arte moderna e contemporanea con le testimonianze dei maggiori protagonisti internazionali*, cit., pp. 42-43.

2008²⁹, it has become a common practice to present works never sold before during an auction sale.

This sub-market is the most innovative in terms of aesthetic values and trends and it is characterized by huge investments in the communication and promotion of emerging artists. At the same time, it is a highly risky market both for sellers and buyers because the prices are marked by huge uncertainty and possible fluctuations. However, it is important to make a distinction between the new works of emerging artists and the ones of established artists; indeed, the prices of the latter are less subject to possible fluctuation in the short term.

On the other side, the *secondary market* is the one in which all the resales of artworks take place. This segment is composed of auction houses and galleries that present again works of established or dead artists. In contrast with the primary market, in the secondary one, there is greater information on the artists and their artworks, and consequently, it appears more predictable and less risky.

Vertical segmentation

The contemporary art industry can be also vertically segmented based on the quality of the products offered, the price range, and the geographical dimension, into four sub-markets: the Classical Contemporary Art Market (also known as branded art market), the Avant-Garde Art Market, the Alternative Art Market, and the Junk Market³⁰.

The Classical Contemporary Art Market is a global market in which the works of historical contemporary artists, that have achieved the status of brands, are sold. It is a concentrated market with a lot of reputational barriers at the entrance. Consequently, it is controlled by a few brand galleries and auction houses that sell works of art to important collectors and institutions.

The Avant-Garde Market is composed of the works of the most highly quoted emerging artists that are starting to enter the secondary market. It is an international market controlled by a few important auction houses together with famous galleries located in the most relevant art centres and that participate in the most prestigious international art fairs.

²⁹ Velthuis, O. and Lind, M., *Contemporary art and its commercial markets*, cit., p. 21.

³⁰ Zorloni, A., and Trimarchi, M., *L'economia dell'arte contemporanea mercati, strategie e star system*, cit., p. 41.

The *Alternative Market* is a national market in which the works of traditional or emerging artists are presented. The galleries active in this market have the task to discover new trends and innovative artists and promote them in order to build their reputation and define their value. This sub-market addresses collectors with lower purchase power.

In the end, the *Junk Market* consists of paintings that are not considered legitimate art and whose function is essentially decorative. Here the commercial activity prevails over the aesthetic and cultural one³¹.

The vertical segmentation appears useful also to visualize and understand the pyramidal structure of the contemporary art market. Indeed, the base of the market is competitive, the entrance is free, and the supply is abundant, even if the quality of the objects sold is low. Moving up the quality of the works increases, but, at the same time, the reputational entry barriers and the costs grow and make the market more concentrated³².

1.1.4 The features of the market

Within the contemporary art market, it is even possible to identify some features that strongly define it and increase its structural complexities.

In particular, this market is characterized by a lack of transparency in prices, ownerships, and transactions. Indeed, in the galleries sector and in the private sales of the auction houses, the transactions and prices are confidential, and they are known only by the people who are involved in the negotiations. Publicly available price data are limited to public auction sales, even if some information, such as the reservation prices or the guarantee policies, often remain hidden. This market opacity, together with the lack of proper regulations, causes some issues. Firstly, there are a lot of market distortions. The galleries, for example, can manipulate the prices and change them depending on the client; often, they discount important collectors or museums that could increase the artist's reputation. Moreover, during the auctions, sometimes the collectors conspire with the dealers or with the auctioneer to push the price of an artist

³¹ Ivi, pp. 41-48.

³² Zorloni, A., 2005. Structure of the contemporary art market and the profile of Italian artists. *International Journal of Arts Management*, 8(1), pp. 61-65.

as high as possible. Another problem linked with the lack of transparency is the information asymmetry between the seller and the buyer. Usually, the potential buyer has not the competencies and the knowledge to evaluate the aesthetic and economic value of the artwork. Furthermore, the transactional costs to collect all the artistic information and price data, are very high. This highlights how crucial it is for any seller to foster trust among his clients, to make them more confident in the purchase.

Another characteristic of the market is its illiquidity. Indeed, people do not buy and sell artworks so frequently and the time lag between the decision to sell and the actual execution can be very wide.

Finally, this market has no entry barriers and so it is very fragmented and composed of many small organizations and firms. In addition, as already mentioned, it has a pyramidal structure with a lot of actors at the base and a few, powerful and brand subjects at the top. These latter control the entire market, dictate the prices and influence the artists' careers. Consequently, the art market appears as an oligopoly³³.

1.1.5 The actors

The complexities of this market are even linked with the multitude of different players active within it that constantly interact and influence each other. In particular, the supply side is composed of galleries or dealers, auction houses, and artists. Instead, the demand side is represented by private collectors, private foundations or corporate art collections, and public museums. Moreover, there are a lot of other subjects with the important role of intermediaries: the consultants and art advisors, the art fairs, the art funds, and the online platforms. Now, the roles of these players are going to be analyzed except for the art galleries which will be deeply explained in the following subchapters³⁴.

³³ Zorloni, A., and Trimarchi, M., *L'economia dell'arte contemporanea mercati, strategie e star system*, cit., pp. 57-63; Resch, M., *Management of art galleries: business models*, cit., pp. 69-73; Adam, G., *Big Bucks*, cit., pp. 162,167-169; Prieto-Rodriguez, J. and Vecco, M., 2021. Reading between the lines in the art market: Lack of transparency and price heterogeneity as an indicator of multiple equilibria. *Economic Modelling*, 102: 105587, p. 1.

³⁴ Cfr. pp. 31-48

The Auction Houses

The auction houses were born in the 18th century: Christie's was founded in 1744 whereas Sotheby's in 1766. Anyway, their power and influence started to increase in the eighties, in parallel with the growth in the demand and prices of the contemporary art³⁵. Nowadays, the Post-War and Contemporary art sales represent 55% of the total value and 56% of the volume of the Fine Art public auction sales³⁶ and, in 2021, their global turnover was \$6.7 billion³⁷.

The sector reflects the pyramidal structure of the art market; few important players dominate the market, with the top five auction houses (including Christie's, Sotheby's, and Philips) that accounted for more than half of the value of global public auction sales in 2021³⁸. All the other auction houses work in a national or local market and sell less expensive and prestigious works.

The role of the auction houses is to identify, evaluate and appraise works of art through their staff of specialists, and to stimulate the purchase using marketing techniques. The final goal is to match sellers and buyers within the auction process. In this context, their revenues derive both from the buyer's premium and the seller's commission.

In addition, it is important to highlight that the auction prices are publicly available; consequently, they are an important manifestation of the artist's value and bring more transparency to the market³⁹.

Recently the auction houses have also increased their private sales and they have started to present at the auction works of art never sold before. Obviously, this has hurt the art galleries that had to begin competing also against these powerful players⁴⁰.

³⁵ Poli, F., *Il sistema dell'arte contemporanea*, cit., p. 79.

³⁶ McAndrew, C., 2021. *The Art Market 2021: An Art Basel & UBS Report*. Art Basel, UBS. An online publication. Available online at: https://d2u3kfw92fzu7.cloudfront.net/The-Art-Market_2021.pdf (accessed on 16 February 2022), p. 137.

³⁷ McAndrew, C., 2022. *The Art Market 2022: An Art Basel & UBS Report*. Art Basel, UBS. An online publication. Available online at: <https://d2u3kfw92fzu7.cloudfront.net/Art%20Market%202022.pdf> (accessed on 27 April 2022), pp. 161-162.

³⁸ Ivi, p. 126.

³⁹ Resch, M., *Management of art galleries: business models*, cit., p. 49.

⁴⁰ Thompson, D., *Lo squalo da 12 milioni di dollari la bizzarra e sorprendente economia dell'arte contemporanea*, cit., pp. 222-239.

The Artists

Nowadays, a lot of people define themselves as artists but, as underlined by the famous quote by Walter Sickert, someone can be considered a real artist only if the following ones are inherently forced to consider his work.⁴¹

It is possible to segment the artists into different categories based on their success. *The superstar artists* are the most famous and well-known. They are represented by the most powerful galleries and their works are exposed in important museums and collections and sold during prestigious auctions. Thanks to marketing and promotional strategies they have become a brand, and their works are now clearly recognizable⁴². By referring to the Artist Ranking proposed by *Artfacts*⁴³ examples of brand artists are Bruce Nauman, Francis Alys, Olafur Eliasson, Anselm Kiefer, Marina Abramovic, Nan Goldin, and Damien Hirst. *The Mature/Emerging and Successful Artists* have an internationally recognized reputation and stable sales records, but they have not already reached the status of the brand. Then, there are the *High Street Artists*: they have a respected reputation at the local or regional level and a small secondary market. Often, they have a second job since the sales of the artworks do not provide them with enough income. *The Vanity Artists* have a little reputation and do not have a secondary market. Moreover, the sales provide them with very little income. In the end, the *Poor Dogs* are completely out of the market: they have no reputation, no income through art and they are searching for a representation⁴⁴.

Even in this case, there is a pyramidal situation; indeed, only a small percentage of artists achieve the status of brand whereas the majority continue to be represented by less important galleries throughout their entire career and integrate their incomes teaching or writing for some art magazine⁴⁵.

Obviously, the final goal of every artist is to become a superstar but, nowadays, the creativity and originality of their works are not enough to reach success. In an art world dominated by brand artists, brand galleries, brand auction houses, brand collectors, and

⁴¹ Ivi, p. 76.

⁴² Zampetti Egidi, C., *Guida al mercato dell'arte moderna e contemporanea con le testimonianze dei maggiori protagonisti internazionali*, cit., p. 54.

⁴³ https://artfacts.net/lists/global_top_100_artists (Accessed on 10 May).

⁴⁴ Resch, M., *Management of art galleries: business models*, cit., p. 60.

⁴⁵ Thompson, D., *Lo squalo da 12 milioni di dollari la bizzarra e sorprendente economia dell'arte contemporanea*, cit., p. 82.

brand museums, the personality of the artist together with his ability to create a network among the most influential actors, also at the international level, is becoming increasingly essential. Moreover, to reach fame and become a brand, the artist needs to be represented by a big gallery that has the resources to promote him more widely, finance the scale of its ambition, and organize international shows. Consequently, it is becoming a commonplace for the artists to leave the less known and smaller galleries which supported them at the beginning of their careers, for more powerful and international ones⁴⁶.

The Private Collectors

Private art collectors are the largest group of art collectors. They can be distinguished in small - medium and big collectors. The first ones acquire less expensive artworks, and their choices can be both conservative and innovative. Instead, the big collectors have a huge purchase power, and they influence the market with their acquisitions. Moreover, the most important ones (the brand collectors), have the authority to create brands and legitimate the artists' works⁴⁷. The clearest example is the collector Charles Saatchi: he is considered one of the most influential personalities in the international art world and when an artist is included in his collection, his reputation and quotations significantly increase⁴⁸. Often these collectors open their own museum or foundation to expose and make accessible their collection, manifest their social status, and also obtain tax relief⁴⁹.

There are different motives for collecting art. The first one is linked with cultural interest and aesthetic needs. Then, some people collect also for decorative purposes and to create a pleasant atmosphere in their houses. Another motive considers art as a form of investment to differentiate the portfolio and obtain profits. In the end, art is seen by collectors as a status symbol to demonstrate their prestige. Even if, all these

⁴⁶ Adam, G., *Big Bucks*, cit., p. 79.

⁴⁷ Zampetti Egidi, C., *Guida al mercato dell'arte moderna e contemporanea con le testimonianze dei maggiori protagonisti internazionali*, cit., pp. 74; Zorloni, A., and Trimarchi, M., *L'economia dell'arte contemporanea mercati, strategie e star system*, cit., p. 146.

⁴⁸ Thompson, D., *Lo squalo da 12 milioni di dollari la bizzarra e sorprendente economia dell'arte contemporanea*, cit., p. 118.

⁴⁹ Resch, M., *Management of art galleries: business models*, cit., p. 66.

motives are usually present in different percentages in the purchase choices⁵⁰, it is possible to segment collectors into distinct categories based on their motivation in acquiring art. *The art lover* buys because he is passionate about art and to extend his collection. *The one-time buyer* acquires art to demonstrate his social status and for decorative purposes: he does not establish a lasting relationship with the gallery and often he attends the auctions. Then, there is *the dealer or professional* who buys art to resell or on behalf of a client. In the end, *the investor/speculator* considers art only as a form of alternative investment⁵¹. However, this is the smallest group among the buyers, and it has not an essential role in the market⁵².

To conclude, it is important to highlight that nowadays the number of collectors is increasing because of the general growth of wealthy people. Indeed, as shown by the figures below (Fig. 1.1, Fig. 1.2), both the number of millionaires and the one of billionaires have risen in the last years.

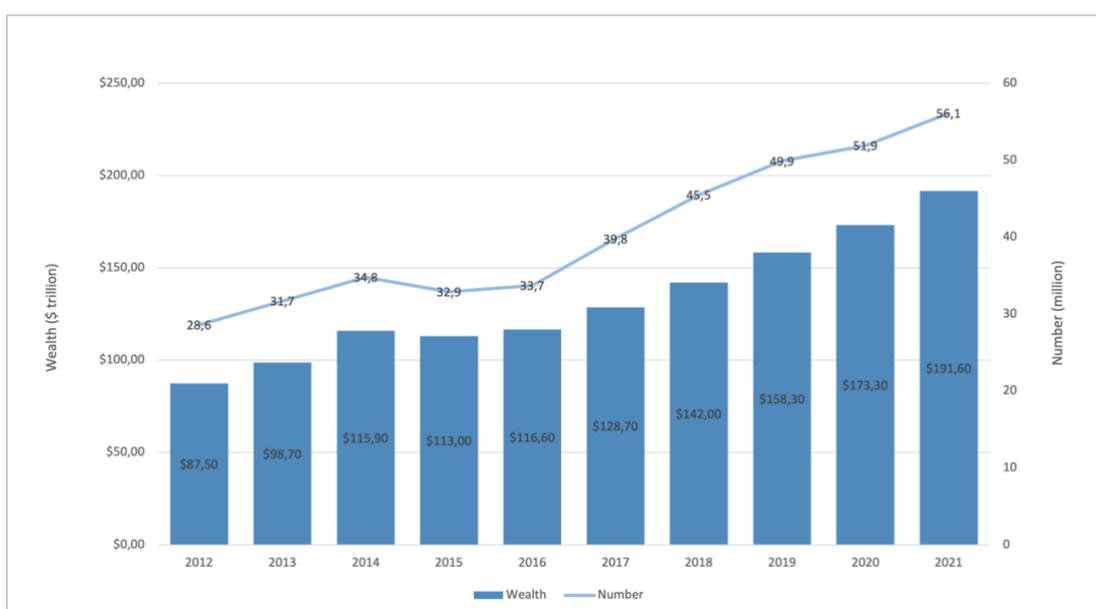


Figure 1.1 | Number and Wealth of Dollar Millionaires 2020-2021. © The Art Market Report 2022

⁵⁰ Zorloni, A., and Trimarchi, M., *L'economia dell'arte contemporanea mercati, strategie e star system*, cit., p. 124.

⁵¹ Resch, M., *Management of art galleries*, cit., p. 32.

⁵² Satchell, S., Roxburgh, D., Mueller, S., Johnstone, D., Belk, R., Horvitz, J., Campbell, R., Petterson, O., Williams, O., Rudd, A., Apt, A., Auld, J., Brown, A., Ashenfelter, O., Ashmore, D., Lalonde, R. and Barzilay, D., *Collectable investments for the high net worth investor*, cit., p. 107.

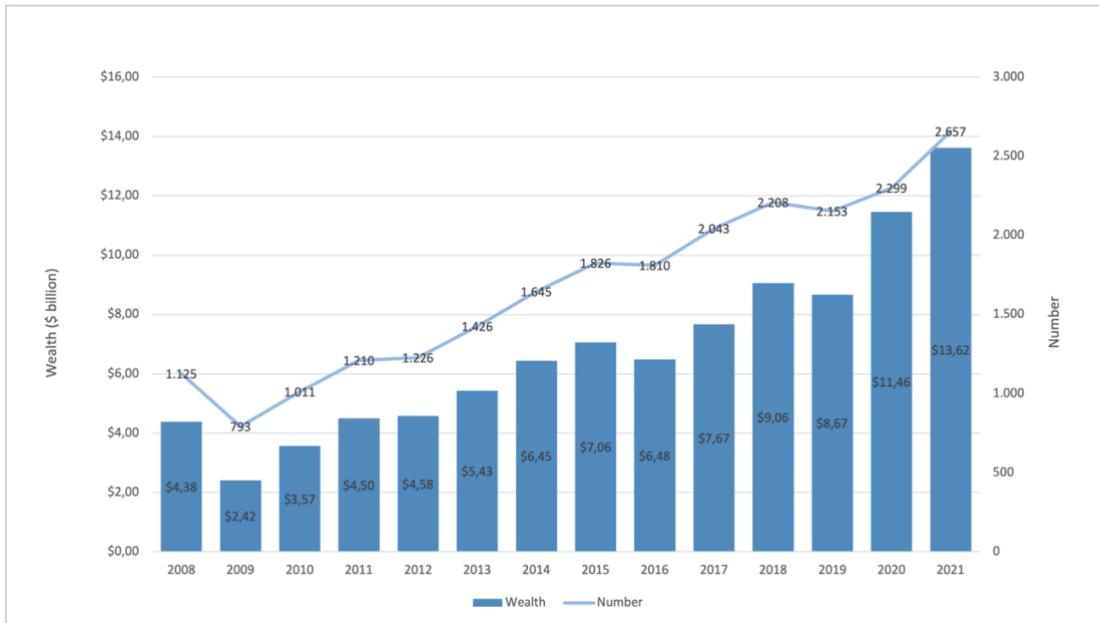


Figure 1.2 | Number and Wealth of Billionaires 2008-2021. © The Art Market Report 2022

In particular, at the beginning of 2021, the millionaires were 56.1 million (1% of the world’s population) and, with a combined wealth of \$191.6 trillion, they own 46% of the world’s wealth⁵³. Moreover, as reported by *Forbes World’s Billionaires*⁵⁴ lists, at the end of last year, there were 2.657 billionaires with a total wealth of \$13.6 trillion⁵⁵. Obviously, this exponential growth has a positive impact on the art world since nowadays there are more people with adequate purchase power to collect art. Finally, another interesting data is the growth of the under 50 billionaires who account for 14% in 2021⁵⁶. This rise has also an impact on the average age of art collectors leading to an increase in the number of young buyers. Indeed, as shown by the collector sample surveyed by *The Art Market Report 2022*, most of the art buyers are millennials (52%) or members of Gen X (35%), with an average age of 39 years⁵⁷.

⁵³ McAndrew, C., *The Art Market 2022: An Art Basel & UBS Report*, cit., pp. 195-196.

⁵⁴ <https://www.forbes.com/billionaires/> (Accessed on 15 May 2022).

⁵⁵ McAndrew, C., 2022. *The Art Market 2022: An Art Basel & UBS Report*, cit., pp. 199.

⁵⁶ Ivi, p. 202.

⁵⁷ Ivi, p. 209.

The Corporate Art Collections

In addition to the private collectors, a lot of bank institutions and enterprises regularly acquire art. In particular, the Corporate Art Collections developed in the seventies in the United States and were useful to increase the general interest in contemporary art. Nowadays, a lot of companies not only collect art but also organize exhibitions, promote and support cultural initiatives and make their collections accessible to the public through the creation of cultural foundations, as done for example by the Fondation Louis Vuitton and Fondazione Prada. In particular, their final goal is to promote the image of the company and increase its prestige; moreover, the acquisition of works of art can be also considered as an alternative investment to differentiate the portfolio of the enterprise⁵⁸.

Some of the most important and prestigious Art Corporate Collections at the international level are the UBS Art Collection, JPMorgan Chase Art Collection and Deutsche Bank Collection⁵⁹.

The Museums

The art museums are the last category of possible buyers in the contemporary art market. With their acquisitions, they give legitimacy to an artist, and they influence his quotation and reputation. Indeed, the final goal of every artist is to be displayed in important and brand museums (such as the Museum of Modern Art in New York, the Tate Modern in London, the Neue Nationalgalerie in Berlin, the Guggenheim Museum in Bilbao and the Guggenheim Museum in New York) and to become part of their collections. Nevertheless, it is important to underline that nowadays the museums' acquisitions are not released from the logic of the market. Indeed, really often they do not have enough resources to compete for artworks at the top-end of the market or to organize important exhibitions and hence they need the support of powerful galleries or collectors. These latter donate artworks to museums, or sell them at affordable prices; in addition, they loan some works for temporary exhibitions and often cover

⁵⁸ Zorloni, A., and Trimarchi, M., *L'economia dell'arte contemporanea mercati, strategie e star system*, cit., pp.149-151; Poli, F., *Il sistema dell'arte contemporanea*, cit., pp. 108-111.

⁵⁹ 2018. *Corporate Art Collections. Quando a collezionare è l'impresa*. Art Rights. Available online at: <https://www.artrights.me/corporate-art-collections/> (Accessed on 27 April 2022).

the costs for their realization. Therefore, the museums' choices are not free from the influence of the most powerful actors of the market⁶⁰.

The Consultants and Art Advisors

These professional figures have become widespread in the last decades as a consequence of the increase in the number of wealthy people and the growth of their interest in collecting art. These people do not have time to run around a globalized art world and, especially the youngest, do have not enough knowledge and competencies to move in this challenging and closed world. Consequently, they delegate the buying to a trusted consultant. He can be a private consultant or work for specialized companies (for example The Fine Art Group⁶¹) or other institutions such as insurance companies, professional services firms (Deloitte for example offers art and finance services), or investment banks. In this latter case, the art advisory services are generally linked with private banking, a sector that offers specialized financial services to high-net-worth individuals. Nowadays, all the most important banking companies, such as J.P. Morgan & Co, UBS and Citi Private Bank, offer these kinds of services.

The consultant is an expert in the sector, and he has a large network of contacts. His task is to help collectors to locate, assess, value, and negotiate the purchases; moreover, he can be involved in the overseeing, the conservation, the cataloguing, the framing, and the hanging of his clients' artworks⁶². Generally, he receives 10% of the purchase price from his clients or he works on a retainer⁶³.

⁶⁰ Thompson, D., *Lo squalo da 12 milioni di dollari la bizzarra e sorprendente economia dell'arte contemporanea*, cit., pp. 303-318; Satchell, S., Roxburgh, D., Mueller, S., Johnstone, D., Belk, R., Horvitz, J., Campbell, R., Petterson, O., Williams, O., Rudd, A., Apt, A., Auld, J., Brown, A., Ashenfelter, O., Ashmore, D., Lalonde, R. and Barzilay, D., *Collectable investments for the high net worth investor*, cit., pp. 103-104.

⁶¹ <https://www.fineartgroup.com> (Accessed on 14 May 2022).

⁶² Satchell, S., Roxburgh, D., Mueller, S., Johnstone, D., Belk, R., Horvitz, J., Campbell, R., Petterson, O., Williams, O., Rudd, A., Apt, A., Auld, J., Brown, A., Ashenfelter, O., Ashmore, D., Lalonde, R. and Barzilay, D., *Collectable investments for the high net worth investor*, cit., pp. 108-109.

⁶³ Zampetti Egidì, C., *Guida al mercato dell'arte moderna e contemporanea con le testimonianze dei maggiori protagonisti internazionali*, cit., pp. 95-101; Adam, G., *Big Bucks*, cit., pp. 92-96.

The Art Fairs

The art fairs are a meeting place where dealers set up booths for a short period of time (usually 4-5 days) to display art to collectors, institutional buyers, and the press⁶⁴. During the first opening hours, access is allowed only to the most important collectors with a VIP pass, then the fair is opened to the public. Even if they exist since the 15th century, the first example of a contemporary art fair was *Art Cologne*, founded in 1967. In the following years, their number experienced an extraordinary increase and now there are hundreds of art fairs all over the world. This growth is explained by the fact that they are seen as a means to fight the excessive power of the auction houses. Indeed, because they happen at fixed dates and only for a few days, they are able to emulate the “now-or-never” atmosphere of the auctions; moreover, they also imitate the international reach of the auction houses⁶⁵.

For a gallery it is essential to attend the art fairs: here it can promote its artists, find new ones, and connect with new collectors. Moreover, the sales during the fairs usually represent an important percentage of the annual turnover; in particular, in 2019, before the huge decline due to the Covid-19 pandemic, they accounted for 43% of the total sales made by galleries⁶⁶.

They are even really appreciated by the collectors for the time and cost-saving since in the same place and moment, they can look for, compare, and buy works presented by different galleries.

Nevertheless, it cannot be forgotten the huge investments, in terms of money and time, needed to attend them. In addition to the entry fee, the galleries must pay for the booth, whose price changes in proportion to its dimension, as well as for the shipping, the artworks' insurance, the travel and the room and board.

To conclude, if the local and national art fairs have accessible costs, the ones of the international brand fairs (Art Basel, Art Basel Miami, TEFAF Maastricht, ARCOmadrid, FRIEZE London etc.) make it harder for the small and middle-sized

⁶⁴ Resch, M., *Management of art galleries: business models*, cit., p. 57.

⁶⁵ Adam, G., *Big Bucks*, cit., pp. 103-104.

⁶⁶ McAndrew, C., *The Art Market 2022: An Art Basel & UBS Report*, cit., p. 89.

galleries to participate. Nonetheless, the attendance at these prestigious fairs increases the galleries' reputation and consecrates them in the art market⁶⁷.

The Art Funds

The purchase of artworks can be considered an important component of an investment strategy to differentiate the portfolio. Nevertheless, the investment in art is highly risky: indeed, in a market characterized by a lack of transparency and regulations, the prices are constantly subject to speculation. Moreover, art is also an illiquid investment.

An individual that decides to invest in the art can directly buy an artwork or he can participate in an art fund. They are financial products specialized in the acquisition of works of art and they operate similarly to the investment funds.

There are long-term (10 years) funds with a diversification over the entire period of the art history or short-term funds (5 years) that are more focused on the contemporary time. Generally, HNWI and institutions participate in the fund and pay a subscription. Then, the fund managers set up the art collection and start to promote it; when the period of lock-in finishes, the works are reintroduced into the market and, after the payment of managerial and administrating costs, the final profits are distributed among the investors. The benefits provided by these funds are, for example, the possibility to distribute the risks, the decrease in transactional costs and in the costs to manage the collection and the support of an expert in the purchase decisions. Nevertheless, even if the first art funds (*La Peau de l'Ours* and the *British Rail Pension Fund*) were very successful, most of them fail to reach the expected profits. Indeed, this form of investment presents some problems such as the absence of a common regulation, the lack of transparency, the high operating costs, the possibility of conflicts of interest and the fact that huge capitals are locked-up for a long time⁶⁸.

⁶⁷ Thompson, D., *Lo squalo da 12 milioni di dollari la bizzarra e sorprendente economia dell'arte contemporanea*, cit., pp. 240-251; Zampetti Egidi, C., *Guida al mercato dell'arte moderna e contemporanea con le testimonianze dei maggiori protagonisti internazionali*, cit., pp. 71-73; Zorloni, A., and Trimarchi, M., *L'economia dell'arte contemporanea mercati, strategie e star system*, cit., pp. 51-54.

⁶⁸ Zampetti Egidi, C., *Guida al mercato dell'arte moderna e contemporanea con le testimonianze dei maggiori protagonisti internazionali*, cit., pp. 109-115; Zorloni, A., and Trimarchi, M., *L'economia dell'arte contemporanea mercati, strategie e star system*, cit., pp. 175-180.

Recent examples of art found are the Fine Art Fund I and II, launched by The Fine Art Group⁶⁹ starting from 2001, the In Art Fund⁷⁰, a Luxembourg based investment fund focused on Post-War and Contemporary artists and the Middle Eastern Fine Art Fund that targets modern and contemporary artwork across the Middle East.

The Online Platforms

With the huge development of the internet in the last decades, the role of online art platforms has become essential.

It is possible to distinguish between two different typologies of platforms: the database and marketing analytics platforms and the e-commerce platforms. The firsts provide analysis of the art market (often in the form of art reports), rankings of artists, data about the auction sales and art indices. Following the example of Gerald Reitlinger who, during the 1960s collected for the first time data on the art trade and published them in three volumes⁷¹, a lot of platforms have been opened starting from the dot.com revolution in the 1990s to make data about art sales available online. Their final goal is to make the market more transparent by providing accessible information on art prices and artists' value and giving the possibility for systematic research into price histories. However, even if some of them allow open and free access to all sorts of information, often the data are available only to subscribers⁷². Examples of these platforms are Artnet⁷³, a leading online resource for the international art market founded in 1989 that provides both price database and analytics reports; ArtTactic⁷⁴, launched in 2001 that is a pioneer in art market data and analytics and whose research (primarily accessible through their reports) covers a wide range of global art markets and industries; Artfacts⁷⁵, that since 2001 collects data on the primary art market worldwide to develop its unique and famous ranking systems.

⁶⁹ <https://www.fineartgroup.com/services/investment/> (Accessed on 14 May 2022).

⁷⁰ <http://inartfund.lu> (Accessed on 24 May 2022).

⁷¹ Reitlinger, G., 1982. *The economics of taste. The rise and fall in picture prices 1760-1960*. 3rd ed., 3 vols. New York: Hacker Art Books.

⁷² Arora, P. and Vermeulen, F., 2013. Art markets. In: R. Towse and C. Hanke, ed., *Handbook of the Digital Creative Economy Cultural Economics*. Cheltenham: Edward Elgar Pub. pp. 4-5.

⁷³ <http://www.artnet.com> (Accessed on 22 April 2022).

⁷⁴ <https://arttactic.com> (Accessed on 22 April 2022).

⁷⁵ <https://artfacts.net> (Accessed on 22 April 2022).

Finally, the second category of online art platforms includes both online-offline companies and only-online companies whose e-commerce channels fall into one of the following groups: online 1st party retailers, online retail marketplace platforms, online auction platforms and online auction aggregators. In the last years, their use is growing dramatically⁷⁶, and their evolution and functions will be deeply explained in the following chapter⁷⁷.

1.1.6 The volume and value of the market

As already mentioned, starting from the eighties there was an increase in the demand and prices of contemporary art. This evolution was primarily caused by the expansion of the global wealth, and its spread across many new countries (including many of the developing economies⁷⁸) and by the globalization of taste. In addition to the Americans, Europeans and Japanese, a lot of newly wealthy people from China, Russia, the Middle East, India, Brazil and so on, started to be interested in contemporary art both as a form of investment and a status symbol, and this led to a growth of the demand. The most important auction houses and galleries, therefore, began to open their branches in these locations and new international art centres were born (even if New York and London still remain the main protagonists of the contemporary art scene)⁷⁹. At the same time, since similar artworks began to be sold all over around the world, a homogenization of taste occurred, and this obviously brought to an extraordinary increase in the quotations of the few top - artists⁸⁰. Moreover, also the development of the art fairs and the influence acquired by the auction houses were essential in this process of globalization and in the following expansion of the market.

⁷⁶ Zampetti Egidi, C., *Guida al mercato dell'arte moderna e contemporanea con le testimonianze dei maggiori protagonisti internazionali*, cit., pp. 127-132.

⁷⁷ Cfr. p. 49.

⁷⁸ Satchell, S., Roxburgh, D., Mueller, S., Johnstone, D., Belk, R., Horvitz, J., Campbell, R., Petterson, O., Williams, O., Rudd, A., Apt, A., Auld, J., Brown, A., Ashenfelter, O., Ashmore, D., Lalonde, R. and Barzilay, D., *Collectable investments for the high net worth investor*, cit., p. 90.

⁷⁹ Zampetti Egidi, C., *Guida al mercato dell'arte moderna e contemporanea con le testimonianze dei maggiori protagonisti internazionali*, cit., p. 18; McCarthy, K., Ondaatje, E., Brooks, A. and Szántó, A., *A portrait of the visual arts*, cit., p. 67.

⁸⁰ Adam, G., *Big Bucks*, cit., p. 52.

Anyway, because of the lack of transparency that characterizes the sector, the only data available to evaluate the value and volume of the contemporary art market and its development in the last decades, are the outcomes of the public auctions.

These data show how, at the beginning of this century, Modern Art generated the highest turnover and represented 45% of the total art sales. On the contrary, Post-War art was 8% and Contemporary art only 3% of the total turnover. Nevertheless, starting from 2003 this segment of the market began to speedily increase, and it achieved incredible results⁸¹. The sales boomed up in 2007 reaching \$4.8 billion (44% of the value of the fine art auction market⁸²). However, this rapid growth also drew the interest of more speculative buyers, and this led to a huge decrease during the 2009 financial crisis. The sales contracted by 58% in two years, declining to \$2.0 billion in 2009. In addition, the prices and the supply of high-quality works fell⁸³. Despite this large decline, starting from 2010, there was a rapid recovery, up to the peak of \$7.9 billion in 2014⁸⁴; this improvement was primarily caused by the boom in the Chinese market⁸⁵. In the following years, the performance of the sector has been mixed and a drop in value of 10% occurred in 2019. This year was characterized by geopolitical tensions, trade conflicts between the US and China, political and social tensions in Hong Kong and the difficult rollout of Brexit in the UK⁸⁶. All these factors created an atmosphere of uncertainty that was significantly amplified in 2020 because of the Covid-19 pandemic and the multiple lockdowns that shut down events, in addition to political issues and economic volatility⁸⁷. This brought to the second year of decline and the final turnover in 2020 was \$4.7 billion, even if it is still more than double the previous recession in 2009⁸⁸. However, in the light of the general art market recovery,

⁸¹ Zampetti Egidi, C., *Guida al mercato dell'arte moderna e contemporanea con le testimonianze dei maggiori protagonisti internazionali*, cit., pp. 15-18.

⁸² McAndrew, C., 2018. *The Art Market 2018: An Art Basel & UBS Report*. Art Basel, UBS. An online publication. Available online at: https://d2u3kfw92fzu7.cloudfront.net/Art%20Basel%20and%20UBS_The%20Art%20Market_2018-1.pdf (accessed on 12 February 2022), p. 127.

⁸³ Ivi, p. 130.

⁸⁴ McAndrew, C., *The Art Market 2021: An Art Basel & UBS Report*, cit., p. 136.

⁸⁵ Ivi, p. 30.

⁸⁶ McAndrew, C., 2020. *The Art Market 2020: An Art Basel & UBS Report*. Art Basel, UBS. An online publication. Available online at: https://d2u3kfw92fzu7.cloudfront.net/The_Art_Market_2020-1.pdf (accessed on 14 February 2022), p. 31.

⁸⁷ McAndrew, C., *The Art Market 2021: An Art Basel & UBS Report*, cit., p. 30.

⁸⁸ Ivi, pp. 137-138.

in 2021 the Post-War and Contemporary Art Sector returned closed to 2018 levels, with a total turnover of \$6.7 billion (Fig. 1.3).

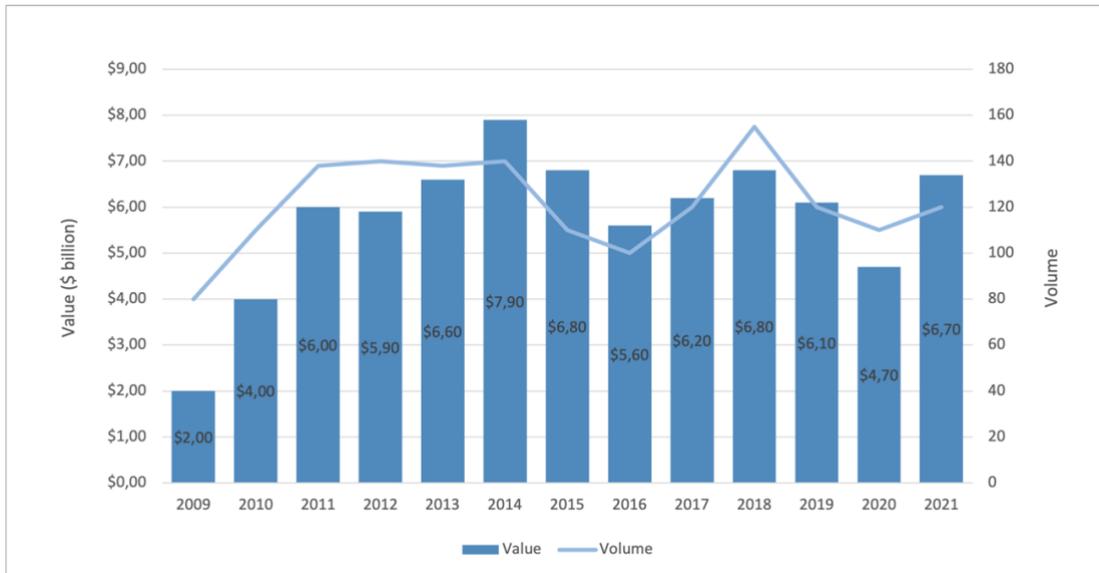


Figure 1.3 | The Post-War and Contemporary Art Sector 2009-2021. © The Art Market Report 2022

To conclude, the incredible increase over the last two decades has led Post-War and Contemporary art to become the largest sector of the market and nowadays it represents 55% of the value and 56% of the volume of Fine Art auction sales. The US is still the leading market, followed by China and UK; together, they account for 84% of the value of sales and 38% of their volume⁸⁹ (Fig. 1.4).

⁸⁹ McAndrew, C., *The Art Market 2022: An Art Basel & UBS Report*, cit., pp. 161-162.

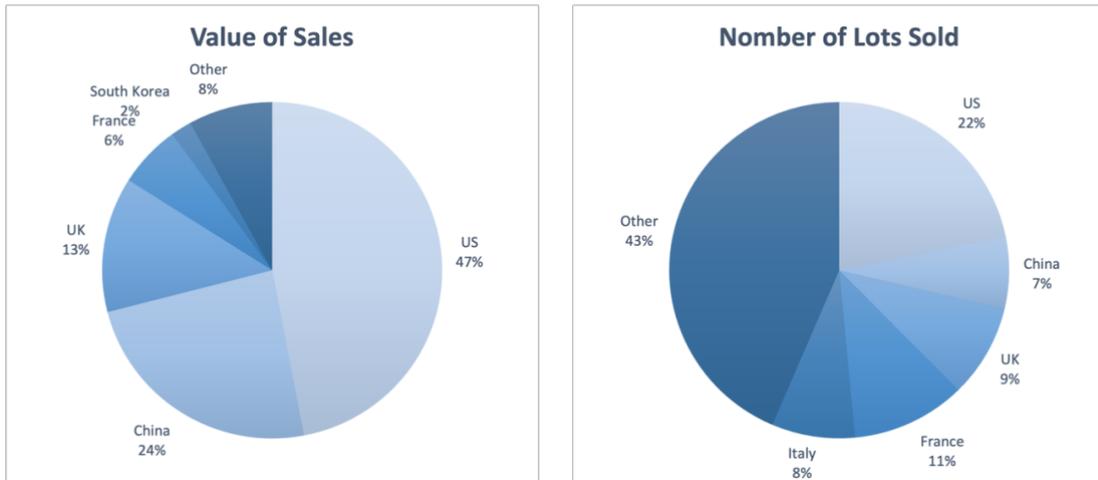


Figure 1.4 | Market Share of the Post-War and Contemporary Sector in 2021. © The Art Market Report 2022

1.2 The contemporary art galleries

The incredible growth of the Post-War and Contemporary art market in the last decades is clearly related also to the development of the figure of the contemporary art gallerist who started acquiring a leading role in the market at the end of the 19th century.

Since that moment they have always been key players in the art market, influencing its dynamics and hastening its progression.

1.2.1 History and evolution of contemporary art galleries

The contemporary art galleries as we know them today were born in France at the end of the 19th century on the thrust of the Impressionist revolution.

At the time, the art system was strictly controlled by the Academy of Fine Art which evaluated the artists on the basis of fixed aesthetic canons and promoted them by holding regular exhibitions, called *Salon* in France. Moreover, the artists were not allowed to sell artworks in their private studios, but the sales could take place exclusively during the Academy exhibitions or through specialized dealers. Obviously, only the artists that followed the established artistic canons could expose here their works.

The Impressionists particularly struggled to be accepted in the *Salon* and, in response, they started to independently organize their solo or group exhibitions. In 1884 the first

alternative salon (*Salon des Indépendants*), without jury and prizes, was arranged by the *Société des Artistes Indépendants* and it was the prototype for all the following European independent exhibitions. Moreover, in an academic system that did not reward innovation, the Impressionists had the intelligence to blend their unique aesthetic with a new commercial and critical system that could support their creativity; in this way, they were able to dominate the art of the 20th century⁹⁰. In particular, from a commercial point of view, they achieved success thanks to the establishment and growth in importance of new commercial art galleries that started to play a crucial role in the artists' promotion and enhancement. Indeed, the galleries owners were no more only focused, as in the past, on the purchases and resales, but began to be actively involved in the representation of their artists, driven by the wish to spread a new aesthetic⁹¹.

As highlighted by Francesco Poli in *Il sistema dell'arte contemporanea*⁹², Paul Duran Ruel can be considered the prototype of the new art dealer and a point of reference in the art sector. He began his career working in his father's gallery of which he became the owner in 1862. His relationship with the Impressionists started in London in 1870 when he organized an exhibition with the works by Monet and Pissarro. Moreover, in 1886 he arranged the first Impressionist show in New York and opened a new branch in the American city.

He introduced several innovations in the sector that were essential for the rising of the new contemporary art galleries. Firstly, he was interested in the enhancement of a new painting movement and new artists that did not yet have a market. Secondly, he developed an innovative commercial strategy to control and impose his artists' quotations: indeed, he tried to buy the artists' works in bulk and stipulate contracts (even if only through oral agreements) with them in order to have a monopoly over their artistic productions. Furthermore, he started organizing collective and solo exhibitions both in his gallery and in other spaces in the most important art centres. In the end, he opened new branches abroad and he understood the importance of the

⁹⁰ Poli, F., *Il sistema dell'arte contemporanea*, cit., p. 3-8; Wijnberg, N. and Gemser, G., *Adding Value to Innovation: Impressionism and the Transformation of the Selection System in Visual Arts*, cit., pp. 325-326.

⁹¹ Ivi, p. 326; Adam, G., *Big Bucks*, cit., p. 50.

⁹² Poli, F., *Il sistema dell'arte contemporanea*, cit., pp. 8-9.

critical enhancement of his artists; for this reason, he developed good relationships with the art critics, and he also founded his own magazines, such as *Revue Internationale de l'Art et de Curiosité* (1869) and the *Art dans les deux mondes* (1890-91)⁹³.

The other two key figures in the development of the contemporary art dealer were Ambroise Vollard and Daniel Henry Kahnweiler. Vollard organized the first solo exhibitions of Picasso, Cézanne, Matisse, Gauguin, and Van Gogh and he was the main merchant of Cézanne and Gauguin. Similarly to Paul Duran Ruel, he promoted unknown artists, arranged shows in the US and published catalogues with his artists' works. He was also aware of the necessity to act on his artists' image to sell better their artworks. However, unlike Duran Ruel, he never drew up contracts with the artists⁹⁴.

On the other hand, Kahnweiler was the dealer of Cubism; he inaugurated his gallery in Paris in 1907 and immediately started supporting innovative artists such as Picasso, Derain, and Braque. He strengthened Duran Ruel's strategy through the constant use of written exclusive contracts and the reinforcement of his monopolistic position. In this way, he could better control the commercial transactions. Moreover, he established strong relationships and partnerships with foreign collectors, critics, and dealers to widen the international fame of his artists, whose works were exhibited all over around Europe and in the US. He was also actively involved in the critical enhancement of his artists; he worked together with eminent critics such as Apollinaire, Max Jacob and André Salmon, and he wrote a book on Cubism too. In the end, he set up a photographic archive to document the artworks exposed in his gallery and to simplify their promotion through newspapers, magazines, and catalogues⁹⁵.

Finally, in this process of evolution, another crucial figure was Joseph Henry Duveen who operated between London, Paris, and New York. Even if he was exclusively interested in Old Masters and already established artists, he was the first to understand his clients' desire for social acceptance. Consequently, he began to promote the

⁹³ *Ibidem*.

⁹⁴ Ivi, pp. 10-11; Thompson, D., *Lo squalo da 12 milioni di dollari la bizzarra e sorprendente economia dell'arte contemporanea*, cit., pp. 44-45.

⁹⁵ Poli, F., *Il sistema dell'arte contemporanea*, cit., pp. 11-12.

purchase of the artworks as a manifestation of social and cultural prestige⁹⁶ as most of the contemporary galleries' owners do now.

The heir of all these influential merchants was Leo Castelli who is still considered the most relevant gallerist in the contemporary art world. He was born in 1907 and he launched his gallery in New York in 1957. Here he started to discover and support innovative artists (Robert Rauschenberg, Jasper Johns, Frank Stella etc.) and trends (Pop Art, Minimal Art, Process Art, Conceptual Art and Performance Art) that achieved a leading role in the following years. Then, he strongly contributed to the success of New York as the new international contemporary art centre.

He established positive and durable relationships with museum directors and influential collectors, and he also designed a network of friendly partnerships with other galleries in the US, Europe, and Japan. Indeed, he wanted to expose as much as possible his artists' works to make them more recognizable and increase their reputation. Thanks to these strategies and his ability in the discovery of new artists, he was able to create a brand around his gallery that increased his reliability and the value of the works sold. His prestige is even testified by the fact that, after a purchase, his collectors always said to have acquired "a Castelli"⁹⁷.

Speaking about his relationships with artists, Edward Winkleman describes Castelli's strategy as follows:

In a nutshell, Mr Castelli's model was to discover the best artists he could, nurture their careers, carefully guide their markets (especially by not pushing their prices too high too quickly), all with the intention of growing old and successful together in a mutually agreeable partnership. The specifics of this model include taking work on consignment (rather than buying it and reselling it, as retailers do in most other industries) and paying artists a percentage of any sales, typically in a 50/50 split; "representing" the artist such that they were expected to only sell through the gallery in return for sustained promotion and regularly scheduled exhibitions; and managing many of the more mundane aspects of their career, including handling logistics for museum or other gallery exhibitions, archiving their press and images of their work, and many other tasks artists would rather someone else free them from doing so they can focus on creating their work⁹⁸.

⁹⁶ Thompson, D., *Lo squalo da 12 milioni di dollari la bizzarra e sorprendente economia dell'arte contemporanea*, cit., pp. 43-44.

⁹⁷ Poli, F., *Il sistema dell'arte contemporanea*, cit., pp. 72-73; Thompson, D., *Lo squalo da 12 milioni di dollari la bizzarra e sorprendente economia dell'arte contemporanea*, cit., pp. 45-47.

⁹⁸ Winkleman, E., 2017. *Selling Contemporary Art: How to Navigate the Evolving Market*. New York: Skyhorse Publishing, pp. 64-78.

Leo Castelli didn't fulfil only the economic role of networker, accountant, logistics coordinator, and salesman but he was also a motivator, a moral supporter, and a friend to his artists.

Furthermore, by virtue of his prestige, he raised the sales commission to 50% from the previous standard of 33%. Nevertheless, he also developed a new practice based on the payment of a fixed monthly stipend to his artists. In this way, they didn't have to worry about their sustenance and could be completely focused on their artistic production.

In the end, it is possible to affirm that Leo Castelli was one of the rare examples of a contemporary gallerist who was able to be both economically successful and art historically vital. Indeed, especially the brand art galleries nowadays seem to be mostly focused only on the commercial side of their business⁹⁹.

1.2.2 Galleries' roles, functions, and tasks

The contemporary art galleries have a central role in the market; they firstly serve as a gatekeeper since they decide which artists will be exposed and who will not¹⁰⁰. Furthermore, their function is not limited to being an intermediary between the artist and the buyer, but they actively promote, sponsor and support their artists to increase their reputation and establish their value¹⁰¹. Consequently, they have both an economic and an artistic final goal: they try to maximize their financial profits through the trade of the artworks, but they also work to create an effective artistic value¹⁰². Moreover, it is possible to highlight a social and cultural role intrinsic to this business. Indeed, art galleries are open to the public who can visit their exhibitions even without the intention to buy something. So, they qualify also as a cultural player who can improve the quality of urban life and have a social impact in terms of urban sustainability and resilience¹⁰³. However, this later role often is at odds with the high-brow image that

⁹⁹ Schneider, T., 2017. *The Great Reframing: How Technology Will—and won't—Change the Gallery System Forever*. Kindle edition, locations 731-835.

¹⁰⁰ Resch, M., *Management of art galleries: business models*, cit., p. 51.

¹⁰¹ Zampetti Egidi, C., *Guida al mercato dell'arte moderna e contemporanea con le testimonianze dei maggiori protagonisti internazionali*, cit., pp. 65-66.

¹⁰² Resch, M., *Management of art galleries: business models*, cit., p. 55-56.

¹⁰³ Depperu, D., Magnani, G., Crosato, L. and Liberati, C., 2021. Growth of Firms in a Fragmented Cultural Industry: Italian Commercial Art Galleries' Competitive Strategies. *Sustainability*, 13(9): 5057, p. 3.

the galleries want to convey to foster the perception of art as something exclusive and consequently increase its prices¹⁰⁴.

Generally, the contemporary art galleries follow a two-side revenue model and they are involved both in the primary and secondary market. Firstly, they promote emerging artists and try to sell their works, even if showing an artist for the first time is usually unprofitable because of the high promotional costs and the probably low sales¹⁰⁵. Therefore, they attempt to balance this riskier business with the profits coming from the resales of works by already established or dead artists who have more fixed quotations¹⁰⁶.

Focusing on the primary market, the first task of a gallery is to discover new innovative artists whose production is consistent with the style and image of the gallery itself. To accomplish this objective, the public dealer usually frequents the Academies of Fine Art, the exhibition spaces and the fairs dedicated to the youngest artists, and he follows the advice of the other actors of the sector¹⁰⁷.

The second step is the artist's promotion and enhancement in the market. To achieve this goal, the galleries use several marketing strategies which include public relations, advertisement, loans and the publication of catalogues and articles. Moreover, an essential role is played both by the staging of solo or group shows¹⁰⁸ and the exhibition of the artist during the art fairs. Even if they are really expensive, participation in the fairs is essential to reach new collectors and expose the artists in a wider context. Furthermore, it is here that a large percentage of sales occurs. The artworks' sale is indeed the last goal of any art gallery since is through them that they can reach economic sustainability and constantly improve their businesses.

Another task of the art galleries is the control of prices and quotations of their artists. In particular, they need to manage the auction process, where they cannot set prices, to prevent their decrease below the gallery level or an excessive increase. Often, they bid during an auction to raise the offer, or they even directly buy their artists' artworks

¹⁰⁴ Zampetti Egidi, C., *Guida al mercato dell'arte moderna e contemporanea con le testimonianze dei maggiori protagonisti internazionali*, cit., p. 70.

¹⁰⁵ Resch, M., *Management of art galleries: business models*, cit., p. 52.

¹⁰⁶ Zampetti Egidi, C., *Guida al mercato dell'arte moderna e contemporanea con le testimonianze dei maggiori protagonisti internazionali*, cit., p. 66.

¹⁰⁷ Ivi, p. 69.

¹⁰⁸ Thompson, D., *Lo squalo da 12 milioni di dollari la bizzarra e sorprendente economia dell'arte contemporanea*, cit., p. 42.

to preserve their market. Another strategy is to encourage their collectors to participate in the auctions and purchase the works for sale. Moreover, the galleries try to prevent the fast resale of their artworks, which could harm the quotations, by carefully selecting their buyers and making them sign a resale agreement. Thanks to these deals, when a collector wants to resell a work, he is obliged to bring it back to the gallery that can decide if acquire it or not¹⁰⁹.

In a more and more globalized world, the galleries must also set up an international market for their artists if they want them to reach success. The first option is to present them at the fairs or to build partnerships with other galleries abroad to expose the artists in different countries. In addition, galleries with greater financial availability, have started to open new branches in the most important art centres. Nonetheless, together with the high costs linked, the problem of these expansions is that the gallerist, who is the core of the gallery itself, spends less time in the principal gallery weakening the relations with his key collectors and artists¹¹⁰.

1.2.3 Dealer – artist relationship

Generally, the artists have an exclusive relationship with a single gallerist in each country, who consequently has a monopolistic control of their production over a specific region. Indeed, having several dealers in the same country is not beneficial since they do not like to invest in the artist's promotion if their efforts can also favour other dealers who sell the same artist. Anyway, every successful artist wishes to be represented also abroad; the gallery itself can do this thanks to its branches in other cities or through partnerships with other galleries. Otherwise, the artist can sign new contracts with galleries in different countries, but this causes some issues. Firstly, the artist must increase his production to satisfy the request of several galleries and, secondly, some problems could occur during the fairs if his works are exposed in different booths with different prices¹¹¹.

¹⁰⁹ Adam, G., *Big Bucks*, cit., pp. 60-63; Zampetti Egidi, C., *Guida al mercato dell'arte moderna e contemporanea con le testimonianze dei maggiori protagonisti internazionali*, cit., pp. 67-68.

¹¹⁰ Thompson, D., *Lo squalo da 12 milioni di dollari la bizzarra e sorprendente economia dell'arte contemporanea*, cit., pp. 55-56.

¹¹¹ Ivi, pp. 66-68.

Speaking about the contracts, sometimes the galleries stipulate written formal agreements with the artists to cover mutual obligations. More frequently, there are no written deals and they operate on a handshake¹¹².

The dealers can directly acquire the works of art or sell them on consignment by artists. The former required huge capital and it is a riskier operation.¹¹³ In the second case, the gallery's commission is 50% of the selling price. The only exception occurs when a superstar artist exposes in a brand gallery: Gagosian and White Cube, for example, get 30% on the sales of Damien Hirst's works. In this context, the general rule is 50% to the gallery owner on sales during exhibitions or to new collectors and 30% for sales outside the exhibitions or to old collectors of the artist. Moreover, if a gallery shows the works of an artist represented by another gallery, it has to pay 10% of each sale to the original gallery and this percentage can increase by 25% if the artist is highly demanded¹¹⁴.

Finally, some galleries, as Leo Castelli did, pay a monthly stipend to their artists or loan them money in view of future sales¹¹⁵.

1.2.4 The contemporary art galleries segmentation

As the literature suggests, the multitude of galleries active in the contemporary art market can be divided into different categories and classified under some specific features.

Moureau and Sagot-Duvaurox¹¹⁶, for example, distinguish three different types of galleries based on their business models.

The point-of-sale galleries have the role of intermediaries in the art world and generally host exhibitions and openings. Moreover, they develop small collaboration networks with institutions and other galleries.

¹¹² Resch, M., *Management of art galleries: business models*, cit., p. 51.

¹¹³ Robertson, I., 2016. *Understanding International Art Markets and Management*. London: Routledge, p. 94.

¹¹⁴ Thompson, D., *Lo squalo da 12 milioni di dollari la bizzarra e sorprendente economia dell'arte contemporanea*, cit., pp. 62-63.

¹¹⁵ Ivi, p. 65.

¹¹⁶ Moureau, N. and Sagot-Duvaurox, D., 2012. Four Business Models in Contemporary Art. *International Journal of Arts Management*, HEC Montréal. Chair in Arts Management, 14 (3), pp. 48-49.

The promotional galleries' main goal is to discover and support innovative artists. They collaborate with art institutions, museums, and other galleries, also abroad, and participate in the art fairs. Nevertheless, their activity is risky, and they typically have a shorter lifespan than the point-of-sale galleries.

In the end, *the springboard galleries* are usually non-profit entities that can operate thanks to subsidies. They are run by former art students, art teachers or holders of visual arts degrees and they represent the first step in the career of any art student.¹¹⁷

Another possible classification is proposed by Magnus Resch¹¹⁸; he highlights some internal and external characteristics whose configuration determines the status of the gallery. The internal features are the personality of the owner and the internal management to best promote the artists whereas the external ones are the artists' selection system and the nature of the network of partners, clients, and industry experts.

The table below (Tab. 1.1) summarises the different possible categories developed by the author with their characteristics and descriptions.

Category	Characteristic	Description
Alpha "branded gallery"	Internal view: - founder widely considered as great personality by clients and artists, attracting much attention - sophisticated management structure External view: - primary market: highest quality art of dead and living artists; secondary market: considerable and certain resale / investment value - intimate and large group of top collectors worldwide and partnership with best museums/galleries worldwide	- huge global brand awareness - trendsetter with top prices (even for unknown artists) - key player on secondary market - participation at Art Basel, TEFAF, Frieze and exhibition in best museums worldwide - exhibition reviews in New York Times, ARTnews Examples: Gagosian Gallery, White Cube, David Zwirner, Pace Wildenstein, Mai 36
Beta "mainstream gallery"	Internal view: - founder considered as personality by clients and artists - decent management structure	- nationwide brand awareness - can be a trendsetter (if successful, artists transfer to Alpha gallery)

¹¹⁷ VITKAUSKAITĖ I., 2016. Opportunities for Innovation Adoption in Art Galleries, *European Journal of Interdisciplinary Studies*, 8(2), p. 7.

¹¹⁸ Resch, M., *Management of art galleries: business models*, cit., pp. 53-55.

	<p>External view:</p> <ul style="list-style-type: none"> - primary: high quality artworks by dead and living artists; secondary: highly likely to have potential resale value - small group of good collectors nationwide and partnership with museums/galleries nationwide 	<ul style="list-style-type: none"> - participation at Art Basel (small booth), FIAC, ARCO, Art Cologne, Art Forum Berlin and exhibition in best museums nationwide - exhibition reviews occasionally in national newspapers <p>Examples: Hans Meyer Galerie, Sprüth / Magers, Thomas Ammann, Nächst St Stephan</p>
Gamma “high street gallery”	<p>Internal view:</p> <ul style="list-style-type: none"> - Low-key personality of founder - “intuitive” management structure <p>External view:</p> <ul style="list-style-type: none"> - primary: art rejected by Alpha and Beta galleries (mixture of upcoming/emerging artists and established artists (second class); secondary: may prove worthless or ascend to the Beta level - no firm collector base, occasional acquisitions and no partnership with museums 	<ul style="list-style-type: none"> - little brand awareness - no trendsetter - participation at satellite art fairs, such as Scope, Liste, Red Dot Art Fair - exhibition reviews in regional newspapers
Delta “vanity gallery”	<p>Internal view:</p> <ul style="list-style-type: none"> - personality of founder not visible - no management structure <p>External view:</p> <ul style="list-style-type: none"> - primary: artists pay to be shown (artists’ selection: “a bit of everything”); secondary: worthless unit value of art, no resale - no collectors, only one-off buyers and no partnership with museums 	<ul style="list-style-type: none"> - no brand awareness - no trendsetter - participation at local art fairs, such as Art&Style St Gallen - few exhibition reviews in local newspapers, magazines

Table 1.1 | Categories, Characteristics and Description of Art Galleries. © Magus Resch, Management of art galleries: business models

Finally, one last classification is suggested by Thompson¹¹⁹ following geographical and economical criteria. He distinguishes between Brand Galleries, Traditional Galleries, Commercial Galleries, Cooperatives of artists and Shops Galleries.

The Brand Galleries represent the most successful artists and the ones who have already reached the status of the brand. They have huge financial resources, and they

¹¹⁹ Thompson, D., *Lo squalo da 12 milioni di dollari la bizzarra e sorprendente economia dell’arte contemporanea*, cit., pp. 38-61.

often collaborate with other powerful dealers, critics, and cultural institutions. They are located in the most important art centres with branches all over the world. Moreover, they have good relationships with the most influential collectors who are often their clients. Their strategy is based on an oligopolistic control of the production of their artists and a rigid defence of their prices; in this way, they can deeply influence and dominate the market. Nowadays, examples of brand galleries are Gagosian, White Cube, David Zwirner, Lisson Gallery.

Below them, there are the *Traditional Galleries* that are the gatekeepers of the art world since they decide who will be exposed. Their main goals are to discover and select new emerging talents and to promote them through the organization of exhibitions, participation at the art fairs and partnerships with other galleries. Consequently, they represent a springboard for the career of an artist, and it is here that the most serious collectors make their purchases. Generally, they are located in the same cities as the brand galleries, such as London or New York, because it is here that the most important art events and transactions take place.

Then, there are the *Commercial Galleries*, which represent artists who have not attracted the attention of traditional gallery owners or who are not yet ready for the “leap in quality”, and the *Cooperatives of artists*. These latter are spaces funded by the artists themselves where they organize exhibitions and events to acquire visibility and be spotted by art dealers.¹²⁰

In the end, the *Shop Galleries* are commercial structures that rent their rooms for personal or collective exhibitions of artists in search of visibility but, usually, they present low quality works.

Furthermore, Thompson highlights how, in a world where thousands of galleries operate, the brand galleries are only two dozen. On the contrary, commercial galleries, cooperative and shop galleries with small annual turnovers make up most of the market. The world of the galleries, in fact, has a pyramidal structure; few powerful actors operate at the high-end of the market, control the prices, and dictate the trends.

¹²⁰ Robertson, I., *Understanding International Art Markets and Management*, cit., pp. 139-140.

Below them, there is an endless number of small galleries, active in the low and middle-end of the market¹²¹ and only marginally profitable.

1.2.5 The small and middle-sized galleries under pressure

As has just been mentioned, the art market is characterized by a concentration of capital in its high-end where few prestigious and profitable galleries operate. Indeed, as reported by *The Art Market Report 2022*, the galleries with a turnover of over \$10 million are only 8% of the total whereas the ones with a turnover under \$250 thousand are 38%¹²² (Fig. 1.5).

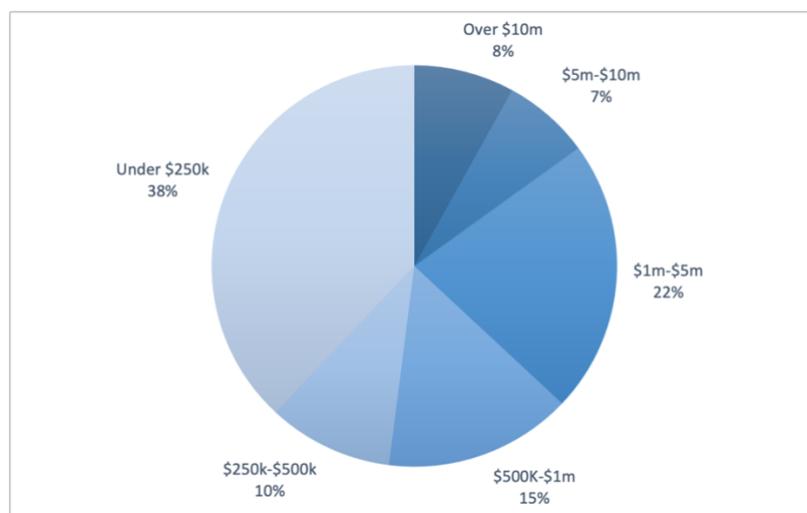


Figure 1.5 | Annual Sales Turnover of Survey Respondents in 2021. © The Art Market Report 2022

In particular, the galleries active in the high-end of the market sell the most high-priced artworks and make good returns whereas all the other players, active in the low or middle-end, sell lower quality and less expensive works and therefore have lower profits. This is even testified by the fact that in 2019 the sales over \$1 million represented only 2% of the market but they were 42% of its entire value whereas the sales below \$5,000 were most of the volume (47%) but only 6% of the value¹²³ (Fig. 1.6).

¹²¹ Maggi, N., 2022. *Il mondo delle Gallerie d'Arte*. Collezione da Tiffany. Available online at: <https://collezioneditiffany.com/il-mondo-delle-gallerie-arte/> (Accessed on 14 February 2022).

¹²² McAndrew, C., *The Art Market 2022: An Art Basel & UBS Report*, cit., p. 65.

¹²³ McAndrew, C., *The Art Market 2020: An Art Basel & UBS Report*, cit., p. 67.

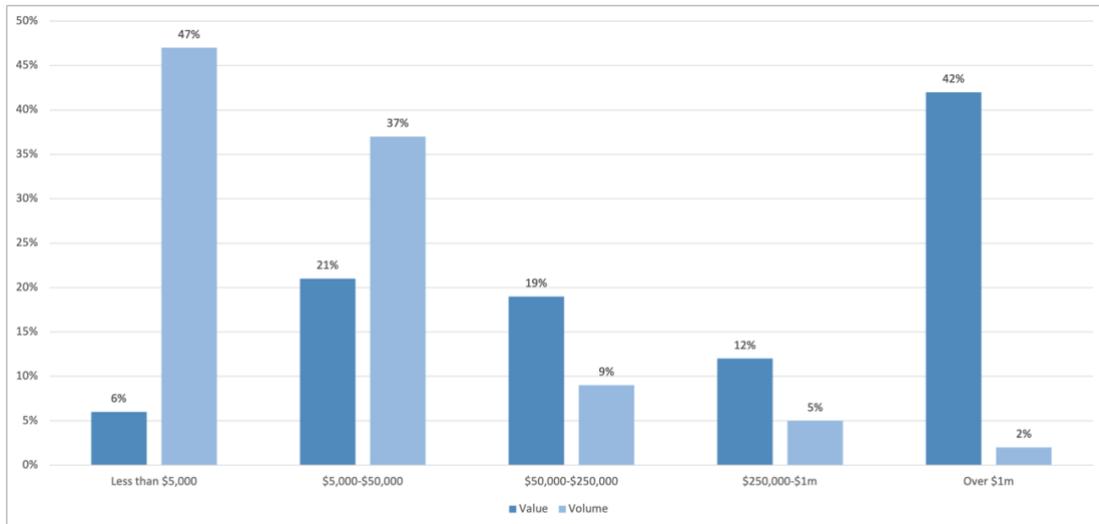


Figure 1.6 | Share of Total Dealer Sales by Price Bracket in 2019. © The Art Market Report 2020

These galleries even differ in their size; indeed, the brand and profitable galleries operate in different locations with several branches in the most important art centres and a significant number of employees. On the other hand, all the other galleries typically are small and medium-sized enterprises (SMEs) since, following the European Commission’s definition, they have fewer than ten employees¹²⁴.

In addition, the top of the market is also a closed circle, and it is almost impossible to enter it. The strong relationships between collectors and dealers and the difficulties in the establishment of trust generate high barriers to the newcomers. Moreover, it is hard to reach the status of the brand which is an inner characteristic of this part of the market¹²⁵.

This result in a strong top-down polarization that constantly puts the economic sustainability of the small and middle-sized galleries under pressure and makes them struggle to stay alive. Indeed, they often don’t have enough revenues to cover all their costs since they achieve only scarce profits, and this obviously has an impact on the annual number of their closures. In particular, *The Art Market Report 2020* presents the evolution over the past few years of the ratio of opening to closure in the

¹²⁴ Depperu, D., Magnani, G., Crosato, L. and Liberati, C., *Growth of Firms in a Fragmented Cultural Industry: Italian Commercial Art Galleries’ Competitive Strategies*, cit., p.1.

¹²⁵ Milano, R., 2020. Economic Freedom and Inequality in the Art Market: The Case of the Commercial Gallery. *Arts*, 9(4): 126, p. 6.

contemporary art gallery sector. In 2007 it was 4:1; then it started to decline, and it fell below 2:1 in 2011. Moreover, in 2017 there were more closures than openings and the ratio dropped to 0.9:1. Nevertheless, in 2018 a lot of new galleries started their activities and consequently, the ratio increased to 1.6:1. In the end, in 2019 the net openings remained positive, but the gap narrowed further, reaching 1.2:1¹²⁶.

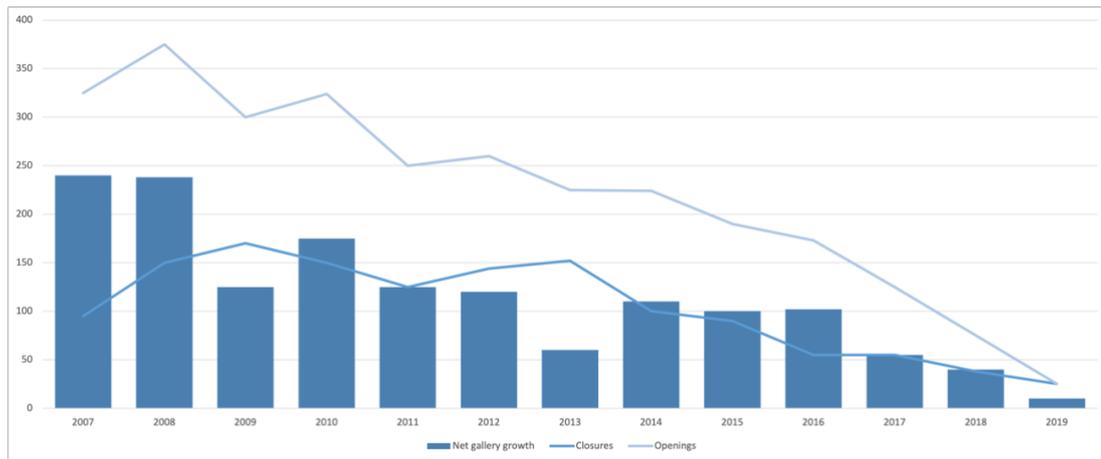


Figure 1.7 | Gallery Openings and Closures. © The Art Market Report 2020

The chart above (Fig. 1.7) visually shows how, over the last few years, the gallery closures varied considerably, reaching a peak in 2009 but rising again in the following years. On the other hand, the openings constantly decrease and in 2018 the number of new galleries established was 86% less than in 2008.

Even if in every industry there is a normal level of openings and closures, the problem in the art market is that the closures mainly hit the small and middle-sized galleries active in the primary market¹²⁷.

But what are the reasons why the small and middle-sized galleries are not able to reach enough revenue and they often go bankrupt?

Firstly, contemporary art galleries must manage several fixed and variable costs (Fig. 1.8).

¹²⁶ McAndrew, C., *The Art Market 2020: An Art Basel & UBS Report*, cit., pp. 114-115.

¹²⁷ McAndrew, C., 2019. *The Art Market 2019: An Art Basel & UBS Report*. Art Basel, UBS. An online publication. Available online at: https://d2u3kfw92fzu7.cloudfront.net/The_Art_Market_2019-5.pdf (accessed on 12 February 2022), pp. 85-88.

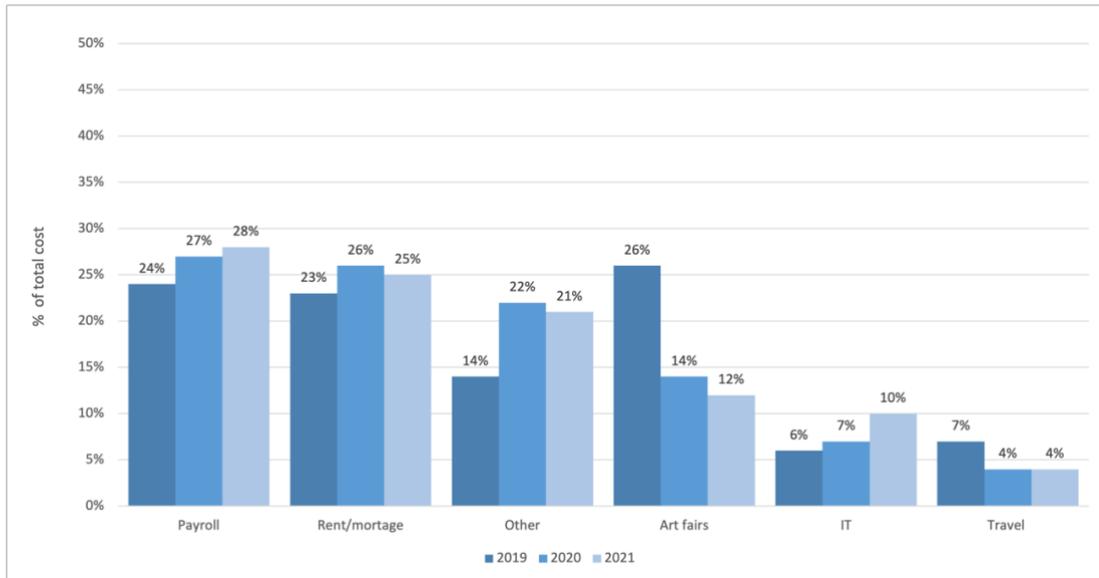


Figure 1.8 | Share of Dealers' Total Operating Costs 2019-2021. © The Art Market Review 2021

Together with the salaries, which represent most of the costs in 2021, the rent and mortgage costs are the highest. Usually, small and middle-sized galleries consider essential to be located in the major art centres where the brand galleries operate. This obviously results in a huge increase in costs because the rents in these locations are the highest. Moreover, in a globalized world, it is important to open branches in several cities or courtiers to strengthen the relation with different collectors, even if this has a huge impact on the annual expenditures. Nevertheless, if a small gallery does not have enough resources to open a new space, it will remain bound in the local market, without the possibility to enlarge its business.

In addition to the high costs linked to the rent of spaces in the art cities, another source of expenses is the participation in the art fairs (even if in 2021 these costs represented only 12% of the total because of the Covid-19 pandemic and the cancellation of several events). Small and middle-sized galleries that cannot afford to participate, have not the same possibility to compete in the market and, again, they remain trapped in a local context. However, the presence at the art fairs is a risky investment for these galleries because the participation costs are significant, but the sales are not guaranteed¹²⁸.

¹²⁸ Milano, R., *Economic Freedom and Inequality in the Art Market: The Case of the Commercial Gallery*, cit., pp. 7-8.

Moreover, the galleries must cover the IT costs (which have obviously increased in the last two years), the travel and the transportation costs, the ones to pay lawyers, consultants and craftsmen and the expenses for the insurance and the advertising¹²⁹.

Another issue that puts small and middle-sized galleries constantly under pressure is the artists' migration toward the most important and brand galleries in the high-end of the market. Indeed, even if the original dealer has invested a lot in the promotion and enhancement of an emerging artist, when he reaches a modest success, he attempts to be represented by a bigger gallery that can give him more visibility and boost his prices¹³⁰. This situation is even more worrying since 43% of the sales of a gallery come from its top artists. Therefore, if they decide to leave the gallery there will be a substantial decrease in sales¹³¹.

The strong competition that characterized the sector is another factor that negatively affects the galleries' survival. The art market is largely unregulated and has low entry barriers: whoever can become a gallerist because no specific background is requested, and the only thing needed is a sufficient amount of money as a first investment. Therefore, the art market can be considered a free market because anybody is allowed to operate as a buyer or a seller. Nevertheless, even if it is easy to enter the market it is not equally simple to reach its top. Indeed, as already mentioned, the high-end of the market is a closed space, a sort of exclusive club with high barriers at the entrance and only a few players can be accessed¹³². Consequently, all the other thousands of galleries are gathered in the levels below that take on the characteristic of a fragmented industry, defined as "an industry in which no firm has a significant market share and can strongly influence the industry outcome"¹³³. In this kind of industry, the firms strongly compete for resources and customers and their economic sustainability can therefore be challenging¹³⁴. Moreover, the globalization of the art world strengthens this head-on competition because the galleries must fight also against foreign players.

¹²⁹ Resch, M., *Management of art galleries*, cit., pp. 34-38.

¹³⁰ Adam, G., *Big Bucks*, cit., p. 59.

¹³¹ Milano, R., *Economic Freedom and Inequality in the Art Market: The Case of the Commercial Gallery*, cit., p. 8.

¹³² Ivi, p. 5-6.

¹³³ Porter, M. E., 1980. *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. New York: Free Press, p. 191.

¹³⁴ Depperu, D., Magnani, G., Crosato, L. and Liberati, C., *Growth of Firms in a Fragmented Cultural Industry: Italian Commercial Art Galleries' Competitive Strategies*, cit., p. 4.

Finally, the contemporary art galleries must compete not only with direct competitors (the other galleries) but also with their suppliers (the artists that sometimes sell their works privately) and their business partners (the dealers). In addition, in the last decades, also online platforms and auction houses have become dangerous rivals. Indeed, even if most of the online platforms work in partnership with galleries, some of them are trying to overcome the gallery's role as an intermediary, developing a direct connection between buyers and artists¹³⁵. Moreover, auction houses have recently increased their private sales and they have also entered the primary market, presenting works never sold before. Thanks to the "now-or-never" atmosphere that auctions are able to create, these sales achieve good results stealing possible customers to galleries¹³⁶. In addition, unlike art galleries, auction houses did not delay in adopting online strategies and, thanks to online auctions, they have become able to attract collectors of all sorts, giving them the possibility to acquire artworks in a more international market¹³⁷.

To conclude, one last element that challenges the survival of small and middle-sized galleries is the general lack of managerial competencies that makes them unable to develop innovative strategies to effectively compete and grow in this highly competitive and costly market¹³⁸. Indeed, galleries' staff is primarily composed of people graduated in art history, who have a great passion for art but few or no managerial, technical, or marketing skills¹³⁹. Due to this lack of capabilities, galleries are not able to innovate themselves and find responses to the challenges of the market. On the contrary, they continue to adopt an outdated business model characterized by high costs and based on an over-dependence on in-person contact and traditional sales

¹³⁵ Resch, M., *Management of art galleries*, cit., pp. 29-30.

¹³⁶ Thompson, D., *Lo squalo da 12 milioni di dollari la bizzarra e sorprendente economia dell'arte contemporanea*, cit., pp. 222-239.

¹³⁷ Codignola, F., *Economia globale, concorrenza e mercato dell'arte contemporanea*, cit., pp. 93-94.

¹³⁸ Depperu, D., Magnani, G., Crosato, L. and Liberati, C., *Growth of Firms in a Fragmented Cultural Industry: Italian Commercial Art Galleries' Competitive Strategies*, cit., p. 2.

¹³⁹ Resch, M., *Management of art galleries*, cit., p. 120.

and promotional channels (in particular, art fairs and gallery exhibitions)¹⁴⁰; moreover, they are also reluctant to embrace digital innovations¹⁴¹.

The vulnerability of this business model has been particularly highlighted during the Covid-19 pandemic that has caused a huge decrease in the sector. Indeed, even if the crisis hits all the levels of the market, resulting in an overall reduction in sales, the high-end of the market has shown more resistance and, already in the first six months of 2021, it has reported a rise in sales¹⁴². On the other hand, the small and middle-sized galleries are struggling to stay afloat. Without the competencies to implement new strategies and the income coming from the art fairs and exhibitions, they remain under the most pressure and their sales have dropped on average by 36%, with a pick of 43%¹⁴³. Consequently, most of them have been forced to reduce the number of their employees (36% of them have been fired¹⁴⁴) or to permanently close their activities¹⁴⁵. This situation has intensified the polarization of the market accelerating the decline of the small and middle-sized galleries and strengthening the position of the biggest ones that have more financial resources and whose clients have been less hit by the Covid-19 crisis¹⁴⁶.

¹⁴⁰ 2020. *Hiscox Online Art Trade Report 2020 - Part One: The Online Art Trade*. Hiscox & ArtTactic. An online publication. Available online:

<https://www.hiscox.co.uk/sites/uk/files/documents/2020-07/Hiscox%20online%20art%20trade%20report%202020.pdf> (Accessed on 2 March 2022), p. 18.

¹⁴¹ Maggi, N., 2021. *Le gallerie d'arte nel mercato post-pandemico*. Collezione da Tiffany. Available online at: <https://collezioneditiffany.com/gallerie-arte-mercato-post-pandemia/> (Accessed on 2 March 2022).

¹⁴² McAndrew, C., 2021. *Resilience in the Dealer Sector. A Mid-Year Review 2021: An Art Basel & UBS Report*. Art Basel, UBS. An online publication. Available online at: https://d2u3kfw92fzu7.cloudfront.net/The_Art_Market_Mid_Year_Review_2021.pdf (accessed on 16 February 2022), pp. 52-53.

¹⁴³ Maggi, N., *Le gallerie d'arte nel mercato post-pandemico*, cit.

¹⁴⁴ *Ibidem*.

¹⁴⁵ 2021. *Artsy Gallery Insights 2021 Report*. Artsy. An online publication. Available online at: https://pages.artsy.net/rs/609-FDY-207/images/Artsy-Gallery-Insights-2021-Report.pdf?mkt_tok=eyJpIjoiT0RRd01UVXhNekpsWWpsaSIInQiOiJJbVlSeVwvSHcrTk5ZSUhzV0w3VEdseWdwK1pRK05WRUJ5cERFK0ZucExLWXNCQ1BMbFBEdXZzWmp4cnZCREVNUFZObGpzMkpcLzJycGFuZmt1b0E2MkhDdWx0VEMrM3NDSkJWa3J4b2tSeWpybXNncHF0Njh0Q1I5OHVUaGtreFU2In0%3D (Accessed on 2 March 2022), pp. 6;15.

¹⁴⁶ McAndrew, C., *The Art Market 2021: An Art Basel & UBS Report*, cit., p. 52.

Chapter II

E-commerce in the art sector

2.1 The historical evolution of e-commerce in the art sector

The development of information and communication technologies (ICT) and the growth in the use of the internet from 1990, resulted in great economical, technological, and socio-cultural changes. Internet and digital technologies are omnipresent in modern life, and they have accelerated the production, distribution, and consumption of goods and services. They have left no economic fields untouched, and the art market is not an exception¹⁴⁷.

Specifically, the first art sales websites were launched during the dot-com-economy boom, in the late 1990s, following the example of Amazon and eBay (founded in 1994 and 1995 respectively) which were incredibly successful in the development of their e-commerce platforms¹⁴⁸. One of the first art platforms was *Art.com*, launched in 1998 and focused on the sales of reproductions and posters at low price points. Moreover, in 1998 Sotheby's invested \$45 million into a partnership with Amazon to create an online auction platform; the experiment was not successful, and it was abandoned after less than a year, causing a loss of \$100 million for the auction house. Furthermore, in 2003, it developed another ineffective collaboration with eBay. Actually, most of the platforms launched in those years rapidly collapsed and only a few of them have survived today¹⁴⁹, such as *Istdibs*, an online marketplace for collectables and fine art created in 2001¹⁵⁰, and *Artnet*, a platform founded in 1989 that provides online auctions, price database, art market analysis and galleries networks¹⁵¹.

The art market has indeed proved a heavy resistance towards the acceptance and the employment of these disruptive technologies because its outdated rules and norms

¹⁴⁷ Hackforth-Jones, J. and Robertson, I., 2016. *Art business today*. London: Lund Humphries, p. 165.

¹⁴⁸ McAndrew, C., 2015. *TEFAF Art Market Report 2015*. Helvoirt: The European Fine Art Foundation (TEFAF). p. 178; Sidorova, E., 2019. The Cyber Turn of the Contemporary Art Market. *Arts*, 8(3): 84, p. 2.

¹⁴⁹ Adam, G., *Big Bucks*, cit., p. 121.

¹⁵⁰ McAndrew, C., *TEFAF Art Market Report 2015*, cit., pp. 178-179.

¹⁵¹ *Hiscox Online Art Trade Report 2020 - Part One: The Online Art Trade*, cit., p. 28.

have appeared to be inconsistent with the e-commerce of art¹⁵². Firstly, the democratic nature of the internet and the resulting accessibility of information are in contrast with the exclusivity of the art world and its non-transparent character. The actors of the sector, and in particular the art galleries, tend to disclose prices and give access to information only to their trusted clients to control the market and preserve their role as gatekeepers. Moreover, exclusivity plays an important role in the definition of art value. They are also afraid that the online sale platforms could appear as supermarkets and, consequently, the art sold could be perceived as a common commodity, losing its aesthetic identity¹⁵³. Furthermore, the art world is based on social interaction and personal contacts that are difficult to be reproduced online. Every actor in the sector needs to build and cultivate strong relationships with his customers to strengthen his credibility and reputation and deliver value to them. On the contrary, online sales appear as something anonymous and without distinctiveness. Finally, the players of the sector stress how the qualities of artworks can be fully appreciated only through a physical experience and direct observation. The images available on the internet cannot replicate the feelings and impressions conveyed by the artwork itself¹⁵⁴.

This last aspect is perceived also by the buyers as an impediment to the purchase of artworks online. Indeed, they cannot be sure about the quality, condition, and authenticity of work without viewing it in the flesh. Moreover, they are often worried about the risk of cybercrime when they register for art sales platforms, in addition to some concerns about the delivery of the works purchased and the return policies¹⁵⁵.

In the past, all these elements have caused a resistance towards innovation, making the sector outdated, static and conservative¹⁵⁶. Nevertheless, in the last decade, the art sector has started to adopt digital innovations more consistently, with a boom of e-commerce platforms in the period between 2010 and 2014¹⁵⁷. The famous online

¹⁵² Vergès, J., 2015. *The diffusion and adoption of e-commerce in the art world*. MA ACM Dissertation. King's College London, p. 16.

¹⁵³ Velthuis, O. and Lind, M., *Contemporary art and its commercial markets*, cit., p. 22.

¹⁵⁴ Habelsberger, B. and Bhansing, P., 2021. Art Galleries in Transformation: Is COVID-19 Driving Digitisation?. *Arts*, 10(3): 48, pp. 5-6; 11-13; Vergès, J., *The diffusion and adoption of e-commerce in the art world*, cit., pp. 9-10.

¹⁵⁵ 2020. *Hiscox Online Art Trade Report 2020 - Part Three: Towards a Frictionless Online Journey*. Hiscox & ArtTactic. An online publication. Available online at: https://www.hiscox.co.uk/sites/default/files/documents/2021-04/hoatr_report_2020_part3.pdf (Accessed on 11 March 2022), pp. 8-15.

¹⁵⁶ Vergès, J., *The diffusion and adoption of e-commerce in the art world*, cit., p. 18.

¹⁵⁷ McAndrew, C., *TEFAF Art Market Report 2015*, cit., p. 179.

marketplace *Artsy* was founded between 2009 and 2010 succeeded by *Artspace* the following year. In 2011 also *Saatchi Art*, a platform that enables artists to directly present and sell their artworks to buyers, was re-launched¹⁵⁸. Moreover, in 2012 Christie's introduced only online sales (it has already established online live bidding in 2006) and, in 2014, Sotheby's launched "*Live Auctions*" in a new partnership with eBay¹⁵⁹. The previous year also Amazon entered the online art market with the section *Amazon Art* in which original works from more than 180 dealers and galleries are on sale¹⁶⁰. Nonetheless, the gallery sector remained more reluctant to introduce digital innovations and it was characterized by a later adoption of them. Indeed, all the elements previously analyzed put a huge pressure on these players, especially the ones active in the primary market¹⁶¹. Only in 2017, for example, the brand gallerist David Zwirner launched on his website a viewing room to see and eventually purchase artworks¹⁶².

In any case, the expansion of online sales during the last decade has been primarily driven by a general increase of e-commerce in all industries and a wider acceptance of it. Because of the improvement in cybersecurity and the facility in the transaction (also thanks to the increase in the use of smartphones and the consequent development of m-commerce), people have become more confident and they have started to daily use the internet to purchase different goods or services¹⁶³. Georgina Adam speaks about "behavioural acceptance" to refer to this process¹⁶⁴.

Furthermore, the presence of more accessible funding in the tech sector and the wider collaboration between art and technology firm¹⁶⁵ have given the possibility to develop new technologies to improve the online perception of the artworks and establish some interactive experiences. Particularly, the advancement in computer vision and digital graphics have led to the creation and daily use of high-resolution digital images

¹⁵⁸ *Hiscox Online Art Trade Report 2020 - Part One: The Online Art Trade*, cit., pp. 29-37.

¹⁵⁹ McAndrew, C., *TEFAF Art Market Report 2015*, cit., pp. 179-180.

¹⁶⁰ Adam, G., *Big Bucks*, cit., p. 123-124.

¹⁶¹ Arora, P. and Vermeylen, F., *Art markets*, cit., p. 2.

¹⁶² Maida, D., 2020. *David Zwirner lancia Platform per supportare le gallerie emergenti*. *Artribune*. Available online at: <https://www.artribune.com/arti-visive/arte-contemporanea/2020/04/david-zwirner-condivide-il-suo-spazio-di-vendita-online-con-le-gallerie-emergenti-di-new-york/> (Accessed on 13 March 2022).

¹⁶³ McAndrew, C., *TEFAF Art Market Report 2015*, cit., pp. 176-177.

¹⁶⁴ Adam, G., *Big Bucks*, cit., p. 122.

¹⁶⁵ Hackforth-Jones, J. and Robertson, I., *Art business today*, cit., p. 171.

allowing proper appreciation of artworks online. In addition, the recent advancement in virtual and augmented reality technologies has given the possibility to create interactive and immersive interfaces that can enhance the general user’s experience¹⁶⁶. Finally, the expansion of the global base of buyers, in particular in the emerging economies, and the spread of the internet and technologies in these countries have played an essential role in the increasing use of the e-commerce¹⁶⁷.

Nevertheless, even if the online art market has shown constant growth in the last decade (except for a decrease of 2% in 2019 linked with the decline of the art market in general) (Fig. 2.1) the share of online art sales from the total has continued to remain lower than in other industries and fixed at 9% year-on-year¹⁶⁸.

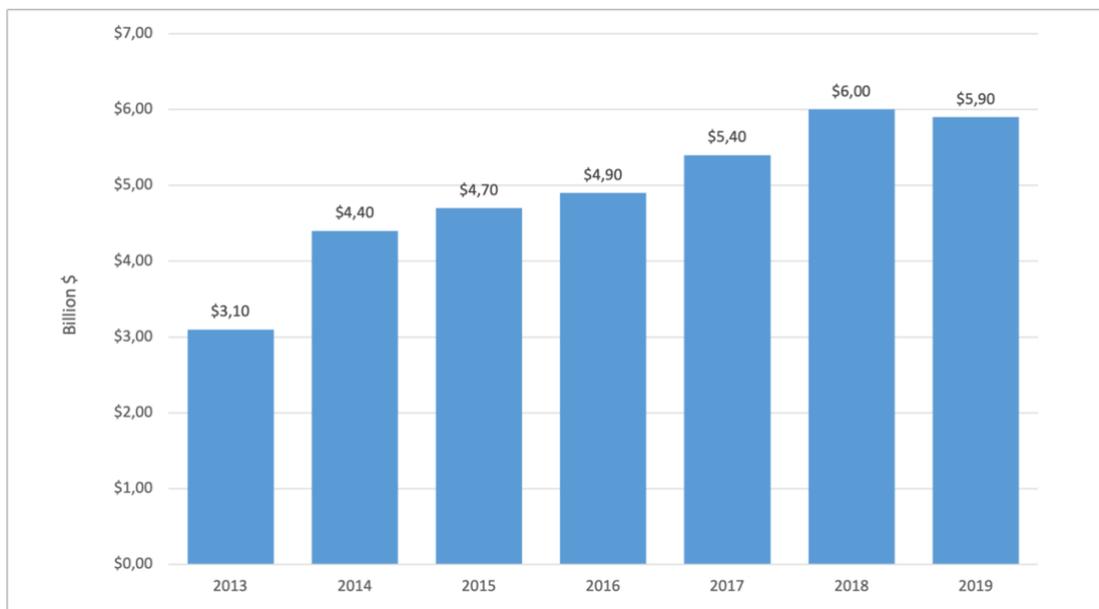


Figure 2.1 | The Online Art and Antiques Market 2013-2019. © The Art Market Report 2020

This has been primarily caused by the fact that the online art sales have been generally focused on the lower end of the market and the objects sold have reached lower prices compared to the ones sold offline. Indeed, the high-end of the market requires discretion and privacy and, as reported by the *TEFAF Art Market Report 2015*, “the more exceptional the work being sold, the more exclusively they (the dealers) worked

¹⁶⁶ Lee, J. and Lee, S., 2019. User participation and valuation in digital art platforms: the case of Saatchi Art. *European Journal of Marketing*, 53(6), pp. 1125-1151, p. 4.

¹⁶⁷ McAndrew, C., *TEFAF Art Market Report 2015*, cit., pp. 176-179.

¹⁶⁸ McAndrew, C., *The Art Market 2020: An Art Basel & UBS Report*, cit., p. 244.

with a small number of clients, and the less they wanted to reveal it to a mass global audience by making it available for sale online.”¹⁶⁹. Consequently, also the brand companies such as Christie’s or Sotheby’s, have tended to present online only less expensive items.

To conclude, the e-commerce of arts is mainly controlled by the offline brand galleries and auction houses active also online. They accounted for close to 58% of the sales value in 2019¹⁷⁰; this highlights the even greater importance that reputation and trust acquired on the internet. Every buyer is more confident to purchase works never seen before if they are presented by a trusted and well-known gallery or a brand auction house.

2.2 The different typologies of online sales platforms

Similarly to the offline art market, the online one is composed of a few brands and powerful actors who control most of the sales, and hundreds of smaller online platforms¹⁷¹. They can operate both in the primary or secondary market and they can be primarily distinguished based on their hybrid or pure nature. The hybrid online-offline companies are traditional art galleries and auction houses that have transferred part of their business online and have developed new marketing strategies to increase sales. On the other hand, the only-online companies are active only on cyberspace without a physical location¹⁷². They can possess and sell their own artworks (1st party retailers) or work as intermediaries between third party vendors and buyers (3rd party vendor marketplaces). Consequently, the online art market is characterized by a wide variety of business models, with some differences also in the revenue systems. Some platforms, for example, require the payment of a fixed fee; others receive commissions from 3rd party vendors. Finally, the 1st party retailers generally earn directly from sales revenues¹⁷³.

¹⁶⁹ McAndrew, C., *TEFAF Art Market Report 2015*, cit., p. 210.

¹⁷⁰ McAndrew, C., *The Art Market 2020: An Art Basel & UBS Report*, cit., p. 246.

¹⁷¹ *Hiscox Online Art Trade Report 2020 - Part One: The Online Art Trade*, cit., p. 6.

¹⁷² Sidorova, E., *The Cyber Turn of the Contemporary Art Market*, cit., pp. 2-3.

¹⁷³ McAndrew, C., *TEFAF Art Market Report 2015*, cit., pp. 186-87.

More specifically, the actors active in this market can be segmented into four different categories even if a certain overlapping between them exists¹⁷⁴.

Online 1st party retailers

These platforms sell their own inventory directly online and they can be further divided into only-online galleries and brick-and-mortar galleries with additional online sales. The first ones are virtual “showrooms” that display and sell their artworks exclusively online. The recent development in digital technologies has helped these platforms to create immersive and interactive experiences to better reproduced the physical encounter with the works of art and increase the sales¹⁷⁵. One example is *Onstream Gallery*¹⁷⁶ recently founded by Chiara Gesualdo and Eleonora Rebiscini. The website is designed as a physical gallery with a section dedicated to online exhibitions in which emerging artists are presented. Moreover, another section gives the possibility to acquire artworks at affordable prices (always clearly reported) in a few and easy steps. Indeed, the goal of the platforms is to destroy the barriers that characterize the art world as closed and elitist and make art accessible to a wider public with a lower purchase power¹⁷⁷.

On the other hand, the brick-and-mortar galleries with additional online sales are traditional physical galleries that also implement e-commerce. By the creation of engaging viewing rooms, they present and give collectors the possibility to acquire artworks directly on their website. Nevertheless, the works displayed online are generally lower in value than the ones sold offline¹⁷⁸ and their sales usually represent only a small percentage of the total (3% in 2019)¹⁷⁹.

As already mentioned, David Zwirner¹⁸⁰ was the first gallerist to launch an online viewing room in 2017 in which high-resolution images together with detailed

¹⁷⁴ Ivi, p. 188.

¹⁷⁵ Purcell, C., 2018. *Growth of the Online Art Market / Updated Panorama*. ArtMarketGuru. Available online at: <https://www.artmarket.guru/le-journal/market/online-art-market/> (Accessed on 13 March 2022).

¹⁷⁶ <https://www.onstreamgallery.com> (Accessed on 14 April 2022).

¹⁷⁷ Riyahi, Y., 2020. *Nasce Onstream Gallery, la galleria italiana interamente online*. exhibart.com. Available online at: <https://www.exibart.com/mercato/nasce-onstream-gallery-la-galleria-italiana-interamente-online/> (Accessed on 8 March 2022).

¹⁷⁸ McAndrew, C., *TEFAF Art Market Report 2015*, cit., p. 188.

¹⁷⁹ McAndrew, C., *The Art Market 2020: An Art Basel & UBS Report*, cit., p. 248.

¹⁸⁰ <https://www.davidzwirner.com> (Accessed on 15 April 2022).

information and prices are available to anyone who agrees to submit his email address. He also understood the importance to add contextual elements to his website to increase the online engagement with his collectors. In 2018 he introduced a podcast series and he also started to post short travel-and-art montage videos and time-lapse videos with his artists' creative involvement¹⁸¹.

In the same year, also Gagosian launched his viewing room¹⁸² in which artworks are for sale for a limited period. Moreover, his website also presents a section (Shop¹⁸³) dedicated to the purchase of less expensive items, such as prints and posters, whose prices are displayed¹⁸⁴. Anyway, in both cases, the buyers cannot directly acquire the works, but they must contact the gallery to start the transaction¹⁸⁵.

Online retail marketplace platforms

These platforms work as intermediaries allowing customers to purchase artworks from 3rd party sellers at fixed prices. They are further segmented depending on whether the 3rd party vendor is an artist or a gallery. Furthermore, they can also operate as peer-to-peer intermediaries, facilitating direct transactions between collectors. This portion of the online art market is thus characterized by a multitude of companies with different business models. However, their revenue model is generally based on commissions paid by the 3rd party sellers alongside subscription or membership fees¹⁸⁶. They normally enable people to immediately purchase artworks through a “click-and-buy” function even if in some cases they only advertise the works for sales, giving the possibility to contact the vendor to conclude the transaction¹⁸⁷. Due to the huge amount of information made available, these platforms make the market clearer and less intimidating, and they are therefore able to attract a wider base of buyers¹⁸⁸.

¹⁸¹ Belcove, J., 2020. *From Online Exhibitions to Ecommerce: Art Galleries Are Turning to the Digital World to Survive Covid-19*. Robb Report. Available online at: <https://robbreport.com/shelter/art-collectibles/art-galleries-digital-push-amid-covid-19-2918893/> (Accessed on 4 March 2022).

¹⁸² <https://gagosianviewingroom.com> (Accessed on 15 April 2022).

¹⁸³ <https://gagosianshop.com> (Accessed on 15 April 2022).

¹⁸⁴ McAndrew, C., *TEFAF Art Market Report 2015*, cit., p. 188.

¹⁸⁵ McAndrew, C., *The Art Market 2020: An Art Basel & UBS Report*, cit., p. 250.

¹⁸⁶ McAndrew, C., *TEFAF Art Market Report 2015*, cit., p. 189.

¹⁸⁷ Sidorova, E., *The Cyber Turn of the Contemporary Art Market*, cit., p. 3.

¹⁸⁸ Purcell, C., *Growth of the Online Art Market / Updated Panorama*, cit.

One of the largest and most successful online marketplace platforms is *Artsy*¹⁸⁹. It was launched by the computer science student Carter Cleveland in 2009 thanks to the support of powerful investors: the Twitter founder Jack Dorsey, the Google executive chairman Eric Schmidt, the art dealer Larry Gagosian, the chief curator emeritus of painting and sculpture at the Museum of Modern Art John Elderfield and Marc Glimcher, president of Pace Gallery. The final goal of the platforms is to give the possibility to everyone with an internet connection to experience and buy art, establishing a more democratic art system¹⁹⁰.

It allows galleries to directly sell their works online thanks to the “click-and-buy” function or to just display them, leaving to the collector the freedom to make an offer and contact the gallery¹⁹¹. Moreover, Artsy conducted only-online auctions in partnership with some auction houses and hosted only-online art fairs¹⁹². The website presents also a section dedicated to collaborations with important museums and a new area devoted to the NFT’s sales. The online platform makes art prices and transactions information publicly available, increasing the transparency of the market¹⁹³. Furthermore, it also offers some editorial content to help art lovers deeply understand and appreciate the art they are going to buy.

However, the most important element that characterized Artsy and its success is the adoption of the so-called “Art Genome”, a classification system that maps the characteristics of the objects presented. These characteristics, also called *genes*, are currently over 1.000 and are, for example, the subject matter, the style and movement, the medium and techniques or the time period. Then, thanks to an algorithm similar to the ones used by Netflix or Amazon, Artsy suggest to its buyers works in line with their revealed preferences¹⁹⁴.

Speaking about Artsy’s revenue model, at the beginning it was based on the collection of a percentage from every gallery’s sale. However, in 2013 it decided to implement a

¹⁸⁹ <https://www.artsy.net> (Accessed on 15 May 2022).

¹⁹⁰ Adam, G., *Big Bucks*, cit., p. 199.

¹⁹¹ Palumbo, J., 2021. *The art market has radically changed. Here’s how to buy art today*. CNN. Available online at: <https://edition.cnn.com/style/article/how-to-buy-art/index.html> (Accessed on 13 March 2022).

¹⁹² McAndrew, C., *The Art Market 2021: An Art Basel & UBS Report*, cit., p. 252.

¹⁹³ McAndrew, C., *The Art Market 2020: An Art Basel & UBS Report*, cit., p. 253.

¹⁹⁴ Adam, G., *Big Bucks*, cit., p.124; Arora, P. and Vermeylen, F., *Art markets*, cit., p. 5.

new model, following the examples of other online art platforms; nowadays, galleries must pay a monthly subscription fee to expose their artworks on the platform¹⁹⁵.

Finally, Artsy is definitely one of the most popular art marketplaces and, together with Artnet, it has the highest monthly online traffic, with 3.5 to over 4 million monthly visitors. It partners with 3,200 galleries across more than a hundred countries and provides a huge inventory and a safe experience to its 1.7 million global active users¹⁹⁶. Another important online marketplace platform is the just mentioned, *Artnet*¹⁹⁷. It was founded in 1989 by the art dealer Hans Neuendorf and it is now one of the largest art networks, featuring over 170,000 works of art by 35,000 artists. It is not only a gallery marketplace, but it also hosts online auctions. Moreover, to make the market more transparent and accessible, in 2012 the platform launched Artnet News and it also provides an online price database, even if not available for free.¹⁹⁸

Contrary to these platforms, *Saatchi Art*¹⁹⁹ creates a direct connection between the buyers and the artists. It was founded in 2006 by Charles Saatchi as a non-commercial platform in which artists could freely present and sell their works without commissions to pay. However, in 2011 it was re-launched with the name Saatchi Online and new commercial purposes: starting from that moment artists must pay a 30% commission on their sales. Finally, in 2014 it was acquired for \$17 million by LeafGroup and it was rebranded as Saatchi Art; indeed, the new owners also bought the right to continue to use the name of the powerful brand²⁰⁰.

The platform allows every artist to present his artworks without any limitation in terms of quality and genre; it offers more than 1.4 million original paintings, drawings, sculptures, and photographs (ranging from \$125 to \$100,000) by over 94,000 emerging artists from over 110 countries²⁰¹. The final goal is to present great art to a wider audience and give the possibility to less established artists to display their works

¹⁹⁵ Adam, G., *Big Bucks*, cit., p. 124.

¹⁹⁶ *Hiscox Online Art Trade Report 2020 - Part One: The Online Art Trade*, cit., p. 30; McAndrew, C., *The Art Market 2021: An Art Basel & UBS Report*, cit., p. 252.

¹⁹⁷ <http://www.artnet.com> (Accessed on 22 April 2022).

¹⁹⁸ McAndrew, C., *The Art Market 2021: An Art Basel & UBS Report*, cit., p. 252; 2018. *ONLINE PLATFORMS / MARKETPLACES*. ArtMarketGuru. Available online at: <https://www.artmarket.guru/le-journal/market/platforms/> (Accessed on 13 March 2022).

¹⁹⁹ <https://www.saatchiart.com> (Accessed on 20 April 2022).

²⁰⁰ Lee, J. and Lee, S., *User participation and valuation in digital art platforms: the case of Saatchi Art*, cit., pp. 17-18.

²⁰¹ *Hiscox Online Art Trade Report 2020 - Part One: The Online Art Trade*, cit., p. 37.

and promote themselves without the need to be represented by a gallery²⁰². Therefore, this kind of platform is revolutionizing the contemporary art system reducing the heavy role of galleries as intermediaries and gatekeepers. Nonetheless, because of the large number of works presented online, it is necessary to develop some strategies to guide the buyers' purchase choices. For this purpose, Saatchi Art proposes a specific section of its website called *Features* handled by its curational team. In its different subsection (Collections, Shows etc.) the curators present and display selected artists within specific themes, offering valuable advice to collectors²⁰³. Moreover, the platform provides free art advisory services to its client²⁰⁴. Finally, it has recently created the *View in a Room* feature on its iOS app that allows buyers to take a photo of their house wall and place on it the image of the artwork they intend to buy to see the final visual effect²⁰⁵.

Online auction platforms

Even if auction houses are considered as a form of 3rd party vendor marketplaces, these online platforms can be distinguished from the online retail marketplace platforms previously analyzed due to a different sales model used. Indeed, the prices of the artworks sold here are not fixed but established based on collector's biddings²⁰⁶. They offer "their visitors the chance to bid for art from the comfort of their own home, taking away the social barriers of bidding at traditional auction houses, where you often have to be of a certain status and wealth."²⁰⁷. Consequently, they can enlarge the market and attract new buyers. Usually, they combine both live, only-online and times auctions and their revenues derive, as in the offline sales, from the buyers' premium and the sellers' commission²⁰⁸.

Also in this case, it is possible to distinguish between only-online auction houses and an online extension of offline auction houses. The first ones conduct their auction

²⁰² Habelsberger, B. and Bhansing, P., *Art Galleries in Transformation: Is COVID-19 Driving Digitisation?*, cit., p. 6.

²⁰³ Lee, J. and Lee, S., *User participation and valuation in digital art platforms: the case of Saatchi Art*, cit., p. 18.

²⁰⁴ *Hiscox Online Art Trade Report 2020 - Part One: The Online Art Trade*, cit., p. 37.

²⁰⁵ *ONLINE PLATFORMS / MARKETPLACES*, cit.

²⁰⁶ McAndrew, C., *TEFAF Art Market Report 2015*, cit., pp. 189-190.

²⁰⁷ 2018. *ONLINE AUCTIONS*. ArtMarketGuru. Available online at: <https://www.artmarket.guru/le-journal/market/online-auctions/> (Accessed on 13 March 2022).

²⁰⁸ McAndrew, C., *TEFAF Art Market Report 2015*, cit., pp. 190-191.

entirely online. Together with *Artnet* (it is not only a gallery marketplace but even an online auction platform), another example is *Bidsquare*²⁰⁹. It was founded in 2014 and it allows collectors to bid for fine art, design, and collectables during live or times auctions²¹⁰.

However, online auction sales continue to be driven by brick-and-mortar companies that in the last decade have incremented their e-commerce strategies. The two most powerful players remain Christy's and Sotheby's; they realize both only-online and live auctions even if they usually present here only less expensive items²¹¹.

Online auction aggregators

These platforms work as intermediaries between buyers and sellers, hosting online auctions with inventory from offline 3rd party auction houses or other offline businesses. Consequently, they are critically important for the smaller players who don't have the competencies and the financial resource to develop their own e-commerce arrangements. They generally provide both live, only-online and times auctions and their revenue models are based on a combination of a commission added to the buyer's price, a seller's commission and a flat fee or listing charge²¹².

*Invaluable*²¹³ is the leading online auction aggregator for buying fine art, antiques, and collectables. It was launched in 1989 and it now works with more than 5,000 auction houses, galleries, and dealers, including brand players such as Sotheby's, Christie's, Phillips and Bonhams. Its website reaches 4.3 million monthly visits, and it also provides the access to an extensive price archive²¹⁴.

Social media

To conclude, it is important to mention the leading role that social media are acquiring in the e-commerce of art (the *Artsy Gallery Insight 2021* positions them as the third-most used sales channel in 2020²¹⁵). In particular, the most successful social media

²⁰⁹ <https://www.bidsquare.com> (Accessed on 22 April 2022).

²¹⁰ *Hiscox Online Art Trade Report 2020 - Part One: The Online Art Trade*, cit., p. 31.

²¹¹ McAndrew, C., *The Art Market 2020: An Art Basel & UBS Report*, cit., p. 262.

²¹² McAndrew, C., *TEFAF Art Market Report 2015*, cit., p. 191.

²¹³ <https://www.invaluable.com> (Accessed on 22 April 2022).

²¹⁴ McAndrew, C., *The Art Market 2020: An Art Basel & UBS Report*, cit., p. 264.

²¹⁵ *Artsy Gallery Insights 2021 Report*, cit., p. 14.

platform is Instagram. Even if it does not allow people to directly purchase works, it is proving to be a valuable aid to facilitate online transactions and transform social media users into active buyers.

Firstly, Instagram's shopping feature allows the "tagging of items available for sale in Instagram feeds, which then link directly to an external website where the purchase can be completed."²¹⁶ It is even possible to attach the link to complete the purchase on Instagram Stories²¹⁷. However, the works sold on social media have usually a lower value than the ones generally purchased online with 67% of them acquired for less than \$5,000 in 2020²¹⁸.

Instagram is also considered by the actors of the sectors an essential marketing tool and a way to intensify awareness, confidence, and trust. The galleries and auction houses use this platform to create additional content, increase the collectors' interest and guide their choices²¹⁹. In addition, posts and information shared on social media are publicly available and accessible without any social, geographical, intellectual, or economic prerequisite²²⁰. This makes the art world more approachable and allows the different players to attract new buyers no more intimidated by the highbrow dynamics of the market²²¹.

On the other hand, also the artists can take greater advantage of the use of Instagram and social media in general. Here, they can directly present their works to the audience and receive sales requests through private direct messages. Consequently, they have full control over their production and career, cutting out dealers and galleries as intermediaries²²².

²¹⁶ McAndrew, C., *The Art Market 2020: An Art Basel & UBS Report*, cit., p. 271.

²¹⁷ 2020. *Hiscox Online Art Trade Report 2020 - Part Two: Buyer Behaviour*. Hiscox & ArtTactic. An online publication. Available online at: https://www.hiscox.co.uk/sites/uk/files/documents/2020-12/20688b-Hiscox_online_art_trade_report_2020-part_two.pdf (Accessed on 11 March 2022), p. 12.

²¹⁸ Ivi, p.13.

²¹⁹ Angelucci, C., 2020. *Le gallerie e la rivoluzione digitale del mercato dell'arte. 5 CASI STUDIO, da Gagosian a Zwirner*. ArtsLife. Available online at: <https://artslife.com/2020/04/16/le-gallerie-e-la-rivoluzione-digitale-del-mercato-dellarte/> (Accessed on 7 March 2022).

²²⁰ Vergès, J., *The diffusion and adoption of e-commerce in the art world*, cit., p. 27.

²²¹ Fleming, O., 2014. *Why the World's Most Talked-About New Art Dealer Is Instagram*. Vogue. Available online at: <https://www.vogue.com/article/buying-and-selling-art-on-instagram> (Accessed on 13 March 2022).

²²² *Hiscox Online Art Trade Report 2020 - Part Two: Buyer Behaviour*, cit., p. 12; McAndrew, C., *The Art Market 2020: An Art Basel & UBS Report*, cit., p. 271; Fleming, O., *Why the World's Most Talked-About New Art Dealer Is Instagram*, cit.

To conclude, Instagram is the preferred social media platform of 68% of the art buyers²²³ and 34% of them used this channel to purchase art in 2020²²⁴. In particular, the youngest generations are the most active online and 35% of Millennials acquired art on Instagram²²⁵. This data highlights the importance of developing successful social media strategies to attract and interact with the youngest buyers who are more digitally oriented.

Finally, the art collectors also emphasize the role of Instagram as a tool for browsing works of art, reading content, discovering new artists and acquiring accessible information to keep up with the art world²²⁶. The *Hiscox Online Trade Art Report 2020* stresses how, in 2020, 87% of the buyers used Instagram to discover new artists and 86% to find art to buy²²⁷.

2.3 The impact of the Covid-19 pandemic on the e-commerce of art

The Covid-19 pandemic has had a disruptive impact on the art market changing its rules and dynamics. In March 2020 the entire world, including the art one, was obliged to stop and suspend all the personal and physical interactions. Exhibitions and art fairs were cancelled; museums, art galleries and auction houses had to close their doors; the international mobility was interrupted²²⁸. The only alternative to staying afloat was to transfer as soon as possible, part of the business online, finally embracing the technological and digital revolution. The pandemic has thus had a positive impact on the online art market accelerating the slow process of digitalization that had characterized the art world in the past and filling the gap compared to the other sectors²²⁹. It has been a catalyst for change and innovation, finally moving the art market towards the 21st century²³⁰. Indeed, not to completely stops all their activities,

²²³ *Hiscox Online Art Trade Report 2020 - Part Two: Buyer Behaviour*, cit., p. 12.

²²⁴ McAndrew, C., *The Art Market 2021: An Art Basel & UBS Report*, cit., p. 243.

²²⁵ *Hiscox Online Art Trade Report 2020 - Part Two: Buyer Behaviour*, cit., p. 12.

²²⁶ McAndrew, C., *The Art Market 2021: An Art Basel & UBS Report*, cit., p. 245.

²²⁷ *Hiscox Online Art Trade Report 2020 - Part Two: Buyer Behaviour*, cit., p. 12.

²²⁸ *Hiscox Online Art Trade Report 2020 - Part One: The Online Art Trade*, cit., pp. 2;4.

²²⁹ Habelsberger, B. and Bhansing, P., *Art Galleries in Transformation: Is COVID-19 Driving Digitisation?*, cit., pp. 10;14.

²³⁰ 2021. *Hiscox Online Art Trade Report 2021 - Part One*. Hiscox & ArtTactic. An online publication. Available online at: https://www.hiscox.co.uk/sites/default/files/documents/2021-10/21674a-Hiscox_online_art_trade_report2021-part_one_1.pdf (Accessed on 11 March 2022), p. 5.

the galleries, the auction houses and all the other actors in the sector, had to invest in digital technologies and implement strategies that altered how art is displayed and transmitted²³¹. Through their social media profiles and websites, they started to experiment with several formats and different types of offering to virtually engage their audience and keep their interest up: for example, they recorded podcasts, organized talks with artists, curators, and market experts and they created video recordings of exhibitions and guided video tours²³². Moreover, the players with greater economic availability applied virtual and augmented reality to develop innovative private viewing rooms and interactive experiences²³³. This rise in the amount of insightful information accessible online has hence led to an acceleration in the process of democratization and opening that characterized the online art world.

Furthermore, during the several lockdowns, the internet was also the only possibility to purchase and sell works of art; galleries and auction houses shifted to e-commerce, and they began to sell their works directly on social media platforms and websites, through their viewing rooms or 3rd party marketplaces. These latter have thus expanded their online offering, with the development of innovative content and sales modalities²³⁴.

Obviously, the wider acceptance and implementation of e-commerce strategies, together with the fact that they are the only alternative to sell and buy art, has led to a huge increase in online sales during the last two years. In 2020 they have reached the record of \$12.4 billion, doubling the value from 2019 (Fig. 2.2). Moreover, they expanded from 9% of sales by value in 2019 to 25% in 2020 and they accounted for 25% of the total art sales, surpassing, for the first time, the share of e-commerce in aggregate global retail (18%)²³⁵. Despite the easing of physical restrictions in the second semester of 2021, during the last year, online sales continued to grow moderately reaching \$13.3 billion (Fig. 2.2). Most of the businesses in the art market indeed “maintained strong online sales alongside their return to live sales and

²³¹ *Artsy Gallery Insights 2021 Report*, cit., p. 2.

²³² Habelsberger, B. and Bhansing, P., *Art Galleries in Transformation: Is COVID-19 Driving Digitisation?*, cit., pp. 10-11.

²³³ *Hiscox Online Art Trade Report 2020 - Part One: The Online Art Trade*, cit., p. 2.

²³⁴ McAndrew, C., *The Art Market 2021: An Art Basel & UBS Report*, cit., p. 212.

²³⁵ Ivi, pp. 212-214.

exhibitions”²³⁶. Furthermore, even if the share of online sales decreased to 20% of global art values and 20% of total sales, it is still more than double the levels of 2019²³⁷.



Figure 2.2 | The Online Art and Antiques Market 2013-2021. © The Art Market Report 2022

Even the gallery sector, more reluctant to embrace digital technologies in the past, was obliged to accept and finally implement e-commerce strategies in the last two years. *The Art Market Report 2021* highlights how 63% of dealers increased their share of online sales in 2020²³⁸ which accounted for 33% (37% including art fairs OVRs) of the total sales by value in the first semester of 2021 (Fig. 2.3)²³⁹. This percentage decreased to 20% (22% including art fairs OVRs) at the end of 2021 (Fig. 2.4) although it still remained significantly higher than in 2019 (12%)²⁴⁰.

²³⁶ McAndrew, C., *The Art Market 2022: An Art Basel & UBS Report.*, cit., p. 36.

²³⁷ Ivi, pp. 36-38.

²³⁸ McAndrew, C., *The Art Market 2021: An Art Basel & UBS Report*, cit., p. 217.

²³⁹ McAndrew, C., *Resilience in the Dealer Sector. A Mid-Year Review 2021: An Art Basel & UBS Report*, cit., p. 58.

²⁴⁰ McAndrew, C., *The Art Market 2022: An Art Basel & UBS Report*, cit., pp. 90;104.

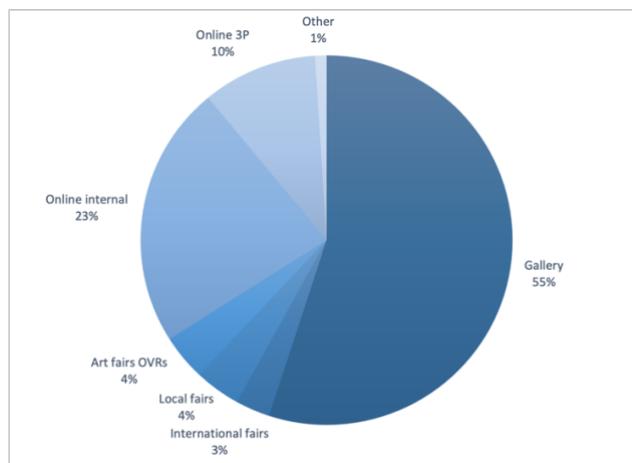


Figure 2.3 | Share of Dealer Sales by Value by Sales Channel H1 2021. © The Art Market Review 2021

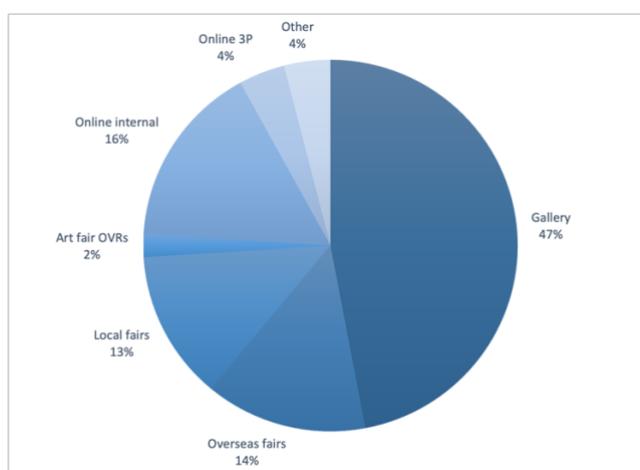


Figure 2.4 | Share of Dealer Sales by Value by Sales Channel 2021. © The Art Market Report 2022

In particular, sales via internal online channels (galleries' websites and OVRs, social media platforms and email without a visit to the gallery) represented 23% of total sales by value in the first semester of 2021 and 16% at the end of the year. In addition, 10% of sales by value in the first semester and 4% at the end of the year occurred on 3rd party platforms²⁴¹. Indeed, the online expansion of the art galleries has also had a huge impact on the growth of these marketplaces; for example, in 2020 Artsy increased the volume of its sales by 150% and the value by 140% in comparison with the previous year²⁴².

²⁴¹ McAndrew, C., *Resilience in the Dealer Sector. A Mid-Year Review 2021: An Art Basel & UBS Report*, cit., p. 58; McAndrew, C., *The Art Market 2022: An Art Basel & UBS Report*, cit., pp. 90;104.

²⁴² Marchesoni, M., 2021. *Artsy: l'arte si compra dal cellulare, frena la poca trasparenza sui prezzi*. *Ilsole24ore.com*. Available online at: <https://www.ilsole24ore.com/art/artsy-l-arte-si-compra-cellulare-frena-poca-trasparenza-prezzi-AEOod8V> (Accessed on 7 March 2022).

To conclude, galleries' websites and OVRs also represented the most common channels to purchase art in 2021, used by 44% of the sample interviewed in *The Art Market Report 2022*. Physical galleries and auctions were placed only in the second and third positions (42% and 38% of the sample). Furthermore, 33% of the responders used 3rd party platforms to finalize their purchase and 31% Instagram and Art fair OVRs.

Finally, concerning online channels, some differences exist in relation to the age of the buyers²⁴³, as reported by the chart below (Fig. 2.5).

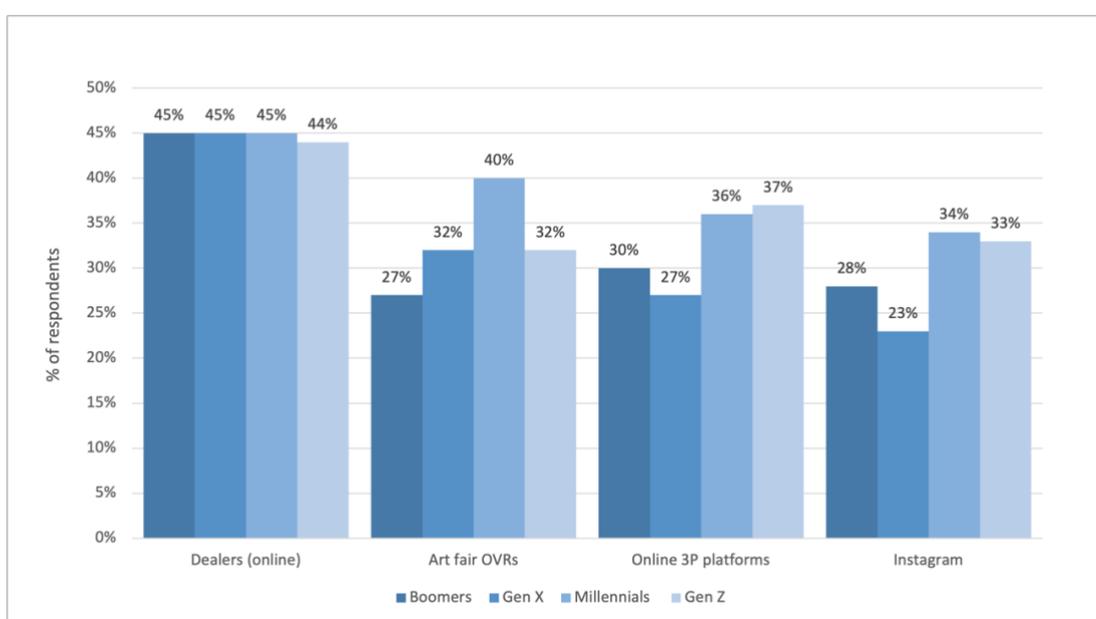


Figure 2.5 | Share of Collectors Purchasing Online by Generation. © The Art Market Report 2022

2.3.1 The polarization of the art market fostered by the Covid-19 pandemic

Unlike the past economic crisis, the determining factor to survive during the Covid-19 pandemic was not linked with the size of the gallery or the auction house but to its digital nimbleness and its ability to implement innovative online strategies²⁴⁴. The players that have already had a strong online presence, have continued to grow and improve their strategies. Moreover, the most powerful and wealthy actors, have had more human, financial and technical resources to invest in the development of e-commerce and digital systems, positioning themselves again as the undisputed leader

²⁴³ McAndrew, C., *The Art Market 2022: An Art Basel & UBS Report*, cit., pp. 234-236.

²⁴⁴ Belcove, J., *From Online Exhibitions to Ecommerce: Art Galleries Are Turning to the Digital World to Survive Covid-19*, cit.

of the art market. The pandemic has thus only reinforced the polarized nature of the sector putting the small and middle-sized players under a huge pressure²⁴⁵. Without the competencies and the budget to adopt digital innovations, these players have seen their incomes terribly reduced, and this has increased their already pronounced fragility²⁴⁶.

Specifically, in the gallery sector, the dealers with a turnover between \$5 million and \$10 million showed the biggest improvement in 2021, with an increase in sales by 35%; furthermore, the sales of the largest galleries with a turnover of over \$10 million rose by 21%²⁴⁷. This growth was also due to the extraordinary expansion of the online sales, which from being respectively 15% and 9% of the total in 2019, reached 37% and 47% in 2020, and 24% and 22% at the end of 2021²⁴⁸. Because of their economic availability, together with their highly professional employees, these galleries could quickly develop and implement successful digital and e-commerce strategies to respond to the Covid-19 restrictions and continue their business. For example, they have had both the financial resources and the technical competencies to employ augmented and virtual reality with the final aim to create interactive viewing rooms that could enhance the customers' experience and make them more confident in the purchase. Indeed, in cyberspace, it is important to replicate as much as possible the live view of the works of art to overcome the collectors' uncertainty linked with the impossibility to see them in the flesh before the purchase. Moreover, the strong reputation of these dealers increases the trust towards them and makes the buyer more confident about the quality of the works acquired online. Therefore, because of their greater resources and their strong reputation, the brand and more established galleries are more successful online, even in attracting new buyers²⁴⁹ who tend to engage only with already known and trusted galleries during periods of uncertainty²⁵⁰.

²⁴⁵ McAndrew, C., *Resilience in the Dealer Sector. A Mid-Year Review 2021: An Art Basel & UBS Report*, cit., p. 22.

²⁴⁶ Angelucci, C., *Le gallerie e la rivoluzione digitale del mercato dell'arte. 5 CASI STUDIO, da Gagosian a Zwirner*, cit.

²⁴⁷ McAndrew, C., *The Art Market 2022: An Art Basel & UBS Report*, cit., p. 69

²⁴⁸ Ivi, p. 105.

²⁴⁹ Khaire, M., 2015. Art Without Borders? Online Firms and the Global Art Market. In: O. Velthuis and S. Baia Curioni, ed., *Cosmopolitan Canvases: The Globalization of Markets for Contemporary Art*. Oxford Scholarship Online, p. 22.

²⁵⁰ McAndrew, C., *Resilience in the Dealer Sector. A Mid-Year Review 2021: An Art Basel & UBS Report*, cit., p. 92.

Speaking about concrete examples, David Zwirner Gallery, which already displayed a varied online offering, has developed two more online sales initiatives during the Covid-19 pandemic: *Studio* and *Exceptional Works*. The first one presented two or three artworks realized ad hoc by artists represented by the gallery whereas the second one focused on the secondary market and displayed one major artwork at the time. Unlike *Studio*, it was available only to gallery clients on an invitation basis and the prices were revealed upon request²⁵¹. Even thanks to these initiatives, the website traffic has grown by 500% during the shutdown and, as reported by the gallery, 43% of their online sales have been to first-time clients²⁵².

Gagosian Gallery launched in April 2020 a new multifaceted program called *Artist Spotlight*. Each week a work of a single artist was presented online, and it was made available with pricing information for forty-eight hours only. Together with the works were also posted editorial content, videos, interviews, essays, films and book suggestions, to provide insights into artistic practice and process²⁵³.

Finally, Hauser&Wirth Gallery, within the *ArtLab project*, developed a virtual reality program, called HWVR. “Drawing from techniques applied in architecture, construction and video-game authorship, the tool creates true-to-life scale and accuracy, as well as the authentic look, feel, and interactivity”²⁵⁴ of the physical galleries. This innovative technology was firstly used for a VR-based exhibition in April 2020 with the works by Mark Bradford and Ellen Gallagher among the others. Moreover, the gallery has launched the first digital residency program for artists in which this modelling technology has been used. Even this brand gallery has reported

²⁵¹ Halperin, J., 2020. *Launching Two More Online Sales Initiatives, Mega-Gallerist David Zwirner Says He Already Envisions Less Need for Art Fairs*. Artnet News. Available online at:

<https://news.artnet.com/market/david-zwirner-online-1826523> (Accessed on 13 March 2022);

Angelucci, C., *Le gallerie e la rivoluzione digitale del mercato dell'arte*. 5 CASI STUDIO, da Gagosian a Zwirner, cit.

²⁵² Belcove, J., *From Online Exhibitions to Ecommerce: Art Galleries Are Turning to the Digital World to Survive Covid-19*, cit.

²⁵³ <https://gagosian.com/fairs/2020/04/03/artist-spotlight-online-presentation/> (Accessed on 22 April 2022); Angelucci, C., *Le gallerie e la rivoluzione digitale del mercato dell'arte*. 5 CASI STUDIO, da Gagosian a Zwirner.

²⁵⁴ <https://www.hauserwirth.com/news/28281-artlab-new-technology-research-division/> (Accessed on 15 April 2022).

an increase in its online sales; before the pandemic, the online shows constituted less than 1% of the total sales whereas, in 2020, they have reached 20%²⁵⁵.

In contrast with these positive experiences, most of the small and middle-sized galleries have been strongly hit by the Covid-19 restrictions and their fragile sustainability was put even more under pressure. *The Art Market Report 2022* published by Art Basel and UBS, underlines how galleries with a turnover of less than \$100,000 have been the most affected by the pandemic, and their sales have continued to decrease (by 8%) in 2021²⁵⁶.

Indeed, because of their national or local focus, few of them invested in the development of effective digital technology before the pandemic. Moreover, they often do not have enough financial and human resources to implement innovative strategies and create viewing rooms and e-commerce functions on their website²⁵⁷. However, in a historical period characterized by the impossibility to open the galleries and participating in the art fairs, these galleries had to find different digital solutions to stay afloat. Essential support arrived from the 3rd party marketplace platforms, that offer e-commerce and digital functions at moderate prices. As a result, the last two years were characterized by the growth in the global number of these platforms, the increase in the services offered and the development of new solutions by technology companies. The British company *Artlogic*, for example, set up a service that allows galleries to create their own viewing room for a little monthly fee²⁵⁸. Even Oliver Miro, son of the famous art dealer Victoria Miro, developed a platform called *Vortic*²⁵⁹ that allows galleries to create and present their online exhibition using augmented and virtual reality²⁶⁰. Moreover, Artsy stated to host online art fairs on its website, such as *Intersect 21* launched in March 2021 in partnership with 21 galleries from southern California, the Middle East, and North Africa each presenting 21 works²⁶¹. Finally,

²⁵⁵ Belcove, J., *From Online Exhibitions to Ecommerce: Art Galleries Are Turning to the Digital World to Survive Covid-19*; Gerlis, M., 2020. *How Covid-19 has forced the art market's speedy digital conversion*. The Art Newspaper. Available online at: <https://www.theartnewspaper.com/2020/05/05/how-covid-19-has-forced-the-art-markets-speedy-digital-conversion> (Accessed on 15 March 2022).

²⁵⁶ McAndrew, C., *The Art Market 2022: An Art Basel & UBS Report*, cit., p. 69.

²⁵⁷ Habelsberger, B. and Bhansing, P., *Art Galleries in Transformation: Is COVID-19 Driving Digitisation?*, cit., pp. 11-13.

²⁵⁸ *Hiscox Online Art Trade Report 2020 - Part One: The Online Art Trade*, cit., p. 20.

²⁵⁹ <https://vortic.art/discover> (Accessed on 20 April 2022).

²⁶⁰ Gerlis, M., *How Covid-19 has forced the art market's speedy digital conversion*, cit.

²⁶¹ *Hiscox Online Art Trade Report 2021 - Part One*, cit., p. 13.

Sotheby's created *Gallery Network*²⁶², a platform in which galleries can present their works in a personal viewing room and sell them directly online. Sotheby's receives a commission on the sales and the sellers must not pay a monthly or annual fee, as required by the other gallery marketplaces (Artsy or Artnet). Furthermore, the galleries can benefit from the brand of the company that inspires trust and increase the buyers' confidence in the purchase²⁶³.

The Covid-19 has also fostered an atmosphere of solidarity among the actors of the sector with 52% of galleries surveyed by Art Basel and UBS involved "in some form of collaboration during 2020 with dealers within their sector in response to the pandemic"²⁶⁴. This percentage rose further in 2021 reaching 68%²⁶⁵. In this contest, some of the biggest players have also started to share their knowledge and technologies with the smallest galleries and art fairs. The most famous example is the project *Platforms* launched in April 2020 by David Zwirner. To help the emerging and smallest galleries that cannot develop their own digital infrastructure, the dealer decided to open the door of its viewing room platform to twelve New York galleries. Later, the program was broadened out to also include London, Paris and Brussels. Every month 100 contemporary works of art with a price range from \$2,500 to \$50,000 are presented online and buyers can directly acquire the works by clicking the "buy" button instead of the "inquire" one, typical of many galleries' websites. The decision to present a limited number of works, accompanied by a detailed description, reflects the will to display only high-quality artworks carefully selected by curators and art experts and in line with David Zwirner's standards. Finally, the possibility to expose on this platform considerably increase the artists' and galleries' reputation²⁶⁶.

²⁶² <https://www.sothebys.com/gallerynetwork> (Accessed on 22 April 2022).

²⁶³ Cola, C., 2020. *Gallery Network. Sotheby's lancia una nuova piattaforma di vendita dedicata alle gallerie*. ArtsLife. Available online at: <https://artslife.com/2020/04/30/gallery-network-sothebys-lancia-una-nuova-piattaforma-di-vendita-dedicata-alle-gallerie/> (Accessed on 15 March 2022).

²⁶⁴ McAndrew, C., *The Art Market 2022: An Art Basel & UBS Report*, cit., p. 111.

²⁶⁵ *Ibidem*.

²⁶⁶ 2021. *David Zwirner Gallery Introduces Click-to-Buy Platform*. Artforum.com. Available online at: <https://www.artforum.com/news/david-zwirner-gallery-introduces-click-to-buy-platform-85753> (Accessed on 13 March 2022); Maida, D., *David Zwirner lancia Platform per supportare le gallerie emergenti*, cit.

Similarly, Hauser & Wirth gallery decided to support less established art fairs; they “offer their digital platform to create a virtual edition of the June Art Fair, the start-up fair that launched its first edition in Basel”²⁶⁷ in 2019.

However, despite the positive value of these initiatives, they highlight more the polarization of the sector and the predominance of the brand actors.

2.3.2 Collectors’ prospective and future scenario

Thanks to the Covid-19 pandemic, the different actors active in the art market have finally embraced the digital revolution understating the importance of the internet as a marketing and selling tool. At the same time, also the collectors’ confidence in online purchases has largely increased. As reported by the *Hiscox Art Trade Report 2021*, the interest and confidence of 41% of the art buyers have grown during the period; in particular, the young buyers (54%) and the new buyers (60%) show the greatest increase²⁶⁸. This rise was primarily due to the improvement of the digital offers and the development of more effective services²⁶⁹. Furthermore, during the lockdowns the buyers have had more free time and visiting online art platforms has offered them a welcome distraction²⁷⁰. In this way, they could discover the different proposals and thoroughly know the services offered. Moreover, because acquiring art online was the only alternative during the pandemic, they had to confront e-commerce starting to accept it as a valid substitute to the in-presence purchase.

The movement of the art market towards the online has also caused an increase in the younger collectors. As shown by the *Artsy Gallery Insight 2021* the number of buyers aged between 18 and 34 doubled from 3% in 2019 to 4% in 2020; at the same time the number of collectors over 55 dropped from 26% to 22%²⁷¹. The youngest generations indeed show a high preference for online channels, and they are the most regular users of e-commerce platforms²⁷². They were born and raised in a world dominated by digital technologies and the internet, and they are used to acquiring items online.

²⁶⁷ *Hiscox Online Art Trade Report 2020 - Part One: The Online Art Trade*, cit., p. 20.

²⁶⁸ *Hiscox Online Art Trade Report 2020 - Part Two: Buyer Behaviour*, cit., p. 4.

²⁶⁹ Ongaretti, M., 2021. *Digitalizzazione e mercato dell’arte nel report Art & Finance 2021*. ArtsCore. Available online at: <http://artscore.it/digitalizzazione-arte-deloitte-2021/> (Accessed on 8 March 2022).

²⁷⁰ *Hiscox Online Art Trade Report 2020 - Part Two: Buyer Behaviour*, cit., p. 4.

²⁷¹ *Artsy Gallery Insights 2021 Report*, cit., p. 10.

²⁷² McAndrew, C., *The Art Market 2020: An Art Basel & UBS Report*, cit., p. 273.

Consequently, they are more inclined to purchase art online without a previous physical inspection. Moreover, the huge amount of information shared online and the fact that the collectors can buy artworks from the comfort of their homes, make the online art world less intimidating and more engaging, attracting an even larger number of young buyers. Because of this population of digital natives is increasing in size while the oldest generations are diapering²⁷³, it appears as essential to maintain and strengthen e-commerce strategies also after the pandemic²⁷⁴. These buyers are even more willing to purchase at higher prices online, with 25% of millennials regularly acquiring artworks at prices more than \$1 million versus 13% of Gen X collectors and 15% of Boomers. This tendency plays an important role in the general increase of the price ceiling for works sold online. In particular, during the Covid-19 pandemic, more than half of collectors (57%) have spent over \$100.000 for individual work and one-third of them have paid more than \$1 million online²⁷⁵. In the last few years indeed, the buyers are becoming more confident in acquiring art online denying the commonplace that only the less expensive artworks can be sold on the internet. Finally, the less intimidating nature of the online art world and the democratic essence of the internet make the art market more accessible and no longer perceived as closed and elitist, thereby attracting a huge percentage of new buyers²⁷⁶. In particular, they accounted for 35% of all online sales by value in 2021 (Fig. 2.6)²⁷⁷.

²⁷³ Habelsberger, B. and Bhansing, P., *Art Galleries in Transformation: Is COVID-19 Driving Digitisation?*, cit., p. 5.

²⁷⁴ *Artsy Gallery Insights 2021 Report*, cit., p. 10.

²⁷⁵ McAndrew, C., *The Art Market 2021: An Art Basel & UBS Report*, cit., p. 246.

²⁷⁶ Habelsberger, B. and Bhansing, P., *Art Galleries in Transformation: Is COVID-19 Driving Digitisation?*, cit., p. 5.

²⁷⁷ McAndrew, C., *The Art Market 2022: An Art Basel & UBS Report*, cit., pp. 106-107.

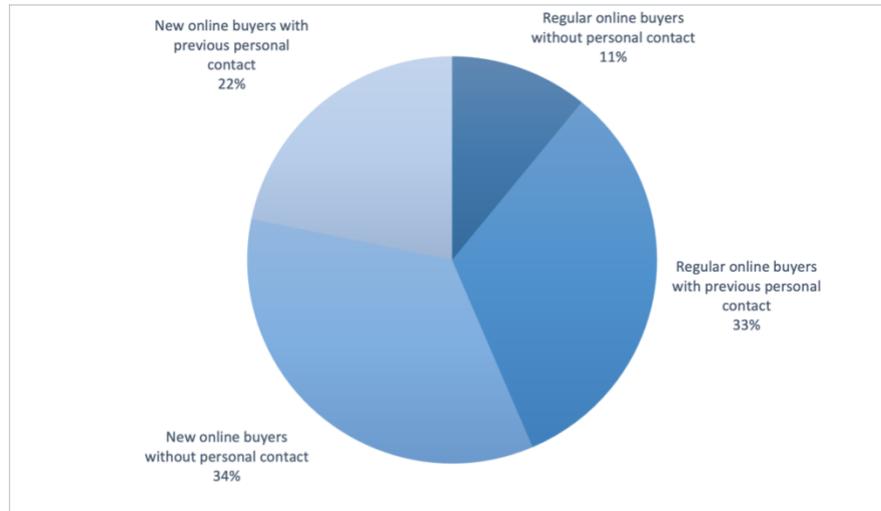


Figure 2.6 | Share of the Value of Online Sales by Buyer Category in 2021. © The Art Market Report 2022

However, the long-term effect of the online developments that have characterized the art market in the last two years, are not totally predictable and a question arises about the persistence in the use of e-commerce and online strategies in a world post-pandemic. Indeed, as reported by *The Art Market Report 2022*, 78% of collectors still prefer to view art for sale offline before the purchase. Furthermore, 45% of the collectors who have chosen the galleries or dealers as their favourite sales channels, prefer to acquire works offline versus 35% who favour the gallery website or OVR. In addition, only 7% of them choose 3rd party marketplaces as their preferred channel²⁷⁸. The online art market cannot completely replace the physical one and e-commerce cannot fully substitute the social and physical interaction and the human relations that characterized the experiences in the flesh. Paradoxically, the Covid-19 pandemic has highlighted the importance of the physical appreciation of the works of art and the relevance of the human interaction among the actors of the sectors²⁷⁹. Nevertheless, it is impossible to return to a pre-pandemic status because this historical period has completely changed the behaviour, attitudes, expectation and motivation of buyers and sellers²⁸⁰. The implementation of online strategies has proved to be essential in order to attract new and younger buyers; moreover, it can be an effective tool to reduce costs

²⁷⁸ Ivi, pp. 238-239.

²⁷⁹ Ronchi, G., 2020. *Intervista a Mauro Stefanini, Presidente di ANGAMC*. Atribune. Available online at: <https://www.atribune.com/professionisti-e-professionisti/mercato/2020/07/gallerie-post-covid-intervista-mauro-stefanini-presidente-angamc/> (Accessed on 7 March 2022).

²⁸⁰ *Hiscox Online Art Trade Report 2020 - Part Two: Buyer Behaviour*, cit., p. 14.

and a way to respond to the growing collectors' requests for accessibility and transparency.

Consequently, the “current crisis will result in a permanent and transformative shift, with online becoming a natural part of any art sales business”²⁸¹. Galleries, auction houses and all the other actors of the sector are expected to combine offline and online models, integrating physical exhibitions and events with e-commerce offers²⁸² with the final goal to find a happy point of equilibrium between them²⁸³.

²⁸¹ *Hiscox Online Art Trade Report 2020 - Part One: The Online Art Trade*, cit., p. 7.

²⁸² McAndrew, C., *The Art Market 2021: An Art Basel & UBS Report*, cit., pp. 260-261.

²⁸³ *Hiscox Online Art Trade Report 2021 - Part One*, cit., p. 1.

Chapter III

The advantages brought by e-commerce to small and middle-sized contemporary art galleries and how to effectively implement it

3.1 Small and middle-sized galleries' requirement to innovate their business model

At the end of the first chapter, the financial difficulties of small and middle-sized galleries have been highlighted. Due to their scarce incomes, they usually have low annual profits, and they often are not even able to cover all their fixed and variable costs. This impedes the performance of their activities and leads to a huge number of annual closures.

As already underlined, this situation is directly correlated with the outdated business model (defined as a way to describe “the rationale of how an organization creates, delivers, and captures value”²⁸⁴) implemented by these galleries that appears inappropriate to achieve sustainability in a highly competitive, fragmented, and globalized market.

Therefore, as emphasized by several authors²⁸⁵, small and middle-sized art galleries must innovate their business model to strengthen and accelerate their activities, develop growth-oriented strategies, and gain long-term competitive advantages²⁸⁶. In this way, they can ensure economic sustainability over time²⁸⁷ and continue to present and display high-quality products, reaching artistic-cultural sustainability too²⁸⁸.

²⁸⁴ Osterwalder, A., Pigneur, Y. and Wegberg, J., 2010. *Business Model Generation*. Hoboken, New Jersey: John Wiley & Sons, p. 14.

²⁸⁵ Resch, M.; Badia, F.; Mateos-Ronco, A. and Peiró Torralba, N.; VITKAUSKAITĖ, I.; Bakhshi, H. and Throsby, D.; Habelsberger, B. and Bhansing, P.; McAndrew, C.

²⁸⁶ VITKAUSKAITĖ, I., *Opportunities for Innovation Adoption in Art Galleries*, cit., p. 1.

²⁸⁷ Depperu, D., Magnani, G., Crosato, L. and Liberati, C., *Growth of Firms in a Fragmented Cultural Industry: Italian Commercial Art Galleries' Competitive Strategies*, cit., p. 1.

²⁸⁸ Badia, F., 2015. Evolution of the business models for contemporary art galleries. Current situation and future challenges. In: *IFKAD 2015 Culture, Innovation and Entrepreneurship: connecting the knowledge dots*. JC Spender, pp. 1578-1570.

Innovation, in particular, is defined as the successful commercial exploitation of ideas perceived as new. Indeed, during the cyclical and never-ending innovation process “inputs in form of innovation ideas are transformed into outputs in form of innovations”²⁸⁹.

However, due to their small size, their structural simplicity, the overdependence on their owner-managers and their lack of financial resources and managerial competences²⁹⁰, small and middle-sized art galleries often struggle to implement innovations and are therefore not able to reach their growth objectives. Moreover, the effective implementation of innovation in a business model is possible only if the external environment and the atmosphere and culture of the organization are favourable²⁹¹.

Anyway, in the last decades, different scholars have started to investigate the complexity of the low-end of the contemporary art market with the objective to provide small and middle-sized art galleries with some guidance to update their business model. For example, in his essay *Evolution of the business model for contemporary art galleries. Current situation and future challenges*²⁹² Francesco Badia takes as an example the successful business model of Galleria Continua and analyzes it to find those factors that have enabled this important gallery (which had started operating in a small and local context) to expand and grow in the art market and reach economic sustainability. His final goal is to use these elements to guide the redefinition of the unprofitable business models of art galleries. In particular, he firstly stresses the importance of expansion in a global market. Nevertheless, he also underlines the positive relation established by Galleria Continua with the local community of San Gimignano. Therefore, he suggests finding a suitable balance between the global and the local contest. Secondly, he identifies the positive impact that the establishment of collaboration with cultural institutions, businesses not linked with the art world and other galleries may have to increase interest and knowledge in contemporary art. He also speaks about the necessity to differentiate the offer, presenting both emerging and

²⁸⁹ VITKAUSKAITĖ, I., *Opportunities for Innovation Adoption in Art Galleries*, cit., p. 3.

²⁹⁰ Gundolf, K., Jaouen, A. and Gast, J., 2018. Motives for strategic alliances in cultural and creative industries. *Creativity and Innovation Management*, 27(2), p. 148.

²⁹¹ VITKAUSKAITĖ, I., *Opportunities for Innovation Adoption in Art Galleries*, cit., pp. 6-7.

²⁹² Badia, F., *Evolution of the business models for contemporary art galleries. Current situation and future challenges*, cit., pp. 1567-1581.

established artists. In this way galleries can obtain both financial and cultural advantages, increasing their revenues and enriching the art scene. Finally, Badia emphasizes the importance of a solid reputation “which enables the gallery to gain customer confidence and esteem of the art experts”²⁹³.

From this study emerges that the first task that small and middle-sized galleries should fulfil to update their business model, become growth-oriented and achieve sustainability is the development of innovative strategies to reinforce the relations with their buyers, attract new ones and enhance their experiences. Indeed, the business renovation must start with customers who are the core of every business model since there is no company without them.²⁹⁴ Hasan Bakhshi and David Throsby in particular, speak about the necessity to broaden the segment of the traditional audience, deepen the level of customer involvement, and diversify the audience²⁹⁵. This is possible through the development of innovative channels to present the artworks, the improvement of communication and promotion among the public to increase its awareness and the establishment of new specific activities to interact with it²⁹⁶.

Furthermore, it is essential to differentiate the offer, standing out from competitors by providing unique products and services in line with the needs of the different customer groups. The adoption of these differentiation strategies finally results in a deep innovation of galleries’ value propositions, so the value created and offered to clients²⁹⁷, that must always be clearly communicated to them. The importance of differentiation is besides confirmed by a study conducted by Donatella Depperu and her colleagues on a sample of Italian art galleries²⁹⁸. They found that only the galleries that implement a strategy based on a combination of cost and differentiation advantages are expected to see a growth in their sales. As reported by the author:

²⁹³ Ivi, p. 1580.

²⁹⁴ VITKAUSKAITĖ, I., *Opportunities for Innovation Adoption in Art Galleries*, cit., p. 9.

²⁹⁵ Bakhshi, H. and Throsby, D., 2010. *Culture of Innovation. An economic analysis of innovation in arts and cultural organisations*. NESTA. An online publication. Available online at: https://media.nesta.org.uk/documents/culture_of_innovation.pdf (Accessed on 26 March 2022), p. 16.

²⁹⁶ Mateos-Ronco, A. and Peiró Torralba, N., 2019. Sustainable Management of Contemporary Art Galleries: A Delphi Survey for the Spanish Art Market. *Sustainability*, 11(2): 541, p. 13.

²⁹⁷ VITKAUSKAITĖ, I., *Opportunities for Innovation Adoption in Art Galleries*, cit., p. 9.

²⁹⁸ Depperu, D., Magnani, G., Crosato, L. and Liberati, C., *Growth of Firms in a Fragmented Cultural Industry: Italian Commercial Art Galleries’ Competitive Strategies*, cit.

This result confirms that differentiation is important and suggests that a cost-focused strategy is not enough to ensure growth, perhaps because a strong focus on cost (and consequently on prices) affects the reach of art galleries, limiting their potential to reach diverse customer segments that are fundamental to grow²⁹⁹.

Moreover, other authors besides Badia identify the collaborations both with cultural institutions and businesses unrelated to the art system, and the establishment of strategic alliances with other contemporary art galleries as key elements to realise innovative activities and increase the range of products offered³⁰⁰. Indeed, by pooling complementary resources, the galleries can reduce their overspecialization and they can also expand their target customers without the necessity to increase their size and costs. In this way, they can better respond to market demands, improve their profitability, and achieve their final goals. Consequently, collaborations are often a strategic tool to survive over time even if they are also extremally risky and complex to manage and their failure rate is very high. The choice of the correct partner is therefore crucial for their success, together with the development of trust and common objectives³⁰¹.

Finally, also Alicia Mateos-Ronco and Nieves Peiró Torralba stress the importance to go international in order to widen the customer reach³⁰². Indeed, as previously underlined by different studies such as the one by Olivera and Fortunato³⁰³, higher export orientation allows small firms to grow faster and better³⁰⁴.

Obviously, to implement all these innovations, art galleries must integrate their old human, material, financial and intangible key resources with new ones³⁰⁵ changing the inner structure of their business. Firstly, they must develop new financial strategies to

²⁹⁹ Ivi, p. 13.

³⁰⁰ VITKAUSKAITĖ, I., *Opportunities for Innovation Adoption in Art Galleries*, cit., p. 15; Badia, F., *Evolution of the business models for contemporary art galleries. Current situation and future challenges*, cit., p. 1580.

³⁰¹ Gundolf, K., Jaouen, A. and Gast, J., *Motives for strategic alliances in cultural and creative industries*, cit., pp. 148-160.

³⁰² Mateos-Ronco, A. and Peiró Torralba, N., *Sustainable Management of Contemporary Art Galleries: A Delphi Survey for the Spanish Art Market*, cit., pp. 11;13.

³⁰³ Oliveira, B. and Fortunato, A., 2006. Testing Gibrat's Law: Empirical Evidence from a Panel of Portuguese Manufacturing Firms. *International Journal of the Economics of Business*, 13(1), pp. 65-81.

³⁰⁴ Brenner, T. and Schimke, A., 2014. Growth Development Paths of Firms-A Study of Smaller Businesses. *Journal of Small Business Management*, 53(2), pp. 541-542.

³⁰⁵ VITKAUSKAITĖ, I., *Opportunities for Innovation Adoption in Art Galleries*, cit., p. 10.

support their original activities; furthermore, they must solve problems linked with the lack of entrepreneurial and managerial skills. Gallery managers indeed, “have extensive artistic training, but little experience in the techniques and methods of running a business”³⁰⁶. Nonetheless, the innovation of galleries’ goals and functions required to be managed professionally by people who demonstrate management knowledge and business ethics³⁰⁷. The development of managerial competencies must therefore be a priority for art galleries, together with the improvement of marketing skills, essential to get to know the customers’ needs and differentiate the offer³⁰⁸.

Finally, the implementation of innovation in a business model has an impact both on revenues and costs. Indeed, the final goal is to increase the annual income by the establishment of new sources of profit and the reduction of costs linked with the old way of working.

It is important to note that, despite some changes due to the Covid-19 pandemic, in the last few years art galleries have always recognized the necessity to widen their geographical reach, reduce costs and strengthen relationships with existing collectors, as key priorities for their business (Fig. 3.1, Fig. 3.2)³⁰⁹.

³⁰⁶ Mateos-Ronco, A. and Peiró Torralba, N., *Sustainable Management of Contemporary Art Galleries: A Delphi Survey for the Spanish Art Market*, cit., p. 13.

³⁰⁷ Güner, A. and Gülaçti, İ., 2022. Business models transformed by digitalization in contemporary art museums and galleries. *Journal of graphic engineering and design*, 13(1), pp. 17-18.

³⁰⁸ Mateos-Ronco, A. and Peiró Torralba, N., *Sustainable Management of Contemporary Art Galleries: A Delphi Survey for the Spanish Art Market*, cit., p. 13.

³⁰⁹ McAndrew, C., *The Art Market 2021: An Art Basel & UBS Report*, cit., pp. 97-99; McAndrew, C., *Resilience in the Dealer Sector. A Mid-Year Review 2021: An Art Basel & UBS Report*, cit., pp. 134-135.

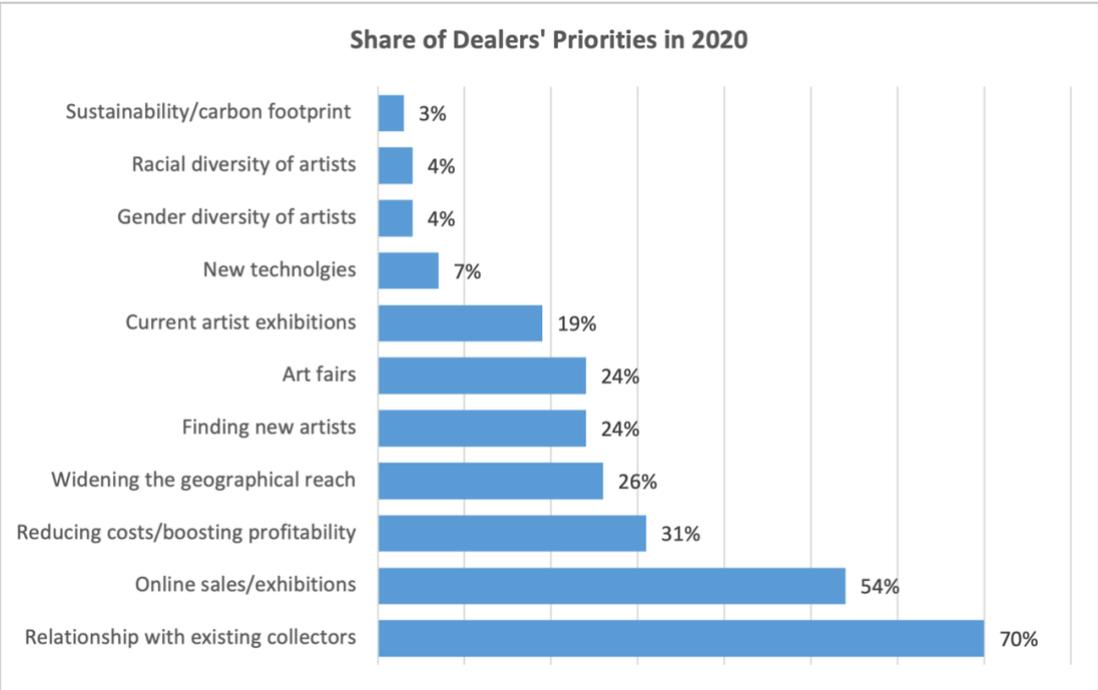
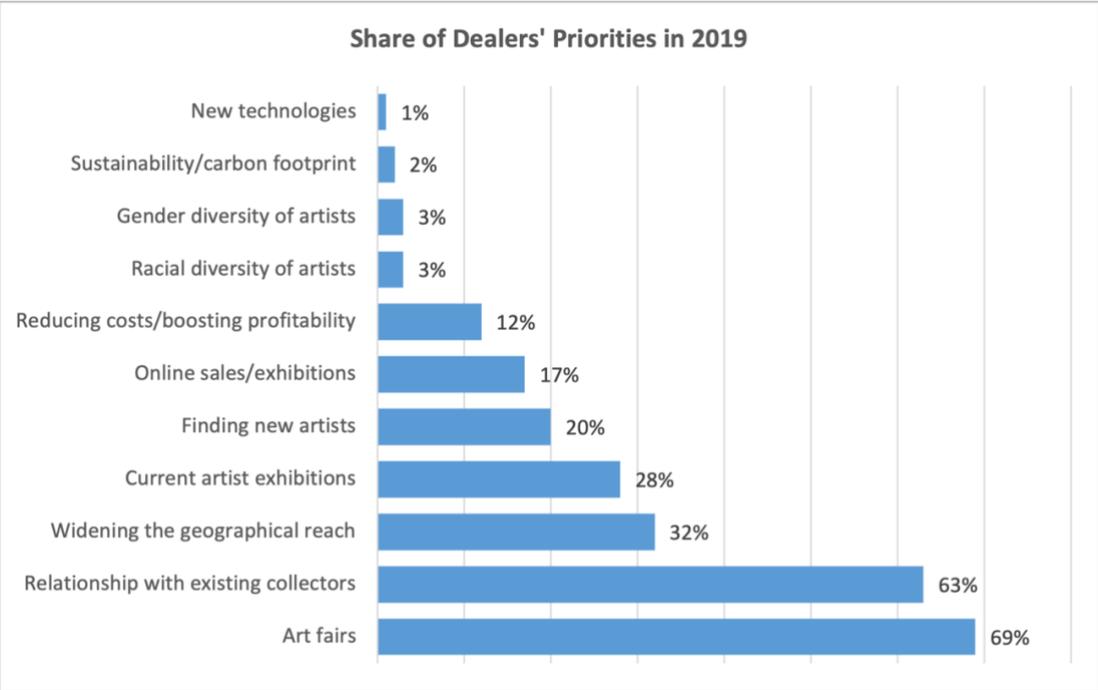


Figure 3.1 | Top Business Priorities for Dealers in 2019 and 2020. © The Art Market Report 2021

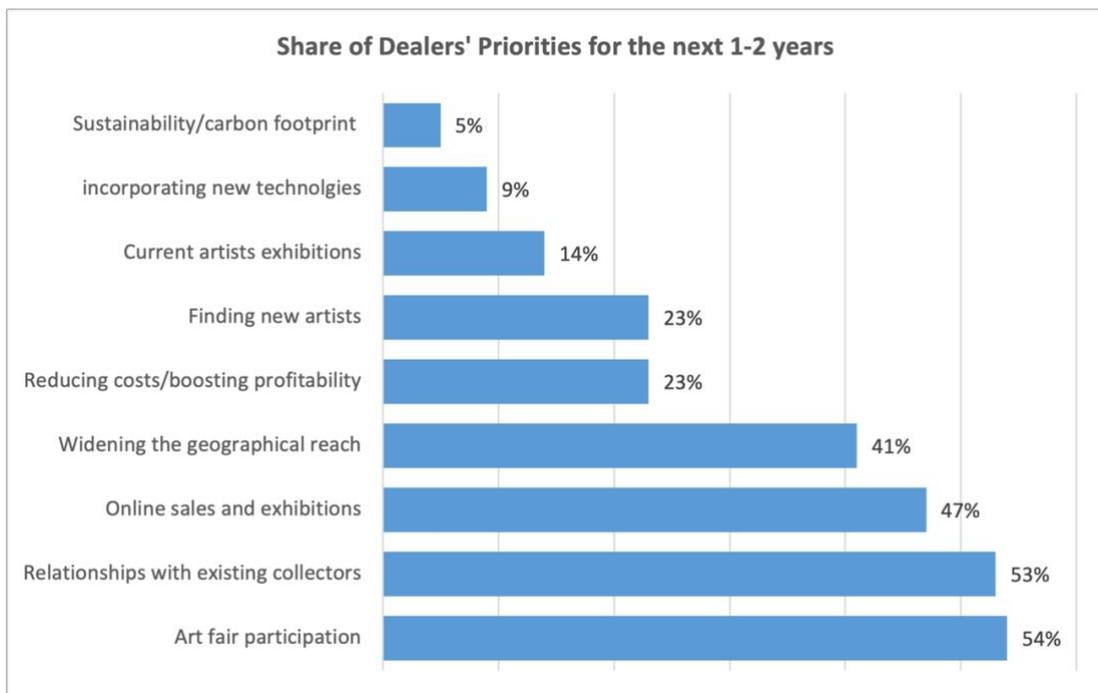
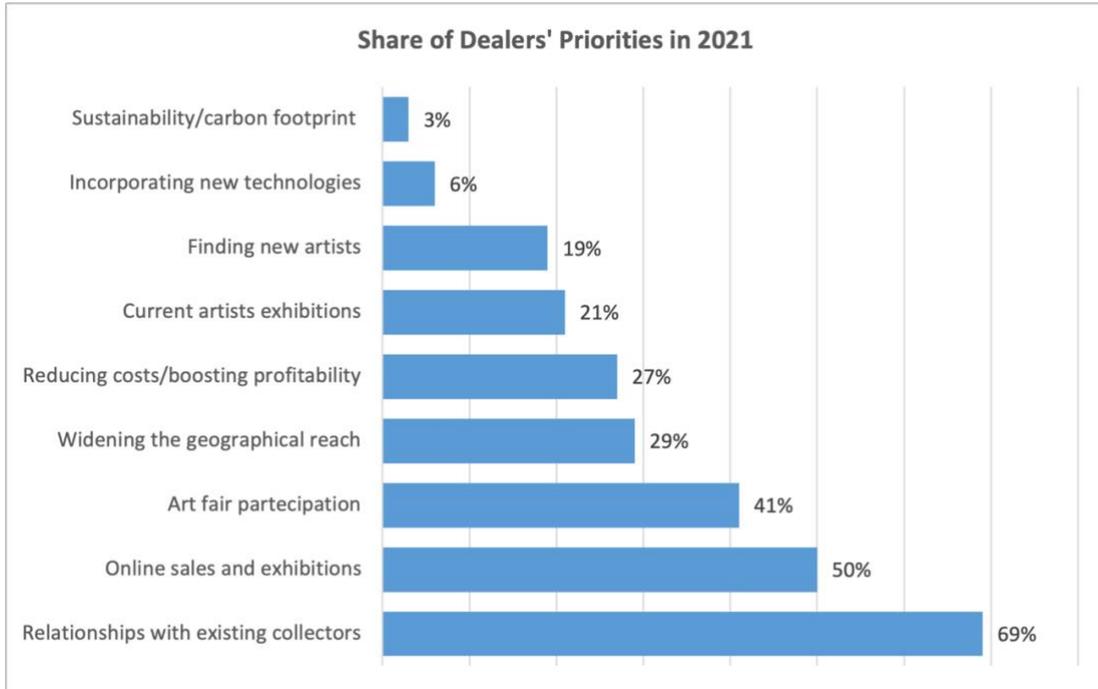


Figure 3.2 | Top Business Priorities for Dealers in 2021. © The Art Market Review 2021

However, it is impossible to reach these goals without a deep modification of the business model currently implemented, although small and middle-sized galleries have rarely tried to effectively update it.

3.1.1 Magnus Resch's proposal for a new business model

All the factors recognized as essential by the scholars to update galleries' business model have been revised and thoroughly examined by Magnus Resch who conducted one of the most accurate and in-depth analyses of contemporary art galleries' business model³¹⁰. He is an art market economist, entrepreneur, and bestselling book author. He studied business at Harvard University, the London School of Economics, the University of St. Gallen and Hong Kong University, and he was awarded a PhD in economics for his thesis on art galleries. In 2015 he published the first edition of his bestseller *Management of Art Galleries*³¹¹, reprinted in second and third editions in 2016 and 2018.

In this book, starting from the assumption that art galleries' business model is no more sustainable because, according to his survey, most of them are at a loss or have lower annual profits, he tries to discover a correlation between profitable galleries and their way of working. His final objective is to develop a new business model that can bring positive advantages to contemporary art galleries and help them to reach economic sustainability; in order to do this, he took a cue from vivid examples and case studies of successful art galleries around the world whose testimonies are reported in the book. His description of an innovative business model for running art galleries starts from the revision of the *organizational concept*. He argues that galleries should be organized in a three-fold organizational structure (garage – gallery – fine art) reflecting the career steps of artists' life cycles (shopping phase – decision phase – final phase). In particular, the garage is an exhibition space in which upcoming and emerging artists (shopping phase) are presented. Even if this space usually provides only a few incomes, it can be a perfect tool to establish a brand and increase credibility on the art scene and with potential customers. On the other hand, the gallery represents mature artists who are reaching success and popularity and are becoming recognizable (decision phase). In his new model, the galleries must focus on a limited number of artists and try to present them internationally by partnerships with other galleries or opening new locations abroad. Moreover, he suggests them to move to cheaper locations or rent spaces temporarily to reduce costs. However, because of the huge

³¹⁰ <https://www.magnusresch.com> (Accessed on 30 April 2022).

³¹¹ Resch, M., *Management of art galleries*, cit.

competition and the price fluctuation that characterized this part of the market, he stresses the importance to be involved also in the final phase of an artist's life cycle when he definitively achieves success and enters the secondary market. Galleries active in this area usually make higher profits; furthermore, fine art does not need a physical location to be sold. Following this organizational structure galleries can diversify their offers and reach higher and more sustainable profits. Indeed, the few and volatile incomes provided by the garage and the gallery can be balanced by the higher returns coming from the sales in the secondary market. Furthermore, this structure makes them more flexible and able to regulate their activities over time following the market requirements³¹².

Through the implementation of this three-fold structure, the art galleries also innovate and extend their *value proposition*, differentiating themselves from other competitors³¹³.

Moving to the *customer concept*, the author highlights how most galleries target similar groups of buyers. Therefore, in order to be successful, galleries must “identify new customers and target them – in addition to existing customer groups – with a corresponding value proposition”³¹⁴. The final goal is to combine the traditional group of buyers with new potential customers, giving particular attention to the youngest generations. Moreover, Magnus's free-fold structure can help galleries to accomplish this tricky task³¹⁵.

Speaking about the *communication concept* the author underlines the necessity to implement effective marketing tools to build and establish a brand. Indeed, a brand conveys an idea of quality and prestige and reduces uncertainty. The strongest it is “the less information is needed to describe the product and convince people to buy”³¹⁶. Nonetheless, the traditional communication tools (advertising, newsletters, and direct emails) are no longer sufficient to achieve this objective because clients increasingly require transparency and accessibility and look for personalized approaches corresponding to their needs. In this contest, personal selling, exhibitions, events, and

³¹² Ivi, pp. 59-64.

³¹³ Ivi, pp. 70-71.

³¹⁴ Ivi, p. 77.

³¹⁵ Ivi, pp. 77-84.

³¹⁶ Ivi, p. 91.

art fairs become fundamental tools because they give the possibility to establish closer and personal relationships with potential buyers. Furthermore, Magnus suggests finding reliable ways to generate word-of-mouth publicity and focusing on the potentiality of Instagram as a free and powerful communication tool. Finally, he explains the importance to involve influential art experts in the organization of exhibitions and stimulate client participation, inviting them to join artists at work or contribute to the construction of shows³¹⁷.

Later the author analyzes the *revenue models* of the contemporary art galleries emphasizing the necessity to identify innovative income areas, implement attractive pricing strategies and reduce costs. In particular, the three-fold organizational structure allows galleries to differentiate their offers and extend their revenue model too. Indeed, galleries active in all the phases of artists' life cycle ensure constant revenue streams thereby being more likely to increase their annual turnover and reach economic sustainability. Furthermore, Magnus recommends offering extra services, such as special events, conferences, and lectures but also home deliveries and insurance. In this way, galleries can enhance their reputation and make buyers more confident in the purchase. Speaking about prices, he suggests adopting again a differentiation strategy based on location, time, and buyer demographics. Finally, he underlines the importance of cutting fixed costs, in particular the ones linked with the rent of exhibition spaces, and he proposes three different solutions. First of all, galleries can rent space only temporary, for the length of the shows. Moreover, they can decide to move to industrial and suburban areas that are cheaper in comparison with the city centre. In the end, they can share space with partner galleries³¹⁸.

Magnus also focuses his attention on the *growth concept* highlighting the advantages that growth-oriented strategies can bring to art galleries. Indeed, galleries that operate internationally reach a wider customer group, are closer to artists abroad, enhance brand awareness and react faster to new trends. Moreover, they are more likely to meet their economic objectives and increase their revenues. As explained by the author, galleries that want to grow can follow different approaches. First, they can enter new markets, by establishing partnerships with other galleries or through participation at

³¹⁷ Ivi, pp. 90-98.

³¹⁸ Ivi, pp. 104-110.

art fairs and the opening of new locations in different countries or cities. Otherwise, they can extend the share of their clients' wallets by offering, for example, extra services or developing innovative pricing models. Lastly, they can set up franchising. However, even if this is a common growth concept in the business world, it has not yet been applied in the art market³¹⁹.

The next point debated is the *competence configuration*. Art galleries' employees are often experts in art history, but they lack business competence. For this reason, Magnus's new model provides for the acquisition of "competencies in management, marketing and selling in order to achieve the perfect balance between the value proposition and skills"³²⁰. Galleries should take into consideration art passion/knowledge, managerial skills, and social competencies as recruiting selection criteria and their salary proposition should be competitive, to attract highly qualified people³²¹.

Speaking about the *cooperation concept* the author highlights the importance for art galleries to be engaged in strategic cooperation and establish long-term partnerships with other artistic or non-artistic institutions. Indeed, cooperation is fundamental to widen the customer and supplier reach and increase the possible revenues although it is difficult to be managed, and close attention must be paid to the partner selection³²². The last point discussed in the book is the *coordination concept*. Here Magnus emphasizes the urgent need for contracts. Galleries must draw up detailed cooperation contracts with partners to maintain lasting relationships and avoid friction. Moreover, even if it is an uncommon practice in the art market, galleries must start employing contracts to coordinate the relationship with their artists and define contractual obligations. These contracts should be clear about the exclusivity in the representation, the responsibility to cover shipping, insurance and other costs, the sales proceeds and terms, and the termination of the cooperation. Finally, galleries should constantly review these relations to redefine their programs and keep them relevant in the global art world³²³.

³¹⁹ Ivi, pp. 113-114.

³²⁰ Ivi, p. 120.

³²¹ Ivi, pp. 120-123.

³²² Ivi, pp. 129-130.

³²³ Ivi, pp. 133-143.

This thorough analysis of the art galleries' criticality, in line with the other studies in this field, clearly highlights the weaknesses of their business models. Furthermore, it even identifies innovative solutions that can help galleries to update their business model and be finally sustainable.

3.2 E-commerce advantages in the process of business model renewal

As explained in the second chapter, the Covid-19 pandemic has brought the art market, and in particular, the gallery sector, to finally embrace the digital revolution and understand all the advantages coming from the implementation of innovative technologies. Furthermore, contemporary art galleries have also started to employ consistently e-commerce because it was the only solution to sell artworks during the several lockdowns. This has led them to become more confident in this sales channel and grasp its potential. Simultaneously, also buyers' trust in e-commerce has grown together with their propensity to buy more expensive artworks online.

In this context of general acceptance, it is important to demonstrate which are the competitive advantages that e-commerce channels and more specifically 3rd party marketplaces, can convey to small and middle-sized art galleries within that process of business model renovation illustrated by Magnus Resch and other eminent scholars. Indeed, e-commerce enables galleries to enlarge their customer base and expand internationally. It even represents a new communication channel; it facilitates collaborations with other actors in the sector and it also permits galleries to innovate their revenue model. Consequently, online sales allow differentiation and give galleries the possibility to conceive innovative value propositions.

Through the illustration of all these positive impacts, the final goal is to convince small and middle-sized galleries, which have had more difficulties to develop online strategies in the last years, to effectively implement e-commerce within an innovative business model. In particular, it is suggested to firstly subscribe to 3rd party marketplace since these platforms provide a wide variety of valuable services at affordable prices and their operating costs are consequently more sustainable.

3.2.1 New communication channels

E-commerce platforms are not only a sales channel but even a disruptive and innovative communication channel. They offer galleries the possibility to share online several information about the artists, the exhibitions, and the artworks, using different and original modalities such as podcasts, webinars, talks and interviews with the actors of the sector, editorial, video, or photographic content, chats, and online communities. Moreover, they even provide information about prices making the market more democratic, accessible, transparent, and affordable³²⁴. The internet allows immediate access to a huge amount of data without any geographical, social, or cultural barriers; in this way, it reduces information asymmetry and the traditional hierarchies that exist in the art world³²⁵ “bridging the gap between the elite world of top collectors, artists, and galleries and the general public”³²⁶. Moreover, improving the availability of art and providing in-depth knowledge to everyone³²⁷ can lower the intimidating atmosphere of the offline art world and consequently enhance people’s interest in it. In addition, the wide range of online platforms together with their cost-effectiveness allows the development of communication and marketing content characterized by an extremely personalized and immersive approach³²⁸. For example, through Instagram and other social media, galleries can share interactive and personalized posts or stories, interfacing directly with their collectors. Moreover, innovative communication technologies, that often implement augmented or virtual reality, are widely used to foster interactivity, connectivity, and convergence³²⁹ with the aim to boost customers’ engagement. The online platform *Vortic*, for instance, gives galleries the possibility to emulate the atmosphere of art exhibitions allowing them to use these disruptive technologies to present to a wider public their artworks in a very captivating way³³⁰.

³²⁴ Vergès, J., *The diffusion and adoption of e-commerce in the art world*, cit., p. 5.

³²⁵ Lee, J. and Lee, S., *User participation and valuation in digital art platforms: the case of Saatchi Art*, cit., pp. 20-21.

³²⁶ McAndrew, C., *Resilience in the Dealer Sector. A Mid-Year Review 2021: An Art Basel & UBS Report*, cit., p. 114.

³²⁷ Smith, H. L., Discenza, R., and Baker, K. G., 2005. Building Sustainable Success in Art Galleries: An Exploratory Study of Adaptive Strategies. *Journal of Small Business Strategy*, 16(2), p. 31.

³²⁸ Güner, A. and Gülaçti, İ., *Business models transformed by digitalization in contemporary art museums and galleries*, cit., pp. 14;16.

³²⁹ Bakhshi, H. and Throsby, D., *Culture of Innovation. An economic analysis of innovation in arts and cultural organisations*, cit., p. 17.

³³⁰ Cfr. pp. 68-69

Small and middle-sized galleries must therefore take advantage of the communication possibilities offered by e-commerce and start exploiting the original and interactive modalities provided by online platforms to share valuable information with the public. In this way, they can increase confidence, enhance their visibility and promote themselves with the final goals to attract new buyers and establish and spread their brand.

3.2.2 International reach

As well as reducing information asymmetry and intimidating psychological atmosphere, e-commerce allows to overcome geographical constraints by setting up an international art market³³¹. Indeed, information posted online is immediately accessible worldwide to everyone with an internet connection. This facilitates long-distance trading and allows the actors of the sector to reach new markets and connect with them more effectively³³².

Small and middle-sized galleries, in particular, usually operate in a local contest; *The Art Market Report 2020* underlines that 67% of the buyers of galleries with an annual turnover of less than \$500.000 are local³³³. Consequently, it is even more important for them to expand internationally, not only to increase their sales but even to promote their artists beyond localizing constraints³³⁴. E-commerce represents a perfect tool to achieve these goals cheaply because it is released from the huge expenses linked with the opening of new locations and participation at international art fairs. Simply through their own website or 3rd party marketplace, these galleries can gain access to markets impossible to reach before and they can build a wider international base of clients, partially reducing the distance with the largest galleries that are more active internationally³³⁵.

³³¹ Lee, J. and Lee, S., *User participation and valuation in digital art platforms: the case of Saatchi Art*, cit., p. 27.

³³² Habelsberger, B. and Bhansing, P., *Art Galleries in Transformation: Is COVID-19 Driving Digitisation?*, cit., p. 1.

³³³ McAndrew, C., *The Art Market 2020: An Art Basel & UBS Report*, cit., p. 82.

³³⁴ Khaire, M., *Art Without Borders? Online Firms and the Global Art Market*, cit., pp. 2-4.

³³⁵ McAndrew, C., *Resilience in the Dealer Sector. A Mid-Year Review 2021: An Art Basel & UBS Report*, cit., p. 62.

3.2.3 New buyers

E-commerce is generally recognized as a strategic tool to draw new buyers and wider the customer reach. Before the Covid-19 pandemic, galleries' online sales to new buyers represented 57% of the total³³⁶. Obviously, this percentage has decreased in the last two years in light of the growth of traditional buyers who have started to acquire art via the internet. However, in the first semester of 2021 sales to new customers still represent 35% of the total³³⁷.

Due to the relevance of attracting new clients within the process of business model renovation that small and middle-sized galleries must implement to become sustainable, the development of e-commerce channels represents a predictable but even effective solution.

As already underlined, online sales platforms (both 3rd party marketplace and galleries websites) spread information about art and artists instantly and worldwide³³⁸ giving potentially anyone the power to purchase a work of art. In particular, the transparency and accessibility of this information, together with personalized communication content developed to deeply engage the customers, increase the number of potential collectors.

Firstly, they can enhance the interest of people not previously involved in the art world, who, thanks to the data accessible online, could discover a passion for art and start a collection. Moreover, e-commerce can convince hesitant and less experienced buyers, intimidated by the close and elitist nature of the offline art world, to finally enter the market. *The Art Market Report 2022* shows how 38% of new collectors prefer acquiring art online³³⁹ and *The Online Art Collector Report 2019* realized by Artsy underlines how 49% of them identify the chance of avoiding the intimidating art world as the driver of their purchases³⁴⁰. In particular, younger collectors, who often feel uncomfortable in the galleries or auctions' milieus, appreciate the comfort of online art sales and the possibility to acquire art in the tranquillity of their home³⁴¹. This

³³⁶ McAndrew, C., *The Art Market 2020: An Art Basel & UBS Report*, cit., p. 249.

³³⁷ McAndrew, C., *The Art Market 2022: An Art Basel & UBS Report*, cit., p. 107.

³³⁸ Sidorova, E., *The Cyber Turn of the Contemporary Art Market*, cit., p. 2.

³³⁹ McAndrew, C., *The Art Market 2022: An Art Basel & UBS Report*, cit., p. 239.

³⁴⁰ 2019. *The Online Art Collector Report 2019*. Artsy. An online publication. Available online at: http://files.artsy.net/documents/artsy_2019_onlineartcollectorreport.pdf (Accessed on 26 March 2022), p. 41.

³⁴¹ Sidorova, E., *The Cyber Turn of the Contemporary Art Market*, cit., pp. 2-3.

shows how, as already mentioned in the second chapter, e-commerce is a useful tool to attain the youngest generations. Indeed, people born in the digital era are more comfortable using the internet for commercial transaction³⁴² and tend to go online for every purchase³⁴³. Consequently, they are more likely to acquire even art online although they usually have higher expectations in terms of availability of information and personal involvement³⁴⁴. Millennials regularly use online channels with only 8% having never bought online, versus 16% of Gen X and 45% of Boomers; they also show a high preference for online platforms with 12% choosing them as their favourite channel³⁴⁵. In addition, the youngest Gen Z acquired more online (47%) than offline (35%) in 2021³⁴⁶. Finally, Artsy's report on collectors underlines how 32% of the buyers surveyed who actively collected online, were under 35 years old³⁴⁷. Since these generations represent the future of the art market, galleries must develop contents and proposals to meet their needs and expectations, and this obviously includes the enhancement of online platforms and e-commerce strategies.

The online sales channels can also be an important tool for small and middle-sized galleries, which usually present less expensive artworks, to attract buyers with less purchase power who can discover here a huge variety of works at affordable prices³⁴⁸. Again, Artsy's survey on online art collectors shows that the online art platforms are particularly appreciated and used by the buyers with the lowest budget. Indeed, as indicated by the chart below (Fig. 3.3), online sales are their second favourite channel, in contrast with all the other buyers who typically prefer auction sales³⁴⁹.

³⁴² Khaire, M., *Art Without Borders? Online Firms and the Global Art Market*, cit., p. 6.

³⁴³ Rani, A., 2017. E-Commerce: The New Art Market. *Journal of Commerce and Trade*, 12(1), p. 12.

³⁴⁴ Habelsberger, B. and Bhansing, P., *Art Galleries in Transformation: Is COVID-19 Driving Digitisation?*, cit., p. 5.

³⁴⁵ McAndrew, C., *The Art Market 2020: An Art Basel & UBS Report*, cit., p. 273.

³⁴⁶ McAndrew, C., *Resilience in the Dealer Sector. A Mid-Year Review 2021: An Art Basel & UBS Report*, cit., p. 85.

³⁴⁷ *The Online Art Collector Report 2019*, cit., p. 21.

³⁴⁸ Ivi, p. 32.

³⁴⁹ Ivi, p. 27.

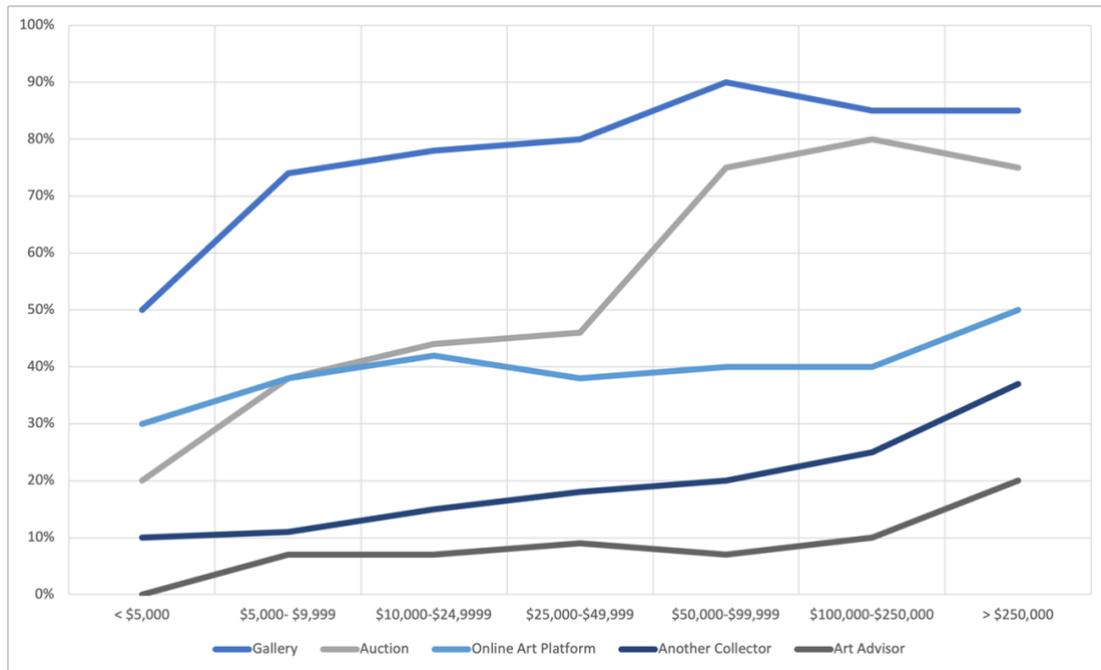


Figure 3.3 | Artwork Purchase Channels that Trend Upward with Budget. © The Online Art Collector Report 2019

In addition, digital channels can help galleries to overcome geographical distance, attaining new clients who cannot attend exhibitions and physical visit the gallery³⁵⁰. In this way, they can significantly enlarge their national and international customer base³⁵¹.

Finally, through online sales, galleries can attract new customers who have already purchased art and have a collection. Indeed, a lot of art buyers, also thanks to the Covid-19 pandemic that obliged them to confront the online proposal, are starting to understand the advantages offered by e-commerce channels and perceive them as more convenient in order to discover and buy art. In particular, collectors appreciate the speed in the transactions and the lower frictions. Moreover, these platforms give access to a huge stock of artworks in which clients can more easily discover what they are looking for. In the end, online it is possible to find more competitive prices³⁵². For all these reasons a lot of traditional art collectors are now starting to constantly use

³⁵⁰ Habelsberger, B. and Bhansing, P., *Art Galleries in Transformation: Is COVID-19 Driving Digitisation?*, cit., p. 5.

³⁵¹ Fernandes, A. and Afonso, L. U., 2020. Online Sales and Business Model Innovation in Art Markets: A Case Study. *Social Sciences*, 9(2): 7, p. 11.

³⁵² *The Online Art Collector Report 2019*, cit., pp. 39-41; 2019. *Why Collectors Buy Art Online*. Artsy. An online publication. Available online at: <https://www.artsy.net/article/artsy-editorial-key-drivers-online-art-market> (Accessed on 18 March 2022).

galleries' websites and art marketplaces to acquire art. By strengthening their presence online, small and middle-sized galleries can take advantage of this trend.

To conclude, *The Art Market Report 2022* published by Art Basel and UBS, shows how the share of new online buyers of galleries with an annual turnover of less than \$250,000, was 42% in 2021, confirming the relevance of e-commerce in attracting new buyers in the small and middle-sized galleries contest³⁵³. However, this data reflects the general trend of galleries selling in the lower price segment that usually attract more spontaneous clients and walk-in customers³⁵⁴. Indeed, new buyers accounted for 37% of total sales of dealers with a turnover of less than \$250,000 in 2021³⁵⁵.

Small galleries are more likely to conclude transactions with new customers and this can be potentially beneficial for future sales and to expand the business. Nevertheless, since these galleries have always shown a high percentage of new buyers in the last years, they seem not to be able to convert them into repeat purchasers, and this can affect their sustainability over time³⁵⁶. Furthermore, the situation is even more challenging online where it is more difficult to establish repeat business, long-term relationships, and trust³⁵⁷. It is possible to conclude that small and middle-sized galleries must not only use e-commerce to enlarge their customer base but even try to develop innovative and personalized strategies to increase confidence in online sales and transform occasional new buyers into loyal ones. This issue will be thoroughly discussed in the following sub-chapters³⁵⁸.

3.2.4 New possibilities for collaborations

E-commerce platforms can be a useful tool for establishing partnerships and collaborations among galleries or with art institutions or other businesses. Indeed, they allow actors, even based in different parts of the globe, to work together and create cultural networks with minimal expenses to “increase the number of customers

³⁵³ McAndrew, C., *The Art Market 2022: An Art Basel & UBS Report*, cit., p. 107.

³⁵⁴ Habelsberger, B. and Bhansing, P., *Art Galleries in Transformation: Is COVID-19 Driving Digitisation?*, cit., p. 12.

³⁵⁵ McAndrew, C., *The Art Market 2022: An Art Basel & UBS Report*, cit., pp. 85-86.

³⁵⁶ McAndrew, C., *The Art Market 2021: An Art Basel & UBS Report*, cit., pp. 75-77.

³⁵⁷ McAndrew, C., *Resilience in the Dealer Sector. A Mid-Year Review 2021: An Art Basel & UBS Report*, cit., p. 60.

³⁵⁸ Cfr. pp. 97-105.

addressed, broaden the range of products offered by firms, and extend the target geographic market.”³⁵⁹.

One of the most compelling examples is the project *Platform* launched by David Zwirner during the first lockdown. He creates a network with small and emerging galleries in New York, London, Paris, and Brussels giving them the possibility to expose and sell their works using his viewing room platforms³⁶⁰.

Another example is the *Gallery Association Los Angeles* in which 81 galleries from Los Angeles collaborate. It was created by Jeffrey Deitch and primarily consists of a website³⁶¹ dedicated to online sales and sharing of information³⁶². This project clearly shows the advantage in terms of collaborations that e-commerce can bring not only in the international context but even at the local level.

3.2.5 New revenue models

The implementation of e-commerce strategies enables galleries to establish new revenue models. Indeed, online sales generate new expenditure and provide different sources of income. In this way, galleries differentiate the traditional revenues and costs linked with their typical activities (participation at art fairs, organization of exhibitions and events, sales of artworks etc.). Moreover, these new models improve economic sustainability because e-commerce helps galleries to reduce costs. Firstly, online sales channels lower considerably the expenses for accessing new and broader markets worldwide³⁶³. Galleries no longer need to invest large sums of money to open space abroad or participate at international art fairs because they can enlarge their customer base internationally just by covering costs linked with website creation or marketplaces substructions. Secondly, online art businesses reduce information and transaction costs; they help supply and demand to connect more efficiently, limiting

³⁵⁹ Depperu, D., Magnani, G., Crosato, L. and Liberati, C., *Growth of Firms in a Fragmented Cultural Industry: Italian Commercial Art Galleries' Competitive Strategies*, cit., p. 5.

³⁶⁰ David Zwirner Gallery Introduces Click-to-Buy Platform; Maida, D., *David Zwirner lancia Platform per supportare le gallerie emergenti*, cit.

³⁶¹ <https://galleryplatform.la/info> (Accessed on 15 April 2022).

³⁶² Barrilà, S., 2020. *Aumentano le piattaforme digitali e la collaborazione tra le gallerie*. *Ilsole24ore.com*. Available online at: <https://www.ilsole24ore.com/art/aumentano-collaborazione-le-gallerie-e-piattaforme-digitali-ADCyP9V> (Accessed on 14 March 2022).

³⁶³ McAndrew, C., 2015. *TEFAF Art Market Report 2015*. Helvoirt: The European Fine Art Foundation (TEFAF), p. 176.

the possible frictions and the search expenditures³⁶⁴. Moreover, due to the transfer of part of the business online, physical locations lose some of their relevance and this can drive galleries to move their exhibition spaces outside the city centre, with an important reduction in rental costs³⁶⁵. In addition, some galleries are also wondering about the actual need for permanent locations, and this has an impact on the growing popularity of alternative or pop-up spaces for exhibitions. However, only 4% of contemporary art galleries have an only-online business nowadays since the necessity of physical interaction and observation in the flesh of art is still relevant³⁶⁶. Finally, small and middle-sized galleries with limited financial resources can avoid costs linked with the development and maintenance of personal sales platforms, by subscribing to 3rd party marketplaces that offer several e-commerce services at affordable prices³⁶⁷. To conclude, online sales channels can even be a useful tool for implementing price differentiation. Indeed, galleries can apply different price strategies for the works sold online or offline with the objective to attract more buyers' attention.

3.2.6 Differentiation and new value propositions

E-commerce enables galleries to differentiate their offer by providing new purchase possibilities and innovative services (for instance by giving the possibility to compare the prices of similar works of art³⁶⁸ or accepting cryptocurrency as a payment method³⁶⁹) to their customers. Thanks to digital technologies galleries can also experiment with a variety of new modalities to engage with the buyers and enhance their online experiences. For example, they can share online interviews and editorial content or organize talks and webinars to create conversations around the works displayed online; they can take advantage of augmented and virtual reality to set up immersive viewing rooms and they can foster the relationships with collectors by using customer services that allow real-time conversations³⁷⁰ and through social media.

³⁶⁴ Hackforth-Jones, J. and Robertson, I., *Art business today*, cit., pp.164-172; Arora, P. and Vermeulen, F., *Art markets*, cit., p. 7.

³⁶⁵ Depperu, D., Magnani, G., Crosato, L. and Liberati, C., *Growth of Firms in a Fragmented Cultural Industry: Italian Commercial Art Galleries' Competitive Strategies*, cit., p. 14.

³⁶⁶ McAndrew, C., *The Art Market 2022: An Art Basel & UBS Report*, cit., p. 80.

³⁶⁷ Vergès, J., *The diffusion and adoption of e-commerce in the art world*, cit., p. 10.

³⁶⁸ Cfr. p. 102.

³⁶⁹ Cfr. p. 98

³⁷⁰ Cfr. p. 102.

Moreover, galleries can use online channels to resell works by already established artists, expanding in the secondary market as recommended by Magnus Resch. Indeed, the quality of these artworks has been already recognized by the art world and this makes the physical inspection before the purchase less essential.

Through the differentiation of their offers, galleries conceive innovative value propositions and distinguish themselves from competitors. Consequently, small and middle-sized galleries that need to develop original value proportion to reach economic sustainability, should take advantage of the possibilities offered by online sales platforms in order to create and display something unique and innovative.

3.3 How to effectively implement e-commerce

In the previous sub-chapter, all the advantages that the use of online sales channels can bring to small and middle-sized galleries within the process of business model renovation, have been analyzed.

However, these galleries often struggle to correctly implement effective e-commerce strategies and the ones already active online usually do not receive any benefits from online sales which on the contrary generate only additional costs.

This general difficulty is primarily caused by a lack of financial and human resources. Small and middle-sized galleries normally do not have enough financial resources to invest in the development of e-commerce strategies; moreover, galleries' employees usually do not have managerial, technological, and marketing competencies to correctly manage these processes. In addition, since the online art market is highly competitive and full of content and offers, galleries must come out with innovative and original proposals to draw the attention of possible buyers and impose themselves in the market. They also need to develop effective strategies to build trust and retain customers. However, in a saturated market, these are not easy tasks and they become almost impossible if the necessary resources are lacking.

Now, these problems and some proposals to solve them are going to be analyzed.

3.3.1 Suitable human and financial resources

Small and middle-sized galleries generally achieve scarce profits, and they often struggle to cover all their costs. For this reason, they usually do not have extra revenue to invest in the development of digital and e-commerce strategies. Moreover, galleries employees are usually graduated in art history, and they do not possess managerial, technical, and marketing skills³⁷¹. This lack of suitable financial and human resources prevents galleries active in the low-end of the market to employ online sales channels or correctly use them³⁷². Consequently, the effective development and implementation of e-commerce appear feasible only through a thorough review of the galleries' inner structure and way of working. In particular, galleries must start to renovate their staff and innovatively allocate financial resources, investing "greater time, capital, and human resources in their online strategies and platforms"³⁷³.

Speaking about the financial resource, small and middle-sized art galleries should "save money on non-strategic resources and invest in more strategic ones"³⁷⁴. For example, they could reduce rental costs by moving out of the city centre or sharing the space with partners and invest the money saved to develop online platforms and increase employees' competencies. Moreover, since costs for professional contents production and the management of personal sales platforms are usually high³⁷⁵, galleries can, especially at the beginning, decide to adopt cheaper but equally effective solutions. They can enrol in 3rd party art marketplace, such as Artsy, in which, against a monthly fee, they have access to several services and they can present and sell their artworks. This solution is widely implemented and 75% of the galleries interviewed by Artsy in 2021 reported partnering with an online marketplace³⁷⁶. Furthermore, there are a lot of platforms that help galleries to create their own websites and viewing rooms or set up exhibitions using innovative technologies such as augmented or virtual reality. They allow small and middle-sized galleries to develop interactive experiences

³⁷¹ Resch, M., *Management of art galleries*, cit., p. 120.

³⁷² Habelsberger, B. and Bhansing, P., *Art Galleries in Transformation: Is COVID-19 Driving Digitisation?*, cit., p. 13.

³⁷³ McAndrew, C., *Resilience in the Dealer Sector. A Mid-Year Review 2021: An Art Basel & UBS Report*, cit., p. 60.

³⁷⁴ Depperu, D., Magnani, G., Crosato, L. and Liberati, C., *Growth of Firms in a Fragmented Cultural Industry: Italian Commercial Art Galleries' Competitive Strategies*, cit., p. 14.

³⁷⁵ Habelsberger, B. and Bhansing, P., *Art Galleries in Transformation: Is COVID-19 Driving Digitisation?*, cit., p. 13.

³⁷⁶ *Artsy Gallery Insights 2021 Report*, cit., p. 9.

to engage their clients without the necessity to invest in sophisticated and expensive technologies.

Together with the need to relocate financial resources, small and middle-sized galleries must renovate their staff too. Indeed, in order to effectively implement e-commerce, galleries must hire qualified people able to manage these digital processes³⁷⁷. Extensive and specific competencies are required not only to set up personal websites and viewing rooms or to create interactive spaces using virtual or augmented reality but also to manage the gallery's presence on 3rd party marketplaces and social media. Indeed, the several services provided by sales platforms and the possibilities offered by social media to increase visibility and enhance sales can be fully exploited only if managed by experts. Consequently, small and middle-sized galleries must start to hire full-time people with digital, technological, and marketing competences³⁷⁸ who can produce online content and regularly update all platforms³⁷⁹. Otherwise, they can take advantage of external services offered by freelancers.

However, it is important to note that these new competencies must always be balanced with artistic ones. Indeed, as highlighted by Atiye Güner and İsmail Erim Gülaçtı "it is necessary to combine expertise in technology with art management education"³⁸⁰. Due to the specificity and the exclusivity of the artworks as a commodity, the management of online art sales requires ad hoc and multilateral competencies with the aim of always emphasising the artistic and cultural character of the items for sales and their unique aura³⁸¹.

The two scholars also outline the profiles of some professional figures who should be part of the galleries' staff. Firstly, the *E-commerce Expert*, who must supervise the online sales and run the online platforms. Then, the *Social Media Expert* in charge of the management of social media channels and the production of social content. In addition, the *Communication Expert on Digital Platforms* must handle the general

³⁷⁷ Güner, A. and Gülaçtı, İ., *Business models transformed by digitalization in contemporary art museums and galleries*, cit., pp. 13-20.

³⁷⁸ Depperu, D., Magnani, G., Crosato, L. and Liberati, C., *Growth of Firms in a Fragmented Cultural Industry: Italian Commercial Art Galleries' Competitive Strategies*, cit., p. 14.

³⁷⁹ Habelsberger, B. and Bhansing, P., *Art Galleries in Transformation: Is COVID-19 Driving Digitisation?*, cit., p. 13.

³⁸⁰ Güner, A. and Gülaçtı, İ., *Business models transformed by digitalization in contemporary art museums and galleries*, cit., p. 19.

³⁸¹ *Ibidem*.

online communication and foster the customers' engagement. Finally, the *Expert in Web Design* in charge of the graphical interface of the website and platforms used³⁸². Obviously, small and middle-sized galleries generally cannot hire all these figures; consequently, they should employ full-time one single digital expert who covers several positions. However, the more a gallery is able to grow and expand, the more it can hire an incising number of people with specialized digital competencies and assign them more specific tasks in order to come out with innovative content and engaging services.

3.3.2 Strategies to attract, foster trust, and retain customers

Small and middle-sized galleries active online must face other three issues linked to the specificities of the online art market: attracting buyers, fostering trust, and retaining customers.

The implementation of e-commerce strategies does not guarantee success and sales growth. Indeed, everybody from all over around the world can put artworks for sale online. This result in a highly competitive online art market, saturated by an immeasurable number of offerings that are often presented in a similar format. Collectors are overwhelmed by all these contents and small and middle-sized galleries particularly struggle to stay visible and catch their attention³⁸³.

Nevertheless, some strategies can help galleries to attract buyers and keep their interest high. Obviously, a necessary precondition is the availability of adequate financial and human resources to develop and effectively adopt these solutions.

First of all, the sales platforms selected or designed by galleries must be intuitive and easy to use; they also must guarantee facility, speed and professionalism in the transactions³⁸⁴. Indeed, collectors usually purchase other goods online and look for a similar effortless experience even in the art market³⁸⁵. Moreover, both buyers and sellers, recognize the “freshness” of the online platforms as a key element that encourage visits. 50% of under-35s collectors and 60% of new buyers stress the

³⁸² Ivi, pp. 18-19.

³⁸³ McAndrew, C., *The Art Market 2021: An Art Basel & UBS Report*, cit., pp. 74;261.

³⁸⁴ *The Online Art Collector Report 2019*, cit., p. 3.

³⁸⁵ McAndrew, C., *The Art Market 2020: An Art Basel & UBS Report*, cit., p. 255.

importance of always having new and interesting art for sales³⁸⁶; in addition, 79% of online sales platforms acknowledge the essentiality of keeping their websites continuously updated to attract an increasing number of visitors³⁸⁷. Furthermore, the development of mobile-friendly interfaces and specific apps to facilitate the research and the purchase of art through mobile devices is acquiring an essential importance³⁸⁸. Indeed, m-commerce is steadily expanding, accounting for “an estimated \$3.1 billion, or 46% of online art sales in the first half of 2021”³⁸⁹. In the light of the incising number of collectors who use smartphones or tablets to acquire art (35% in 2020), small and middle-sized galleries must also think about m-commerce strategies and come out with specific content for these devices.

Obviously, the most effective strategy to attract customers’ interest is to stand out from competitors, proposing something innovative and unique both in the form of content and methods of sale. For example, the *Hiscox Online Art Trade Report 2021*, underline how 13% of online art platforms surveyed are starting to accept cryptocurrency (a new form of “virtual” money) as a payment method and 30% are considering doing so. Moreover, 10% of them are embedding blockchain technology (blockchain “is s a type of payment rail that secures the protocol of peer-to-peer network communication embedded in the algorithm of creation and verification of operations with a specific cryptocurrency”³⁹⁰) and 41% are currently thinking about it³⁹¹. An ahead of time implementation of these innovative technologies that most likely will transform the art market in the future can be a useful tool for galleries to straighten their position in the market, impose themselves as innovators, and reach more customers who are attracted by the blockchain capacity to improve the authentication and provenance of artworks, protect the collectors’ privacy and make art sales and commissions traceable³⁹².

Furthermore, in this competitive and saturated market, a plain presentation of artworks with basic information is absolutely not enough to catch buyers’ interest. On the contrary, artworks presented online must be surrounded by several innovative contents

³⁸⁶ *Hiscox Online Art Trade Report 2020 - Part Two: Buyer Behaviour*, cit., p. 8.

³⁸⁷ *Hiscox Online Art Trade Report 2021 - Part One*, cit., p. 18.

³⁸⁸ McAndrew, C., *The Art Market 2019: An Art Basel & UBS Report*, cit., pp. 263-264.

³⁸⁹ *Hiscox Online Art Trade Report 2021 - Part One*, cit., p. 5.

³⁹⁰ Furneaux, N., 2018. *Investigating Cryptocurrencies*. Indianapolis: Wiley, p. 39.

³⁹¹ *Hiscox Online Art Trade Report 2021 - Part One*, cit., pp. 22-23.

³⁹² Sidorova, E., *The Cyber Turn of the Contemporary Art Market*, cit., p. 5.

aiming to enhance customers' experiences and engage them more deeply. It is necessary to create a conversation around the works displayed online that could allow buyers to connect with artists and artworks in a more personal and emotional way³⁹³. Galleries can publish on sales platforms editorial content and interviews with artists or art critics; they can organize talks, webinars or podcasts with artists and experts and post video and photo materials about artists and their work practices. Moreover, they can share information on the gallery's staff and history and take advantage of social media to foster personal connections³⁹⁴. Another effective way to improve customers' experience and involve them emotionally, is through the creation of online viewing rooms and other services that employ virtual and augmented reality. In particular, virtual reality allows galleries to present a 360-degree on-screen view of art and offer virtual tours of their shows, creating an alternative way to attend an exhibition. On the other hand, augmented reality gives the possibility to combine digital elements with the physical world³⁹⁵.

Finally, the creation of engaging experiences through the implementation of these technologies and the development of innovative content is extremely important not only to attract buyers but also to increase their confidence in the gallery. Indeed, the establishment of trust plays a determinative role in the whole contemporary art world because it is an effective tool to compensate for the typical uncertainty and lack of transparency that characterized this market³⁹⁶ with the final goal to convince buyers to finalize their purchases and build loyalty. Furthermore, trust is even more important in the online art market because it is recognized as a key driver of success and its absence is seen as the greatest barrier preventing consumers from transacting³⁹⁷. However, because of the impossibility to see the works in the flesh and the lack of personal contacts and social interactions³⁹⁸ the actors active online often struggle in establishing

³⁹³ Habelsberger, B. and Bhansing, P., *Art Galleries in Transformation: Is COVID-19 Driving Digitisation?*, cit., p. 10.

³⁹⁴ McAndrew, C., *The Art Market 2021: An Art Basel & UBS Report*, cit., p. 222; Habelsberger, B. and Bhansing, P., *Art Galleries in Transformation: Is COVID-19 Driving Digitisation?*, cit., p. 16.

³⁹⁵ Sidorova, E., *The Cyber Turn of the Contemporary Art Market*, cit., p. 8.

³⁹⁶ Bianchi, M., 2014. Willingness to believe and betrayal aversion: the special role of trust in art exchanges. *Journal of Cultural Economics*, 39(2), pp. 133-151.

³⁹⁷ Urban, G., Amyx, C. and Lorenzon, A., 2009. Online Trust: State of the Art, New Frontiers, and Research Potential. *Journal of Interactive Marketing*, 23(2), p. 179.

³⁹⁸ Sidorova, E., 2019. *The Cyber Turn of the Contemporary Art Market*, cit., pp. 3-4; Habelsberger, B. and Bhansing, P., *Art Galleries in Transformation: Is COVID-19 Driving Digitisation?*, cit., pp. 11-12.

trust. In the offline art market indeed, personal relationships, social events and the physical experience of the artworks are the key elements to increase buyers' confidence in the gallery³⁹⁹.

Moreover, since building trust it is crucial not only to convince buyers to acquire works but also to retain customers, galleries and sales platforms have huge difficulties in establishing loyalty and long-term relationships online and this may cause problems for their sustainability over time. In particular, as reported by Hiscox and Arttactic, 47% of new art buyers and 45% of the youngest, never or rarely feel any loyalty toward online sales channels⁴⁰⁰. All these issues bring online platforms to recognize the establishment of confidence among customers as a top challenge and key priority⁴⁰¹. In this general tricky situation, small and middle-sized galleries are even more under pressure. Indeed, recognized and globally accepted galleries have fewer difficulties in building trust and loyalty because the power of their brand gives credibility to all the content that they shared on online platforms⁴⁰². Consequently, even if the online market often seems to give the same possibility to all the players by allowing every gallery to reach collectors all over around the world⁴⁰³, actually, it only reproduces and reinforces the hierarchies and the inequities of the offline market⁴⁰⁴.

However, small and middle-sized galleries can implement some strategies to foster trust and retain customers. Firstly, as already motioned, they should present online interactive content, create engaging experiences, and encourage personal connections. They can also take advantage of the use of social media platforms, in particular Instagram, to connect directly with possible collectors and improve these relationships. Moreover, the typology of information posted online, both textual and visual, is extremely important to convince buyers about the quality and the value of the works that they cannot see in the flesh. Galleries should take advantage of virtual and augmented reality technologies and use high-resolution images, zoom-in functionality, and visualization tools to show the artworks for sale; in addition, they should provide

³⁹⁹ *Ibidem*.

⁴⁰⁰ *Hiscox Online Art Trade Report 2020 - Part Two: Buyer Behaviour*, cit., p. 10.

⁴⁰¹ *Hiscox Online Art Trade Report 2021 - Part One*, cit., p. 16.

⁴⁰² Lee, J. and Lee, S., *User participation and valuation in digital art platforms: the case of Saatchi Art*, cit., p. 28.

⁴⁰³ McAndrew, C., *The Art Market 2021: An Art Basel & UBS Report*, cit., p. 74.

⁴⁰⁴ Lee, J. and Lee, S., *User participation and valuation in digital art platforms: the case of Saatchi Art*, cit., pp. 29-30.

detailed descriptions of artworks and their conditions. However, only 12 of 70 online platforms surveyed by the Hiscox Report in 2020 provided assessable information about the state of their artworks⁴⁰⁵. Editorial contents can also be an important tool to help buyers understand the value of the works by sharing information, knowledge, and judgments on their quality⁴⁰⁶. Moreover, customer reviews are another fundamental source of information to build trust. Indeed, 35% of online art buyers consider user-generated feedback as a driver in their purchase choices, and this percentage grows up to 62% for new buyers and 61% for millennials. However, online sales platforms are usually worried about the effect that negative custom reviews might have on sales and only 37% of them publish this kind of information⁴⁰⁷. Finally, providing several price information is essential to increase confidence and persuade collectors to buy. More specifically, price visibility expands the galleries' likelihood to sell online because works with visible pricing are more than three times more likely to be sold⁴⁰⁸. Indeed, 72% of collectors consider price transparency extremely important when they look at art to acquire online⁴⁰⁹ and its lack is the most frequent factor that holds them back from purchasing. Especially new buyers often feel uncomfortable at the prospect of asking for the price⁴¹⁰; indeed, 41% of millennial art buyers and 55% of new online buyers affirm that the lack of available prices is a major reason for not buying art online⁴¹¹. Anyway, in the last years, there was an extraordinary increase in price transparency and the "art industry's reluctance in publishing prices online is likely to become a thing of the past"⁴¹². For example, the number of works with visible prices on Artsy increased from 63% in 2019 to 69% in 2020⁴¹³. Moreover, most of the platforms surveyed in the *Hiscox Online Art Trade Report 2020* (93%)⁴¹⁴ and the

⁴⁰⁵ *Hiscox Online Art Trade Report 2020 - Part Three: Towards a Frictionless Online Journey*, cit., pp. 8-9.

⁴⁰⁶ Khaire, M., *Art Without Borders? Online Firms and the Global Art Market*, cit., pp. 16-19.

⁴⁰⁷ *Hiscox Online Art Trade Report 2020 - Part Three: Towards a Frictionless Online Journey*, cit., p. 7.

⁴⁰⁸ *Artsy Gallery Insights 2021 Report*, cit., p. 11.

⁴⁰⁹ McAndrew, C., *The Art Market 2021: An Art Basel & UBS Report*, cit., p. 248.

⁴¹⁰ *The Online Art Collector Report 2019*, cit., p. 43.

⁴¹¹ *Hiscox Online Art Trade Report 2020 - Part Three: Towards a Frictionless Online Journey*, cit., p. 10.

⁴¹² *Hiscox Online Art Trade Report 2021 - Part One*, cit., p. 18.

⁴¹³ *Artsy Gallery Insights 2021 Report*, cit., p. 11.

⁴¹⁴ *Hiscox Online Art Trade Report 2020 - Part Three: Towards a Frictionless Online Journey*, cit., p. 10.

galleries interview in the Artsy Report 2020 (66%)⁴¹⁵ provide clear pricing online. Nonetheless, despite its importance, showing visible pricing is not sufficient to foster trust and build long-term relationships online. Indeed, because of the uniqueness of every work of art, potential buyers have difficulties being sure about the fairness of prices. Consequently, in order to increase their confidence, galleries should give customers the possibility to compare it with similar works, checking past and current prices and they should also provide some guidance on what drives prices. However, Hiscox's survey underlines how very few online sales platforms (27%) offer price guidance and none of them furnish past prices of similar works sold⁴¹⁶.

In addition to the creation of engaging content and the sharing of insightful information, small and middle-sized art galleries can employ other tools to improve the general purchase experience to increase confidence and retain customers. First of all, they should provide (or choose an online sales platform that provides) interactive customer servicing and allow real-time conversations with the buyers⁴¹⁷. Indeed, personal contacts are still essential in the art world and 70% of new art buyers and 66% of millennials feel more confident in buying online if they have the possibility to talk with someone during the process. Nevertheless, only 27% of online platforms surveyed by Hiscox offer a live chat option⁴¹⁸. Online buyers also expect customer services to provide rapid response to their questions, and they ask for good after-sale services. Setting up more effective logistic solutions and offering cost-effective, simple and reliable shipping and delivery are key elements to increase trust and convince buyers to finalize their purchase⁴¹⁹ since 41% of hesitant customers are concerned about the cost and length of delivery time. Moreover, 70% say that free delivery encourages them to buy but only 10% of the online platforms offer free shipping. Finally, even if most of the sales channels (60%) explain how works of art will be delivered and give information about costs, in some cases the buyer itself must

⁴¹⁵ McAndrew, C., *The Art Market 2021: An Art Basel & UBS Report*, cit., p. 263.

⁴¹⁶ *Hiscox Online Art Trade Report 2020 - Part Three: Towards a Frictionless Online Journey*, cit., p. 11.

⁴¹⁷ *Hiscox Online Art Trade Report 2020 - Part Two: Buyer Behaviour*, cit., p. 10.

⁴¹⁸ *Hiscox Online Art Trade Report 2020 - Part Three: Towards a Frictionless Online Journey*, cit., p. 10.

⁴¹⁹ *Hiscox Online Art Trade Report 2020 - Part Two: Buyer Behaviour*, cit., p. 10.

contact courier firms and personally arrange the delivery⁴²⁰. Speaking about payments, offering safe and clear payment plans makes customers feel more confident and interested in acquiring art online⁴²¹. Furthermore, because buyers are usually worried about the risk of cybercrime and the threat of financial details, sales platforms must ensure they have a powerful and effective security system⁴²². They can also offer credits and “buy now, pay later” option to convince buyers to acquire more expensive works or entice hesitant ones⁴²³. Another option is the implementation of the try-it-before-you-buy-it model as the platform *Parlor*⁴²⁴, launched in 2020, does. Through the drafting of 3-to-12-month contracts, it allows clients to live with the works of art and, in the end, they can decide if renew the contract, purchase the works or swap for a new piece⁴²⁵. Furthermore, offering insurance options is another useful tool to encourage reticent buyers who often decide not to acquire online if they cannot protect the artworks. However, the Hiscox survey shows how only 30% of online platforms give to customers the possibility to buy insurance at the checkout⁴²⁶. Anyway, one of the most effective strategies to foster trust and retain customers is offering favourable return policies, especially free returns. Indeed, 56% of online art buyers and 62% of new art buyers decided not to purchase art online due to sellers’ return policies but, on the other hand, “92% of customers will buy again from a vendor if it makes it easy to return unwanted purchases”⁴²⁷. Consequently, together with detailed descriptions and high-resolution images that can help reduce the number of returns, online sales platforms must adopt generous return policies to increase sales and strengthen their reputation over time. Hiscox’s research reveals a variety of practices adopted by online platforms even if only 13% allow free returns within a 14-days period whereas 36% required customers to cover shipping costs⁴²⁸. Finally, one last element recognized by 96% of sales channels as essential to strengthen confidence is the quality of the art

⁴²⁰ *Hiscox Online Art Trade Report 2020 - Part Three: Towards a Frictionless Online Journey*, cit., p. 14.

⁴²¹ *Hiscox Online Art Trade Report 2020 - Part Two: Buyer Behaviour*, cit., p. 10.

⁴²² *Hiscox Online Art Trade Report 2020 - Part Three: Towards a Frictionless Online Journey*, cit., p. 13.

⁴²³ *Ibidem*.

⁴²⁴ <https://www.getparlor.com> (Accessed on 22 April 2022).

⁴²⁵ Palumbo, J., *The art market has radically changed. Here’s how to buy art today*, cit.

⁴²⁶ *Hiscox Online Art Trade Report 2020 - Part Three: Towards a Frictionless Online Journey*, cit., p. 13.

⁴²⁷ *Ivi*, p. 12.

⁴²⁸ *Ibidem*.

offered⁴²⁹ since buyers expect the artwork sold online to be of the same quality as the ones presented in a physical gallery⁴³⁰. Furthermore, to retain customers, artworks delivered must not disappoint their expectations or have a lower quality compared to what is stated online.

The figure below (Fig. 3.4) sums up some of the features that can increase online trust and give an idea of how much online sales platforms are aware of their importance.

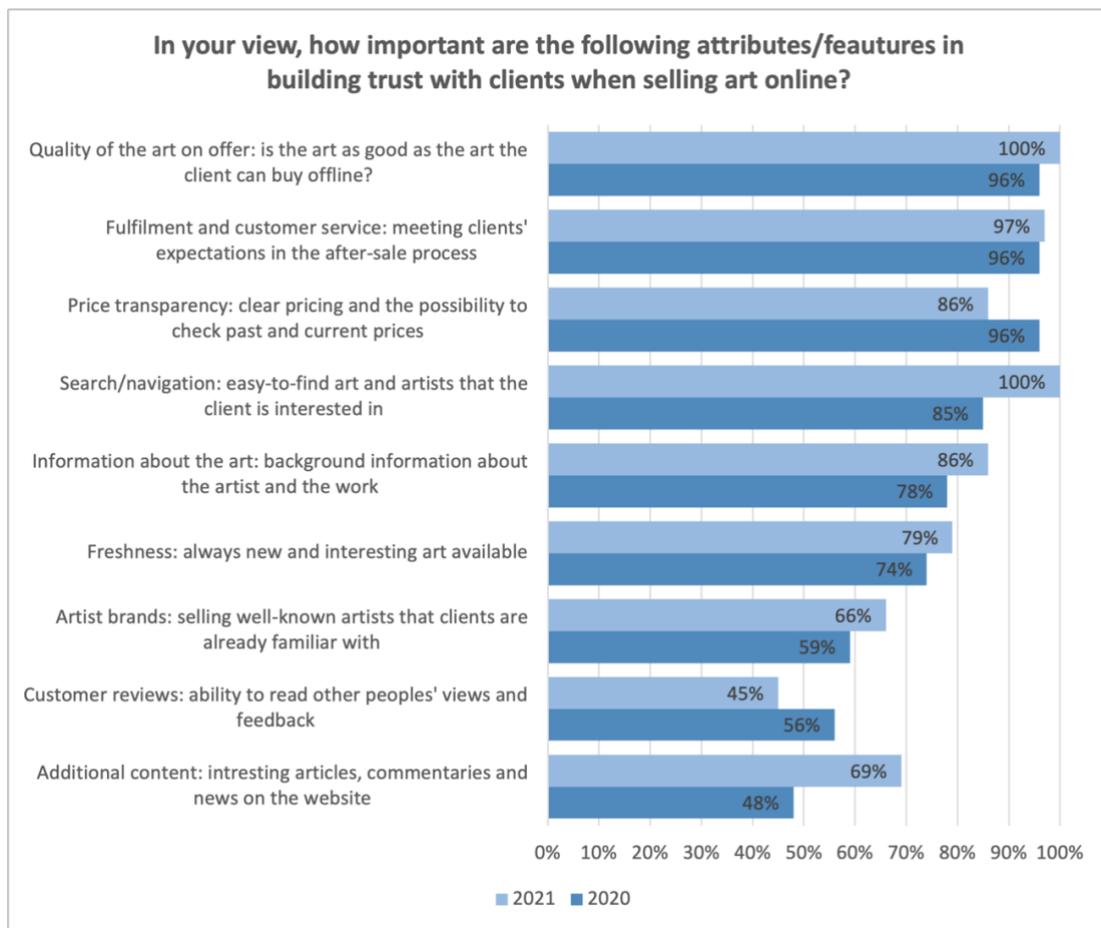


Figure 3.4 | Element to Build Trust Online. © Hiscox Online Art Trade Report 2021

To conclude, small and middle-sized galleries that decide to develop their own online sales platforms must take all the elements just analyzed into account in order to come out with a tempting proposal that may attract customers, foster trust and retain them. However, these galleries usually present works online through 3rd party marketplace

⁴²⁹ Hiscox Online Art Trade Report 2020 - Part One: The Online Art Trade, cit., p. 24.

⁴³⁰ Hiscox Online Art Trade Report 2021 - Part One, cit., p. 17.

that, as highlighted by Hiscox reports, often do not provide enough effective services. Therefore, small and middle-sized galleries must pay special attention to platform selection to choose the one that, thanks to the services offered, can give them the highest possibilities to succeed online.

Chapter IV

Proposal for a New Business Model

In the previous chapter, all the advantages brought by e-commerce within the process of business model renovation that small and middle-sized galleries must carry out to achieve sustainability have been analyzed. Furthermore, some solutions to the issues faced by these galleries during e-commerce implementation have been suggested.

The goal of this final chapter is to propose a new Business Model for small and middle-sized contemporary art galleries that includes e-commerce strategies and may concretely help them to achieve their objectives and grow in the market. In order to do this, the business model canvas tool is employed.

4.1 Business Model and Business Model Canvas

4.1.1 Business model definition, functions, and components

In the preceding chapters the term “business model” has been mentioned several times and it has been briefly defined as a way to describe “the rationale of how an organization creates, delivers, and captures value”⁴³¹. The term appeared for the first time in an academic article in 1957⁴³² and in the title and abstract of a paper in 1960⁴³³. Nevertheless, it acquired popularity within the business and management field only at the end of the 90s, during the dot-com⁴³⁴ era and this is testified by a dramatic growth in the number of publications referring to this concept since the late 1990s and the early 2000s⁴³⁵. Furthermore, the term starts to be used in connection with industries of all sorts and not only with dot-com firms.

⁴³¹ Osterwalder, A., Pigneur, Y. and Wegberg, *Business Model Generation*, cit., p. 14.

⁴³² Bellman, R., Clark, C. E., Malcolm, D. G., Craft, C. J. and Ricciardi, F. M., 1957. On the Construction of a Multi-Stage, Multi-Person Business Game. *Operations Research* 5(4), pp. 469-503.

⁴³³ Jones, G. M., 1960. Educators, Electrons, and Business Models: A Problem in Synthesis. *Accounting Review*, 35(4), pp. 619-626.

⁴³⁴ Osterwalder, A., Pigneur, Y. and Tucci, C., 2005. Clarifying Business Models: Origins, Present, and Future of the Concept. *Communications of the Association for Information Systems*, 16:1, p. 4.

⁴³⁵ Klang, D., Wallnöfer, M. and Hacklin, F., 2014. The Business Model Paradox: A Systematic Review and Exploration of Antecedents. *International Journal of Management Reviews*, 16(4), p. 454.

Over the years, the literature regarding business models evolved and it is possible to distinguish five different phases. Firstly, the authors tried to define and classify the term. Then, they started to define the business model components, and, in a third phase, they came out with detailed descriptions of these components. Later, researchers began to model the components conceptually to propose the business model as a reference model. In the last phase, these reference models were concretely applied to management⁴³⁶.

Speaking about the business model definition is important to note that many authors offered different explanations of what a business model is, driven by several prospective and personal viewpoints⁴³⁷. Indeed, as highlighted by Zott, the business model is not only one single and clear concept but a fusion of several ones⁴³⁸. In particular, authors referred to the business model as a statement, a description, a representation, an architecture, a conceptual tool or model, a structure template, a method, a framework, a pattern or a set, giving rise to a multitude of possible interpretations⁴³⁹. Chesbrough and Rosenbloom for example wrote about the business model as an architecture of the organizational and financial structure of a business⁴⁴⁰; Magretta defined it as a “story that explains how enterprises work”⁴⁴¹ whereas Richardson simply referred to it as a “description of how a firm does business”⁴⁴². More recently, Baden-Fuller and Morgan explained the business model as “a set of generic level descriptors of how a firm organizes itself to create and distribute value in a profitable manner”⁴⁴³ and Teece said that it “articulates the logic and provides data and other evidence that demonstrates how a business creates and delivers value to customers. It also outlines the architecture of revenues, costs, and profits associated

⁴³⁶ Osterwalder, A., Pigneur, Y. and Tucci, C., *Clarifying Business Models: Origins, Present, and Future of the Concept*, cit., pp. 6-7.

⁴³⁷ Shafer, S., Smith, H. and Linder, J., 2005. The power of business models. *Business Horizons*, 48(3), p. 200.

⁴³⁸ Zott, C., Amit, R. and Massa, L., 2011. The Business Model: Recent Developments and Future Research. *SSRN Electronic Journal*, 37(4), p. 1036.

⁴³⁹ Ivi, p. 1022.

⁴⁴⁰ Chesbrough, H., and Rosenbloom, R. S., 2002. The role of the business model in capturing value from innovation: evidence from Xerox Corporation’s technology spin-off companies. *Industrial and corporate change*, 11(3), pp. 529-555.

⁴⁴¹ Magretta, J., 2002. Why business models matter. *Harv Bus Rev*, 80(5): 86-92, 133, p. 4.

⁴⁴² Richardson, J., 2008. The business model: an integrative framework for strategy execution. *Strategic Change*, 17(5-6), 133-144, p. 9.

⁴⁴³ Baden-Fuller, C., and Morgan, M. S., 2010. Business models as models. *Long Range Planning*, 43(2), p. 157.

with the business enterprise delivering that value”⁴⁴⁴. Furthermore, some authors tried to come out with an integrative definition that could synthesise all the previous works. In particular, Morris, Schindehutte and Allen divided the earlier explanations into three categories based on their principal emphasis: economic, operational and strategic. Later, they came out with the following definition “A business model is a concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets”.⁴⁴⁵ Even Shafer, Smith, and Linder worked on an integrative explanation that could be simple and easy to understand, communicate and remember. As a result, they defined the business model as “a representation of a firm’s underlying core logic and strategic choices for creating and capturing value within a value network”⁴⁴⁶. Finally, Osterwalder, Pigneur and Tucci synthesized the previous literature coming out with such explanation:

A business model is a conceptual tool that contains a set of elements and their relationships and allows expressing the business logic of a specific firm. It is a description of the value a company offers to one or several segments of customers and of the architecture of the firm and its network of partners for creating, marketing, and delivering this value and relationship capital, to generate profitable and sustainable revenue streams⁴⁴⁷.

However, this thesis refers to a reformulation of this last definition, made by Osterwalder and Pigneur in one of their subsequent publications (the bestseller *Business Model Generation*⁴⁴⁸) to make the concept easier, more relevant, and intuitively understandable. In particular, they affirmed “A business model describes the rationale of how an organization creates, delivers and captures value”⁴⁴⁹.

The literature has also investigated which are the functions and the purposes of the business model applied in the real contest of an organization. Firstly, the business

⁴⁴⁴ Teece, D., 2010. Business Models, Business Strategy and Innovation. *Long Range Planning*, 43(2-3), p. 173.

⁴⁴⁵ Morris, M., Schindehutte, M. and Allen, J., 2005. The entrepreneur’s business model: toward a unified perspective. *Journal of Business Research*, 58(6), pp. 726-27.

⁴⁴⁶ Shafer, S., Smith, H. and Linder, J., *The power of business models*, cit., p. 202.

⁴⁴⁷ Osterwalder, A., Pigneur, Y. and Tucci, C., *Clarifying Business Models: Origins, Present, and Future of the Concept*, cit., p. 10.

⁴⁴⁸ Osterwalder, A., Pigneur, Y. and Wegberg, J., *Business Model Generation*, cit.

⁴⁴⁹ Ivi, p. 14.

model captures and visualizes core elements and relationships that characterized the business providing a clear framework and a holistic view of the organization⁴⁵⁰. In this way, it also enhances the understanding of its complex elements and improves communication and sharing⁴⁵¹ among stakeholders and employees. Consequently, it can be also considered an organizational alignment tool⁴⁵².

Secondly, the business model is a unit of analysis⁴⁵³ to understand how a company is running its business and to measure, observe and compare it in relation to competitors⁴⁵⁴.

Furthermore, a conceptualized business model improves the management of a company, making the design, planning, changing and implementation of a business easier. In this contest, it can be even used to enhance the alignment to strategy⁴⁵⁵ and to design, explain or check how the firm is executing it⁴⁵⁶. A lot of authors indeed have stressed the strong link between strategy and business model and the role plays by the latter in the analysis, testing, and validation of firms' strategic choices⁴⁵⁷.

Finally, new business models are an important tool to capture, represent and deliver value from innovation. Furthermore, they can themselves represent a form of innovation; indeed, setting up revolutionary business models is a trump card to create value and achieve competitive advantages although this is not a simple task since many internal barriers may arise when a company tries to experiment with new models and change the current one⁴⁵⁸. However, "building a business model on the long-term assumption that this arrangement will continue may be a mistake"⁴⁵⁹ since it must

⁴⁵⁰ Carter, M. and Carter, C., 2020. The Creative Business Model Canvas. *Social Enterprise Journal*, 16(2), p. 146.

⁴⁵¹ Osterwalder, A., Pigneur, Y. and Tucci, C., *Clarifying Business Models: Origins, Present, and Future of the Concept*, cit., pp. 12-14.

⁴⁵² Coes, B., 2014. *Critically assessing the strengths and limitations of the business model canvas*. Master thesis. University of Twente, p. 15.

⁴⁵³ Zott, C., Amit, R. and Massa, L., *The Business Model: Recent Developments and Future Research*, cit., p. 1036.

⁴⁵⁴ Osterwalder, A., Pigneur, Y. and Tucci, C., *Clarifying Business Models: Origins, Present, and Future of the Concept*, cit., p. 15.

⁴⁵⁵ *Ibidem*.

⁴⁵⁶ Richardson, J., *The business model: an integrative framework for strategy execution*, cit., p. 11.

⁴⁵⁷ Shafer, S., Smith, H. and Linder, J., *The power of business models*, cit., p. 203.

⁴⁵⁸ Coes, B., *Critically assessing the strengths and limitations of the business model canvas*, cit., pp. 14; 17; Teece, D., *Business Models, Business Strategy and Innovation*, cit., pp. 176;181;186; Zott, C., Amit, R. and Massa, L., *The Business Model: Recent Developments and Future Research*, cit., p. 1029.

⁴⁵⁹ Shafer, S., Smith, H. and Linder, J., *The power of business models*, cit., p. 206.

always be adapted to constantly evolving markets and firms must be fast in learning and making the current adjustment to keep their business model always viable⁴⁶⁰.

In the end, the business model is recognized as a system composed of several elements closely linked and interdependent⁴⁶¹. Many authors have tried to recognize and define these elements by synthesizing them into different categories. Morris, Schindehutte and Allen, based on a literature review, mentioned firms' value offering, economic model, customer interface/relationship, partner network/ roles, internal infrastructure/connected activities, and target markets as key components of the business model⁴⁶² whereas Zott, Amit and Massa formulated the following parameters: notion of value, financial aspects and aspects related to the architecture of the network between the firm and its exchange partners⁴⁶³. Moreover, Shafer, Smith, and Linder, identified four categories in which business model components can be divided: strategic choices, creating value, capturing value, and the value network⁴⁶⁴; similarly, Osterwalder, Pigneur and Tucci distinguished nine building blocks which can be synthesized into four groups: product, customer interface, infrastructure management and financial aspect⁴⁶⁵.

Finally, it is important to note the centrality of the notion of value in business model literature and the fact that it emerges as one of its most relevant components⁴⁶⁶.

Moreover, even if it is possible to identify common elements and general components that characterized every business model, it should not be forgotten that every firm has its personal and specific one which must be built based on peculiar internal and external features and environments⁴⁶⁷.

⁴⁶⁰ Teece, D., *Business Models, Business Strategy and Innovation*, cit., pp. 174; 187-88.

⁴⁶¹ Zott, C., Amit, R. and Massa, L., *The Business Model: Recent Developments and Future Research*, cit., p. 1037.

⁴⁶² Morris, M., Schindehutte, M. and Allen, J., *The entrepreneur's business model: toward a unified perspective*, cit., p. 727.

⁴⁶³ Zott, C., Amit, R. and Massa, L., *The Business Model: Recent Developments and Future Research*, cit., p. 1028.

⁴⁶⁴ Shafer, S., Smith, H. and Linder, J., *The power of business models*, cit., p. 200.

⁴⁶⁵ Osterwalder, A., Pigneur, Y. and Tucci, C., *Clarifying Business Models: Origins, Present, and Future of the Concept*, cit., p. 10.

⁴⁶⁶ Zott, C., Amit, R. and Massa, L., *The Business Model: Recent Developments and Future Research*, cit., p. 1037.

⁴⁶⁷ Baden-Fuller, C. and Morgan, M. S., *Business Models as Models*, cit., p. 159.

4.1.2 Business Model Canvas

Over the years, several business model tools have been developed. Indeed, many authors have tried “to represent business models through a mixture of informal textual, verbal, and ad hoc graphical representations”⁴⁶⁸ and some scholars have also provided “a business model ontology, which is a conceptualization and formalization of the elements, relationships, vocabulary, and semantics of a business model”⁴⁶⁹. In particular, the most famous and widely used tool is the *Business Model Canvas* developed by Alexander Osterwalder starting from 2004. The current version of the canvas was published in 2010 and it was the result of a collaboration between Osterwalder and Pigneur and almost five hundred companies from 45 countries⁴⁷⁰. It is a one-page scheme composed of nine building blocks and it is used to represent in a simple, relevant, logical, measurable, intuitively understandable, and operationally meaningful way the business model of all sorts of firms⁴⁷¹.

One of its major purposes is to improve the business model communicability by making it much easier and standardized through the employment of a shared language. In this way it enables companies to analyze and know in detail the complex elements that make up their business; moreover, it facilitates an overall vision considering these elements not only individually but also as a whole and paying particular attention to their relations and reciprocal influences. Furthermore, standardized schemes help firms to develop new business models and adjust, reinterpret, or innovate the ones already implemented; consequently, the business model canvas is also seen as an effective design tool⁴⁷² that can assist firms in the five steps of their business model design process. Indeed, companies that want to innovate their way of working must, first of all, mobilize awareness and motivation within the firms; secondly, they must understand their customers, environment, and technologies by collecting relevant information; then, they must design several business models, transforming information

⁴⁶⁸ Zott, C., Amit, R. and Massa, L., *The Business Model: Recent Developments and Future Research*, cit., p. 1026.

⁴⁶⁹ Zott, C., Amit, R. and Massa, L., *The Business Model: Recent Developments and Future Research*, cit., p. 1026.

⁴⁷⁰ Sparviero, S., 2019. The Case for a Socially Oriented Business Model Canvas: The Social Enterprise Model Canvas. *Journal of Social Entrepreneurship*, 10(2), pp. 236-237.

⁴⁷¹ Osterwalder, A., Pigneur, Y. and Wegberg, J., *Business Model Generation*, cit., p. 15.

⁴⁷² Coes, B., *Critically assessing the strengths and limitations of the business model canvas*, cit., p. 19; Sparviero, S., *The Case for a Socially Oriented Business Model Canvas: The Social Enterprise Model Canvas*, cit., pp. 237;248.

and ideas into concrete prototypes and select the most satisfactory; the next step is the implementation of the chosen business model in the field. Finally, they must manage the business model, continuously monitoring, evaluating, adapting, and modifying it in relation to market responses⁴⁷³.

Since its first appearance in the bestseller *Business Model Generation*⁴⁷⁴ the business model canvas has had an extraordinary success; indeed, the generic nature of this instrument and its simple and one-page visual approach have enabled its expansion in a wide range of markets and have made it accessible to a broad spectrum of people⁴⁷⁵. Nevertheless, it has not been immune from criticism. In particular, some authors have judged it as too simplistic and general, whereas others have criticized its static nature and its incapacity to capture evolutions or changes in strategies. Moreover, the most obvious limitation of this instrument “concern its focus on the organizations and its consequent conceptual isolation from its environment, whether this is related to the industry structure or to stakeholders such as society and natural environment”⁴⁷⁶.

Discussing now its structure, the business model canvas (Fig. 4.1) consists of nine building blocks structured to the main business model categories: infrastructure management, product, customer interface and financial aspects. In particular, the left side of the canvas represents the infrastructure management quarter of the business and it is composed of Key Partners, Key Activities and Key Resources building blocks. On the right side, there are the Customer Relationships, Customer Segments and Channels building blocks which constitute the customer interface. Moreover, at bottom of the canvas, the Cost Structure and Revenue Streams stand for the financial aspect of the business. Finally, at the centre is located the customer component represented by the Value Proposition⁴⁷⁷. Indeed, as previously underlined, the value proposition is the core of every business model and all the other elements or building blocks are structured in relation to it, intending to express, capture and deliver this value⁴⁷⁸.

⁴⁷³ Osterwalder, A., Pigneur, Y. and Wegberg, J., *Business Model Generation*, cit., pp. 244-259.

⁴⁷⁴ Osterwalder, A., Pigneur, Y. and Wegberg, J., *Business Model Generation*, cit.

⁴⁷⁵ Carter, M. and Carter, C., *The Creative Business Model Canvas*, cit., p. 142.

⁴⁷⁶ Sparviero, S., *The Case for a Socially Oriented Business Model Canvas: The Social Enterprise Model Canvas*, cit., p. 238.

⁴⁷⁷ Carter, M. and Carter, C., *The Creative Business Model Canvas*, cit., p. 146.

⁴⁷⁸ Coes, B., *Critically assessing the strengths and limitations of the business model canvas*, cit., p. 20.

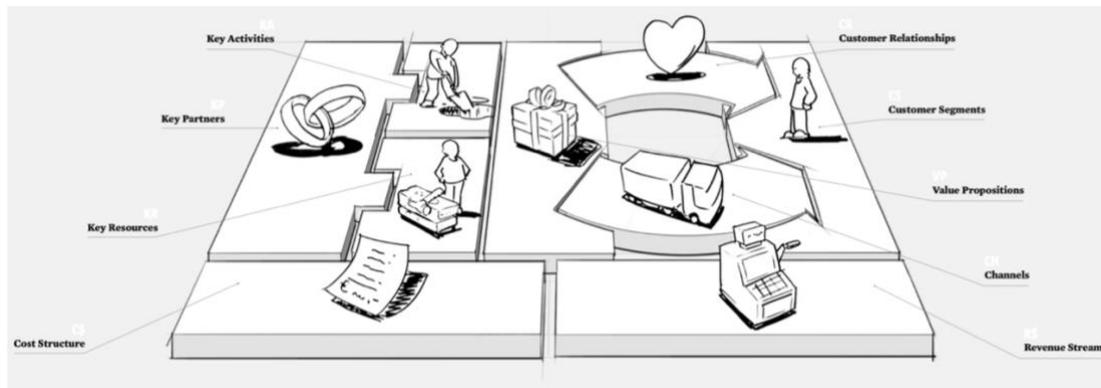


Figure 4.1 | Business Model Canvas

Now all the building blocks are going to be explained in detail starting from the customer segment. Indeed, even if the value proposition is recognized as the most important block of the canvas, it is important to note that it always must be built having in mind and trying to reflect customers' needs and expectations. The value created must be perceived, and appreciated by customers, otherwise firms will not be able to sell goods or services and reach economic sustainability. Consequently, together with the value proposition, it is possible to consider even customers at the core of every business model; indeed, there cannot be any firms without a segment of customers to turn to.

Customer Segments

This segment represents the different groups of people an organization aims to reach and serve.

Every firm must have a profound knowledge of its customers' needs, behaviours, and attributes to segment them based on common features and come out with specific and accurate product and service packages to satisfy them. The whole business model must therefore be carefully designed around a deep understanding of customers, starting from the value proposition that must always be aligned with people's needs and expectations.

In particular, firms can be focused on: mass markets, which represent large groups of people with similar needs and problems; niche markets, composed of specific and specialized customer segments; specific segments of the market which comprise

people with slightly different attitudes and expectations. Furthermore, companies can address diversified customer segments with very different needs or multi-sided markets, serving two or more groups of people with interdependent requirements⁴⁷⁹.

Value Propositions

It represents the value created and shared by the firms and the reason why customers turn to one company instead of another. Consequently, it must be developed very carefully to satisfy the needs and solve the problems of specific groups of customers. In particular, value is created through a combination of different elements, product characteristics and services, and it may be qualitative (design, brand, customer experience) or quantitative (price, cost reduction, speed of service).

The most common way to create value is by improving product or service performances; moreover, value propositions may satisfy new customers' requirements that previously were not perceived because there was not a similar offer. The value may also be created thanks to the personification of goods and services based on individual needs or by improving product accessibility. The design of a product, together with the brand and status of a company, may increase the general value perceived. Furthermore, helping customers to reduce risk and costs or offering similar value at a lower price, are effective strategies to satisfy needs and create value. Finally, making the offer more convenient and easier to use can generate substantial value⁴⁸⁰.

Channels

This block describes “how a company communicates with and reaches its Customer Segments to deliver a Value Proposition”⁴⁸¹. In particular, communication, distribution, and sales channels represent the company's interface with customers and play an extremely important role to enhance their experience. They can serve one or all of the following functions: increase awareness about the company's offer; support customers in the evaluation of the firm's value proposition; allow the purchase of

⁴⁷⁹ Osterwalder, A., Pigneur, Y. and Wegberg, J., *Business Model Generation*, cit., pp. 20-21; <https://www.beople.it/customer-segments> (Accessed on 10 May 2022).

⁴⁸⁰ Osterwalder, A., Pigneur, Y. and Wegberg, J., *Business Model Generation*, cit., pp. 22-25; <https://www.beople.it/value-proposition> (Accessed on 10 May 2022).

⁴⁸¹ Osterwalder, A., Pigneur, Y. and Wegberg, J., *Business Model Generation*, cit., p. 26.

products or services; deliver value proposition; providing post-purchase customer support.

Channels can be divided into direct or indirect as well as owned or partner channels. These latter produce lower margins but enable the firm to expand its reach and offer. On the other hand, owned channels lead to higher margins but are more expensive to manage. Organizations must therefore be able to set up the correct balance between channels and integrate them to enhance customer experiences and maximize profits⁴⁸².

Customer Relationships

This building block represents how customers are connected to a company and the different types of relationships that could be established. They are set up to find, attract and introduce new customers or to improve their loyalty and retain them. Moreover, they can be a useful tool to boost sales.

Several categories of customer relationships exist, and they can coexist in a firm's connection with a specific group of customers. Firstly, personal assistance is a relationship based on human interactions and direct contacts. Dedicated personal assistance is the deepest and most intimate kind of connection and it is generally designed for important customers to foster trust and increase their serenity. Moreover, self-service is an indirect relationship that does not provide any human contact whereas automated services aim to simulate personal connections through digital technologies. An increasing number of companies are also setting up user communities online that allow people to exchange knowledge and share ideas. In this way, involvement and connection between firms and their communities are improved. Finally, co-creation is another particular type of relationship which allow customers to create and share value by writing, for example, online review or supporting firms in the design of a new products⁴⁸³.

⁴⁸² Ivi, pp. 26-27; <https://www.beople.it/channels> (Accessed on 10 May 2022).

⁴⁸³ Osterwalder, A., Pigneur, Y. and Wegberg, J., *Business Model Generation*, cit., pp. 28-29; <https://www.beople.it/customer-relationship> (Accessed on 10 May 2022).

Key Resources

They are the “most important assets required to make a business model work”⁴⁸⁴; indeed, they allow the company to create, communicate, and deliver its value proposition, maintain relationships with customers and be economically profitable. Obviously, every company required a specific set of resources based on its personal business model and they can be owned by the company itself, leased, or acquired from partners.

It is possible to distinguish four categories of key resources: physical resources include all the physical assets such as buildings, machines, raw materials, and points of sales; human resources are an important part of every business model and they become crucial in knowledge-intensive and creative industries mainly focused on services; intellectual resources consist of the know-how of a company, its brand, the patents or copyrights, partnerships, and customer databases. Even if they are extremely difficult to develop, they may be an important source of value if successfully established. Finally, financial resources such as lines of credit, cash, or stock option allow companies to hire key employees and ensure supplies to reach competitive advantages over competitors⁴⁸⁵.

Key Activities

Key activities are “the most important things a company must do to make its business model work”⁴⁸⁶. Indeed, resources alone are not sufficient for running a business since firms must implement some action to create and offer value propositions, build, and foster customer relationships and earn money. Moreover, like key resources, even key activities depend on the specific business model of each firm.

They can be divided into production, problem-solving and platform/network key resources. The first ones are typically linked with manufacturing firms that constantly need to design, make, and deliver products. On the other hand, problem-solving resources characterize services organizations that develop specific solutions for individual customer problems. Lastly, platform/network key resources are typical of

⁴⁸⁴ Osterwalder, A., Pigneur, Y. and Wegberg, J., *Business Model Generation*, cit., p. 34.

⁴⁸⁵ Ivi, pp. 34-35; <https://www.beople.it/key-resources> (Accessed on 10 May 2022).

⁴⁸⁶ Osterwalder, A., Pigneur, Y. and Wegberg, J., *Business Model Generation*, cit., p. 37.

firms, such as Google or Facebook, whose business model requires the continuous development and maintenance of online platforms.⁴⁸⁷

Key Partnerships

This block describes the network and relationships with partners and suppliers which are indispensable to making a business model work. Indeed, it is not possible for a company to be completely self-sufficient and own all the resources needed to run its business. On the contrary, it always needs to set up coalitions with other actors in the sector to fully realize its business model and increase its possibility of success.

Partnerships can be segmented into strategic alliances with non-competitors, cooperation (strategic alliances with competitors), joint ventures to create new business and buyer-supplier relationships. Moreover, the establishment of a partnership can be driven by different motivations. For example, firms can cooperate to optimize the allocation of resources and activities or to realize economies of scale to reduce costs. They can also partner to acquire specific materials or immaterial resources or to reduce risk and uncertainty in highly competitive markets. Finally, alliances allow organizations to expand in new markets, reach new buyers and spread their brands⁴⁸⁸.

Revenue Streams

The Revenue Streams building block represents the cash a company generates from the sale of products and services to a specific customer segment. It is an increasingly strategic block, and it can determine the business's overall success. In particular, firms must manage and combine price and payment mechanisms to regulate cash flows; in this way, they can create sustainable and effective business models and succeed in the market.

Business models can involve two distinct payment mechanisms: one-time customer payment or ongoing payment. Furthermore, these two general categories include within them different payment options: asset sales, usage fees, subscription fees, lending/renting/leasing, licensing, advertising, and brokerage fees. Speaking about

⁴⁸⁷ Ivi, pp.36-37; <https://www.beople.it/key-activities> (Accessed on 10 May 2022).

⁴⁸⁸ Osterwalder, A., Pigneur, Y. and Wegberg, J., *Business Model Generation*, cit., pp. 38-39; <https://www.beople.it/key-partners> (Accessed on 10 May 2022).

price it is possible to distinguish between fixed and dynamic pricing mechanisms. The first ones employ predefined prices based on static variables such as the type and characteristics of customer segments or the quantity purchased. On the contrary, dynamic pricing mechanisms, for instance, auctions and negotiations, establish prices in real-time based on market conditions.⁴⁸⁹

Cost Structure

“The Cost Structure describes all costs incurred to operate a business model” and it can be easily calculated based on key resources, key activities, and key partnerships building blocks. Consequently, it is commonly the last block to be set up.

Cost structures are composed of both fixed and variable costs. The first ones always remain the same despite the volume of goods or services produced; on the contrary, variable costs change proportionally to the volume produced. Moreover, they could be characterized by economies of scale (“a proportionate saving in costs gained by an increased level of production”⁴⁹⁰) or economies of scope (“a proportionate saving gained by producing two or more distinct goods, when the cost of doing so is less than that of producing each separately”⁴⁹¹). Finally, even if every industry should minimize its costs, it is possible to distinguish between cost-driven and value-driven business models. The first ones aim to minimize costs wherever and as much as possible whereas the second ones are more focused on value creation and put less attention to cost implications. Anyway, business models are generally located between these two extremes⁴⁹².

⁴⁸⁹ Osterwalder, A., Pigneur, Y. and Wegberg, J., *Business Model Generation*, cit., pp. 30-33; <https://www.beople.it/revenue-stream> (Accessed on 10 May 2022).

⁴⁹⁰ Oxford https://www.lexico.com/definition/economy_of_scale (Accessed on 15 May 2022).

⁴⁹¹ Oxford https://www.lexico.com/definition/economy_of_scope (Accessed on 15 May 2022).

⁴⁹² Osterwalder, A., Pigneur, Y. and Wegberg, J., *Business Model Generation*, cit., pp. 40-41; <https://www.beople.it/struttura-dei-costi> (Accessed on 10 May 2022).

4.2 A New Business Model for small and middle-sized contemporary art galleries

As mentioned several times, small and middle-sized art galleries struggle to stay afloat in the contemporary art market and this is testified by their lower turnover and the high percentage of their annual closure. The actual cause of these difficulties lies in the outdated business models implemented by these galleries which are not suitable in a highly competitive market. Consequently, as highlighted by several authors, galleries need to innovate their business model to acquire competitive advantages and finally reach sustainability.

In light of the recent opening of the art market toward digital technologies and online sales, the previous chapter has thoroughly explained all the benefits that a correct implementation of e-commerce strategies could bring within the process of business model renovation. Indeed, the final goal of this thesis is to propose a new business model based on e-commerce strategies that may help small and middle-sized art galleries to achieve sustainability.

Now, this new model is going to be presented by using the business model canvas tool. This instrument has been selected among the others due to its simple and standardised nature which makes it easily understandable and an effective tool to design a new business model. However, before proceeding to analyze this new canvas, it is essential to make some considerations. Firstly, it is important to note that the new business model proposed wants to be just a general framework to guide galleries in the renovation of their way of working. Indeed, because of the specificity of every single organization, galleries must adjust and shape the model in relation to their internal features and the external contest in which they operate. Consequently, managerial competencies are strictly required. Moreover, it is necessary to remember that art galleries do not pursue only commercial interests but also cultural and social ones⁴⁹³. The definition of value proposition in their business model canvas is therefore particularly critical because it not only refers to an economic and exchange value, but

⁴⁹³ Badia, F., *Evolution of the business models for contemporary art galleries. Current situation and future challenges*, cit., p. 1574.

it must include also the artistic, cultural, and social value shared with the audience⁴⁹⁴. Finally, it is crucial to highlight the hybrid nature of the business model proposed based on an integration of online and offline channels and services. Indeed, in the contemporary art market both personal interactions, physical experiences and direct observation of artworks play a pivotal role also due to the cultural and social purpose of galleries. This is confirmed by collectors' opinions who still prefer to acquire art online from galleries or during auctions instead of carrying out online purchases⁴⁹⁵. For these reasons, small and middle-sized art galleries nowadays continue to need physical locations in which to organize exhibitions and present the works of their artists. Furthermore, galleries without physical premises are often not allowed to be part of gallery associations and to participate in art fairs⁴⁹⁶, which represent a driver in the economy of their business.

Nonetheless, only-online galleries business will likely expand in the future especially if art fairs start to abolish the requirement to have a permanent space as done by ArtBasel during its OVR exhibition in 2020⁴⁹⁷. In this way, small and middle-sized art galleries will no longer need to own physical locations and they may focus on the enhancement of digital channels and online sales. However, online activities will always have to be integrated with offline ones such as few and long exhibitions in pop-up and rented spaces and participation in the most important and necessary art fairs⁴⁹⁸. Indeed, in the contemporary art market, digital strategies and e-commerce do not appear as stand-alone tools but they always need to be considered alongside and complementary to offline initiatives.⁴⁹⁹

For these reasons, the multi-channel approach based on an integration of multiple channels seems to be the most suitable solution for galleries. They must use digital channels as an additional component and an extension of their existing services to amplify their business model. Moreover, they must coordinate and find a perfect

⁴⁹⁴ Sparviero, S., *The Case for a Socially Oriented Business Model Canvas: The Social Enterprise Model Canvas*, cit., p. 235.

⁴⁹⁵ Cfr. p. 72.

⁴⁹⁶ McAndrew, C., *The Art Market 2021: An Art Basel & UBS Report*, cit., p. 263.

⁴⁹⁷ Ivi, p. 225.

⁴⁹⁸ McAndrew, C., *Resilience in the Dealer Sector. A Mid-Year Review 2021: An Art Basel & UBS Report*, cit., p. 62.

⁴⁹⁹ McAndrew, C., *The Art Market 2021: An Art Basel & UBS Report*, cit., pp. 262-263.

balance between the different sales and communication channels with the final goal to offer a consistent and valuable customer experience⁵⁰⁰.

Now the different building blocks that structure the canvas of this new hybrid business model are going to be analyzed.

4.2.1 Customer Segments

Generally speaking, the customer base of art galleries is composed of all the people interested in art to whom galleries offer social and cultural experiences allowing them to visit for free solo or group exhibitions. Anyway, narrowing down the field only to buyers, the contemporary art market appears as a niche market focused only on a specific and specialized customer segment composed of collectors with a great passion for art and a wide purchase power. In particular, the traditional clientele of small and middle-sized contemporary art galleries is made up of local or national small collectors with lower spending power in comparison with clients of brand galleries⁵⁰¹.

Within the new business model proposed, the effective implementation of digital technologies and e-commerce channels helps these galleries to expand their customer base, by identifying, reaching and serving new customer segments with slightly needs, behaviours and expectations. Consequently, the market starts to acquire certain features of segmented markets although it remains a niche market. Thanks to online sales channels galleries can attract people not previously interested in art and convince them to acquire works; because of the less intimidating nature of the online art world, they can also draw young buyers who are even more confident in using the internet. Moreover, they can overcome any geographical constraints and expand their customer base nationally and internationally. Finally, due to the greater visibility given by e-commerce, small and middle-sized galleries can attract a larger number of collectors, both with a lower and a higher purchase power, who can easily find online artworks based on their possibilities and tastes⁵⁰².

⁵⁰⁰ Habelsberger, B. and Bhansing, P., *Art Galleries in Transformation: Is COVID-19 Driving Digitisation?*, cit., pp. 6-7;14.

⁵⁰¹ Badia, F., *Evolution of the business models for contemporary art galleries. Current situation and future challenges*, cit., p. 1574.

⁵⁰² Cfr. pp. 87-91.

4.2.2 Value Propositions

The definition of value propositions in the art galleries sector is particularly awkward. Art products widely differ from generic consumer products because they have little tangible value and minimal useful function. Moreover, their value primarily depends on their artistic quality and a possible aesthetic and cultural appreciation⁵⁰³ which are not easy features to define.

Speaking about buyers, they do not consider only the artistic and cultural value of an artwork but also its symbolic value and the prestige that comes from its purchase. These elements must be considered in the process of value proposition definition although they are less critical for small and middle-sized art galleries that do not have a recognized brand and generally present less established artists.⁵⁰⁴

Considering the different customer segments previously highlighted, small and middle-sized art galleries must come out with specific and specialized value propositions based on buyers' requirements, attributes and aspirations. Traditional buyers, for example, seek personal interaction, physical experiences and observation of in the flesh the works of art. On the other hand, to meet the needs of online customers, value propositions must rely on personalized and unique offers; interactive, engaging, and innovative content that differs from the ones of the competitors; valuable and transparent information; more accessible, fresh, easy to use and faster channels that may increase convenience and reduce transactional costs and frictions⁵⁰⁵. Moreover, cost-effective, simple, and reliable shipping and delivery, favourable return policies, insurance options, effective security systems and safe and clear payment plans, are all elements that increase customers' value perception⁵⁰⁶.

4.2.3 Channels

Speaking about channels it is possible to distinguish several ways through which galleries communicate with customers, reach them and sell artworks. They can be both owned and partner channels. In particular, the more traditional communication and

⁵⁰³ Carter, M. and Carter, C., *The Creative Business Model Canvas*, cit., p. 145.

⁵⁰⁴ Badia, F., *Evolution of the business models for contemporary art galleries. Current situation and future challenges*, cit., pp. 1573-1574.

⁵⁰⁵ Cfr. pp. 87-91.

⁵⁰⁶ Cfr. pp. 97-105.

purchase channels are the galleries' exhibitions and the art fairs. Moreover, galleries organize events, such as vernissage, talks with artists and conferences, in their physical location to increase customer awareness and strengthen relationships with them. Other common tools are advertising, newsletters, personal emails, and websites⁵⁰⁷.

The new business model proposed requires small and middle-sized art galleries to integrate these traditional channels with e-commerce platforms. In particular, they are an innovative and powerful communication tool that, by providing more transparent and accessible information, increases customer awareness and helps them to evaluate galleries' value propositions. Furthermore, they are a disruptive sales channel that allows people from wherever in the world to purchase works of art. Galleries can decide to adopt an owned channel in the form of personal sales websites or a partner channel by subscribing to 3rd party marketplaces. Small and middle-sized art galleries, especially at the beginning, should adopt this latter solution because it does not require extensive digital competencies and huge investments.

Finally, they must foster their presence on social media, in particular on Instagram, since they are another groundbreaking communication and sales channel that allows galleries to interact and build more personal relationships with online customers.

4.2.4 Customer Relationships

Because of the peculiarities of the contemporary works of art and the difficulties linked with their artistic and economic evaluation, the contemporary art galleries sector has always been characterized by the establishment of strong relationships between buyers and sellers in the shape of personal assistance or dedicated personal assistance relationships. Deep and personal interactions between galleries and clients are indeed necessary to foster trust and establish loyalty with the final aim to boost sales.

The introduction of online sales platforms has led to the creation of impersonal and less direct connections allowing buyers to acquire art through self-service modalities or automated services. Nevertheless, this kind of relationship unlikely will replace the direct ones. Indeed, both galleries and customers recognize the necessity to establish even online some kind of personal connection to build trust and increase confidence in the purchase. In order to do this small and middle-sized art galleries must set up

⁵⁰⁷ VITKAUSKAITĖ, I., *Opportunities for Innovation Adoption in Art Galleries*, cit., pp. 13-14.

interactive customer services, allow real-time conversations with the buyers and take advantage of the possibilities offered by social media which are the most effective tool to foster personal interactions online. Moreover, galleries should establish online communities which strengthen personal relationships and facilitate connections between members⁵⁰⁸.

4.2.5 Key Resources

Galleries' key resources can be divided into physical, human, intellectual and financial. In particular, physical resources are primarily made up of galleries' exhibition spaces, offices, and storehouses. The new business model proposed entails a redefinition of exhibition spaces since they lose part of their importance due to e-commerce implementation. Consequently, galleries should move their location to more peripheral areas, outside the city centre and they should start to share such spaces with partner galleries. On the other hand, galleries must start to acquire more technological devices.

Human resources are mainly composed of galleries' employees although even artists can be considered part of this group⁵⁰⁹. The new business model requires an improvement of galleries' staff too. Indeed, small and middle-sized art galleries must start to hire people with managerial, digital and marketing competencies which are essential to effectively run a business, develop new sustainable business models and strengthen online offers. Alternatively, they can take advantage of external services offered by freelancers. In particular, E-commerce Experts, Social Media Experts, Communication Experts on Digital Platforms and Experts in Web design are necessary professional figures to set up compelling e-commerce strategies. Anyway, galleries must always be careful to combine and balance these new skills with more traditional and artistic ones⁵¹⁰.

Speaking about intellectual resources, in small and middle-sized art galleries they consist of intellectual knowledge (that must be redefined in relation to the new competencies required), customer database, partnership and social media audience. In

⁵⁰⁸ Cfr. pp. 100; 102.

⁵⁰⁹ VITKAUSKAITĖ, I., *Opportunities for Innovation Adoption in Art Galleries*, cit., p. 14.

⁵¹⁰ Cfr. pp. 95-97.

addition, by enhancing their presence online and on social media, galleries should try to establish their own brand even if it is an extremely difficult task⁵¹¹.

Finally, financial resources generally represent a problem for small and middle-sized galleries which struggle to achieve suitable profits. Consequently, they must carefully select the activities in which to invest, by earmarking sufficient financial resources to the most strategic ones⁵¹². In particular, they should invest more in the enhancement of online content and sales platforms by finding a balance with the resources dedicated to art exhibitions and fairs.

4.2.6 Key Activities

Small and middle-sized art galleries must continue to perform their traditional key activities, combining them with new innovative ones. In particular, galleries' ordinary tasks include the organization of solo or group exhibitions, sale of artworks, participation in art fairs and arrangement of events⁵¹³. Moreover, they must manage the transport and delivery of artworks, take out insurance, oversee the publication of catalogues and articles, and constantly try to discover new artists⁵¹⁴.

The new business model requires small and middle-sized art galleries to find a proper balance between these activities and the ones linked with the implementation and management of digital strategies. Indeed, galleries must constantly supervise online sales channels and be active on the web by coming up with always new and innovative content and offers. For example, they should organize talks and conferences and publish peculiar editorial subjects online. Moreover, they must pay close attention to the management of social media by realizing everyday specific and engaging content in the forms of posts or stories.

4.2.7 Key Partnerships

Traditionally, small and middle-sized art galleries establish horizontal cooperation with competitors, in particular with other galleries located in the same geographical area, and lateral collaborations with non-competitors, such as local art institutions and

⁵¹¹ Carter, M. and Carter, C., *The Creative Business Model Canvas*, cit., p. 151.

⁵¹² Cfr. pp. 95-96.

⁵¹³ VITKAUSKAITĖ, I., *Opportunities for Innovation Adoption in Art Galleries*, cit., p. 15.

⁵¹⁴ Cfr. pp. 44-46.

museums⁵¹⁵. Moreover, they can set up vertical partnerships for example with insurance, transport, and public relations companies to optimize the allocation of resources and reduce costs⁵¹⁶.

Within the new hybrid business model, e-commerce platforms and online channels in general allow galleries to partner with actors located in different parts of the globe with minimal expenses. By exploiting this circumstance, galleries should establish international alliances with other galleries and cooperation with cultural institutions worldwide. In this way, they can reach new markets, increase the number of customers addressed, broaden the range of products offered and spread their brand internationally⁵¹⁷.

4.2.8 Revenue Streams

Small and middle-sized art galleries generate revenues almost exclusively from the sale of artworks concurrently with art exhibitions and fairs⁵¹⁸. Consequently, their payment mechanism is based on asset sales. Moreover, they generally employ a fixed pricing mechanism although they often negotiate prices with and discount specific customer segments, such as important collectors.

The new business model proposed led to an increase in the revenue stream. Indeed, sales on e-commerce channels represent an additional source of income added to profits coming from traditional channels. Furthermore, artworks put on sale online are accessible to a wider and international range of people (anyone with an internet connection) and this obviously increases their probability to be sold.

Finally, online sales channels allow more price differentiation. Galleries should apply different price strategies for works sold online, for example by discounting some items, in order to attract more buyers and catch their attention⁵¹⁹.

⁵¹⁵ Badia, F., *Evolution of the business models for contemporary art galleries. Current situation and future challenges*, cit., p. 1574.

⁵¹⁶ VITKAUSKAITĖ, I., *Opportunities for Innovation Adoption in Art Galleries*, cit., p. 11.

⁵¹⁷ Cfr. pp. 91-92

⁵¹⁸ VITKAUSKAITĖ, I., *Opportunities for Innovation Adoption in Art Galleries*, cit., p. 14.

⁵¹⁹ Cfr. pp. 92-93

4.2.9 Cost Structure

The cost structure of art galleries is obviously value-driven since they are less concerned with cost implications and they are primarily focused on artistic and cultural value creation. Anyway, small and middle-sized art galleries must cover several fixed and variable costs to make their businesses run. In particular, the first ones consist of wages, rent and mortgage, utilities, and state taxes costs. On the other hand, variable costs are mainly linked with the organization of exhibitions and participation at art fairs in addition to transport and travel, insurance, advertising costs and the payment of lawyers, consultants, and craftsmen⁵²⁰.

The new hybrid business model generates new expenditures attached to the management of e-commerce platforms and online channels. In particular, galleries must cover costs linked with the creation of their own platforms or pay a monthly fee to 3rd party marketplaces. Moreover, they must manage IT costs and the ones linked with the purchase and maintenance of digital devices. Finally, the employees' salaries increase due to the more specific and in-depth competencies required.

Nonetheless, this new business model also led to a reduction in costs traditionally incurred by art galleries. Indeed, thanks to online sales platforms galleries can access new and broader markets worldwide with minimal expenses; they can even reduce information and transaction costs due to the greater transparency and accessibility of data online; finally, they can lower rent and mortgage costs by reallocating their spaces outside the city centre, sharing them with galleries partners or renting them only temporarily. Indeed, within the new business model, physical locations lose some of their relevance because their functions are partially replaced by online platforms. In the end, small and middle-sized galleries, especially at the beginning, can reduce the inner costs related to the development and implementation of online sales platforms, by subscribing to 3rd party marketplaces⁵²¹.

⁵²⁰ VITKAUSKAITĖ, I., *Opportunities for Innovation Adoption in Art Galleries*, cit., p. 15; Badia, F., *Evolution of the business models for contemporary art galleries. Current situation and future challenges*, cit., pp. 1574-1575; cfr. pp. 44-46.

⁵²¹ Cfr. p. 93.

4.2.10 Final observations

To conclude, because of all the advantages brought by e-commerce and thoroughly explained in the previous chapter, it is possible to affirm that small and middle-sized galleries can increase their possibilities to achieve better profitability and reach sustainability through the implementation of the innovative and hybrid business model here proposed and visualized through the business model canvas (Fig. 4.2). Obviously, galleries must adjust and shape it in relation to their internal characteristics and the external environment in which they operate.

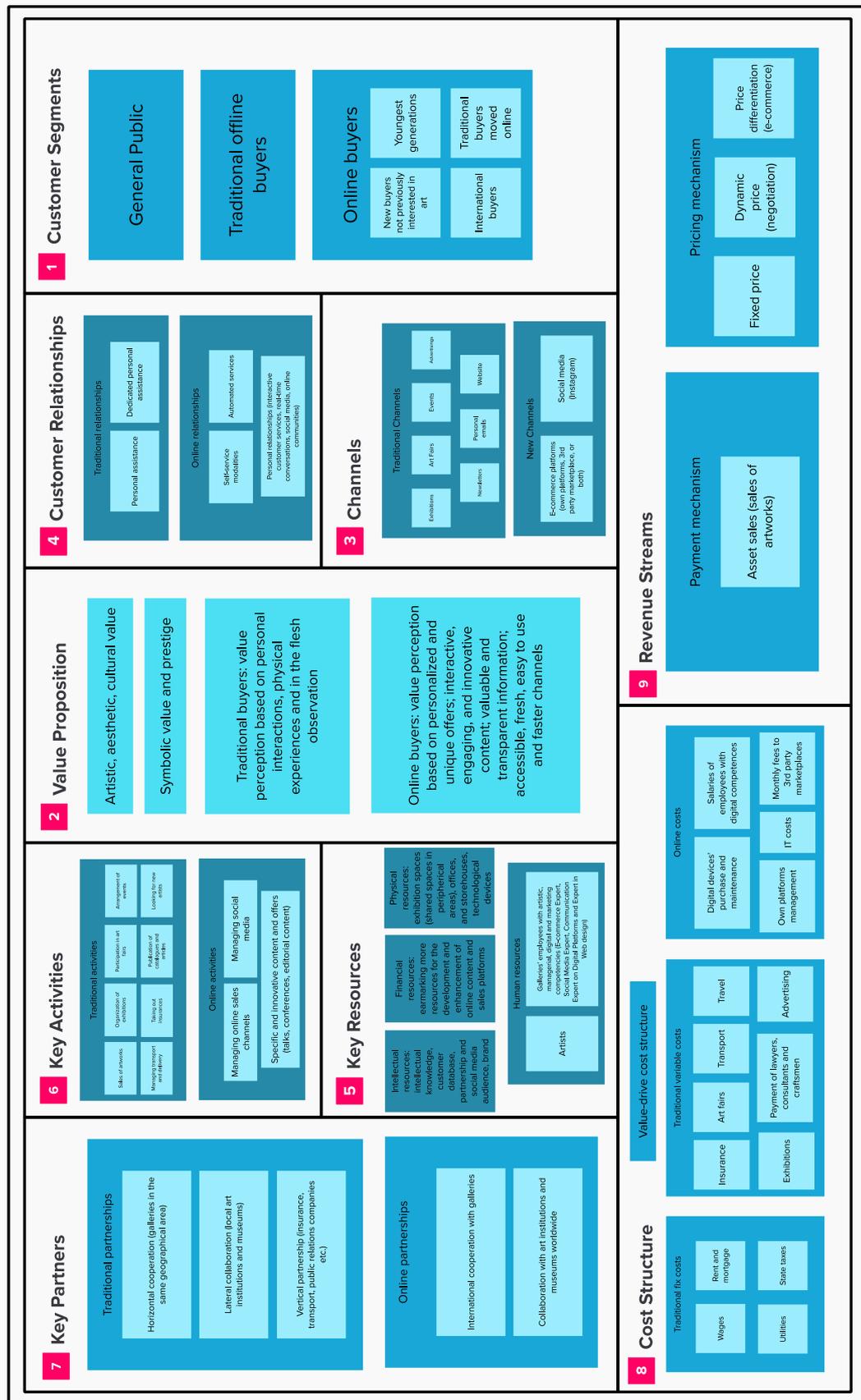


Figure 4.2 | New Business Model Canvas

Anyway, this thesis has also some limitations. Indeed, small and middle-sized contemporary art galleries' problems cannot be completely solved merely through the implementation of a new and hybrid business model since their difficulties do not depend only on their outdated and fragile way of working but even on the external environment in which they operate. Galleries' performances are in fact extremely influenced by countries' policies and legislations. Consequently, fiscal pressure and obsolete legislation (in particular, tax burdens, restrictions on the import and export and strict disciplines of the resale rights) increase galleries' weaknesses and make them harder to achieve sustainability⁵²².

One of the clearest examples of these dynamics is the Italian case in which the galleries' situation is particularly tragic. Specifically, the number of galleries active in the market decreased from 2277 in 2011 to 1667 in 2019⁵²³. The situation worsened further in the last two years when 40% of Italian galleries experienced a 70% decrease in total revenues due to the Covid-19 pandemic⁵²⁴. The deep difficulties of this sector are obviously linked with the galleries' inner weaknesses, but they are even strongly influenced by the obsolete Italian legislation and fiscal pressure. Therefore, as the *Associazione Nazionale Gallerie d'Arte Moderna e Contemporanea*⁵²⁵ (ANGAMC) has stressed several times, it is absolutely necessary to create a more favourable business climate to help Italian galleries, especially the small and middle-sized ones, achieve sustainability and be competitive in the market⁵²⁶.

First of all, it is required to adjust the Italian value-added taxes (called IVA in Italy) to the ones of the other European countries⁵²⁷. In particular, the Italian fiscal legislation provides for the application of the normal rate (22%) to the art sales that occur in art galleries. In Germany, this rate is 7%. Moreover, the artworks sold directly by the artists are subject to a reduced rate (10%) whereas the purchases between private collectors are not subject to any tax. However, these last two sales methods are rarely

⁵²² Badia, F., *Evolution of the business models for contemporary art galleries. Current situation and future challenges*, cit., p. 1568.

⁵²³ Calabi, G. and Hecker, S., 2022. *L'effetto moltiplicatore dell'arte sull'economia*. We-wealth.com. Available online at: <https://www.we-wealth.com/enterprise/cbm-partners/news/leffetto-moltiplicatore-dellarte-sulleconomia> (Accessed on 16 May 2022).

⁵²⁴ Maggi, N., *Le gallerie d'arte nel mercato post-pandemico*, cit.

⁵²⁵ <https://www.angamc.com/associati.html> (Accessed on 24 May 2022).

⁵²⁶ Maggi, N., *Le gallerie d'arte nel mercato post-pandemico*, cit.

⁵²⁷ *Ibidem*.

practised. Finally, even the Italian import-export rate (10%) is higher in comparison with the ones of the other European countries, such as Germany (7%), France (5,5%) and the United Kingdom (5%). It is therefore clear that the Italian fiscal legislation supports the static position of the private collectors, penalizing all the sellers active in the art market, especially the ones economically frailer⁵²⁸.

Other issues that substantially hinder the Italian art galleries are caused by the country's international traffic policies. In particular, the *Codice dei Beni Culturali e del Paesaggio*⁵²⁹ states that the artworks realized for over 70 years by deceased artists and whose price exceeds € 13,500 need the authorization of the Export Department to finally leave the country. For all the other art objects only a self-certification is required⁵³⁰. This procedure creates several problems for art galleries and makes the sales abroad extremely harder. Firstly, galleries must wait 60 days to obtain the authorization and such a long period could jeopardize the sales, even the online ones⁵³¹. Furthermore, the Public Administration often cancel the authorization previously granted and this increases the instability, uncertainty and untenability of the artworks coming from Italy⁵³². In addition, if the State deny the authorization, the art object is notified and consequently, it can no longer leave the country⁵³³. However, any kind of compensation is provided for the owner⁵³⁴. Finally, the threshold of € 13,500 for the exit of works of art is too low and it should be raised and aligned to the European law that provides for different thresholds based on the artworks' categories. For example, the one of the paintings is € 150,000⁵³⁵.

⁵²⁸ 2019. *La fiscalità nella compravendita di opere d'arte: le imposte nell'acquisto*. Studio legale farina. Available online at: <https://farinastudiolegale.com/2019/01/03/la-fiscalita-nella-compravendita-di-opere-darte-parte-prima-le-imposte-nellacquisto-di-pierluigi-farina-avvocato-farina-studio-legale/> (Accessed on 16 May 2022); Solfaroli Camillocci, F., 2018. *Fisco. Un'opportunità per il mercato dell'arte*. Artribune. Available online at: <https://www.artribune.com/professionisti-e-professionisti/diritto/2018/07/fisco-mercato-arte/> (Accessed on 16 May 2022).

⁵²⁹ https://www.bosettiegatti.eu/info/norme/statali/2004_0042.htm (Accessed on 24 May 2022).

⁵³⁰ Mirabelli, A., 2022. *Cos'è il Tavolo Permanente per la circolazione delle opere d'arte*. Artribune. Available online at: <https://www.artribune.com/professionisti-e-professionisti/mercato/2022/01/tavolo-permanente-circolazione-opere-arte-intervista-calabi/> (Accessed on 16 May 2022).

⁵³¹ Maggi, N., *Le gallerie d'arte nel mercato post-pandemico*, cit.

⁵³² Calabi, G. and Hecker, S., *L'effetto moltiplicatore dell'arte sull'economia*, cit.

⁵³³ Segnalini, S., 2022. *La legislazione italiana non può più ignorare l'arte, ma va ripensato il sistema*. Editorialedomani.it. Available online at: <https://www.editorialedomani.it/giustizia/arte-contemporanea-legislazione-riforma-beni-culturali-hchssemo> (Accessed on 16 May 2022).

⁵³⁴ Maggi, N., *Le gallerie d'arte nel mercato post-pandemico*, cit.

⁵³⁵ Mirabelli, A., 2022. *Cos'è il Tavolo Permanente per la circolazione delle opere d'arte*, cit.

Anyway, it is important to underline that the Italian case is not an exception; on the contrary, in many countries, the outdated legislation and the fiscal pressure represent one of the major barriers to the development of the lower end of the art market.

Moreover, even the introduction of new policies or the updating of regulations and norms could cause some problems for the survival of the smallest businesses. For example, in the last few years, the European Commission has decided to update the *Fourth EU Anti-Money Laundering Directive* and replaced it with the *Fifth EU Anti-Money Laundering Directive*⁵³⁶. It has entered into force in July 2018, and all the state members had to implement it into national law by January 2020. This directive has the aim to prevent money laundering and terrorist financing in the European Union through a risk-based approach. In particular, the Fifth Directive has extended the “Know Your Customer” expectation to art dealers requiring them to verify the identity of collectors who acquire artworks for more than €10,000. Moreover, it has introduced enhanced due diligence measures, obliging sellers to identify the source of their client’s wealth. Despite the importance of and the benefits brought by this directive, it is important to underline some criticisms put forward by market professionals. In particular, they consider the threshold of €10,000 too low and they believe that this updating will have some negative effect on small businesses “that may have trouble handling the extra steps required to complete a purchase”⁵³⁷. Furthermore, the Fifth Directive increases the administrative burdens, raising the costs that small and middle-sized galleries must face⁵³⁸.

To conclude, it is possible to affirm that, to achieve sustainability and be competitive in the market, small and middle-sized contemporary art galleries must not only renovate their business model but also operate in a favourable environment that supports their development through adequate legislation and fiscal policies. Consequently, many countries should start to update their cultural policies, norms and regulations desisting from hindering the development of this sector⁵³⁹. Moreover, the

⁵³⁶ https://ec.europa.eu/info/business-economy-euro/banking-and-finance/financial-supervision-and-risk-management/anti-money-laundering-and-counteracting-financing-terrorism_en (Accessed on 24 May).

⁵³⁷ Saleeby, C., 2019. *Recent EU Developments in Art Law and Cultural Heritage*. Center for Art Law. Available online at: <https://itsartlaw.org/2019/08/20/recent-eu-developments-in-art-law-and-cultural-heritage/> (Accessed on 16 May 2022).

⁵³⁸ *Ibidem*; McAndrew, C., *The Art Market 2021: An Art Basel & UBS Report*, cit., pp. 44-47.

⁵³⁹ Maggi, N., *Le gallerie d’arte nel mercato post-pandemico*, cit.

legislators should always have special consideration for the smallest businesses when they come out with new norms and rules to not penalize them.

However, this discussion is out of the scope of this thesis even if future research and in-depth analysis on this topic would be extremely helpful to develop a more complete overview of the problematics of the lower end of the contemporary art market and consequently have the possibility to come out with more accurate solutions and suggestions to heal the galleries' weaknesses.

Conclusions

The thesis has had two main objectives. The first one has been to underline all the possible advantages that a correct implementation of e-commerce can bring to small and middle-sized contemporary art galleries within the process of business model renovation that they must fulfil to achieve better profitability and reach sustainability over time. Relying on the requirements highlighted by Magnus Resch and other scholars, it has been shown that online sales channels, and in particular 3rd party marketplaces which provide a wide variety of valuable services at affordable prices, can, first of all, represent a new communication channel. Galleries can take advantage of e-commerce platforms to share valuable information, through original and interactive modalities, to a wider public in order to increase confidence, enhance their visibility and promote themselves. Moreover, online sales channels are an important tool to overcome geographical constraints, facilitate long-distance trading and set up an international art market with lower expenditures. In this way, small and middle-sized galleries can not only increase their final sales but even promote their artists worldwide. These new channels even help to draw new buyers and widen the customer reach. Indeed, they can enhance the interest of people not previously attracted by art and convince hesitant and less experienced buyers; they are an effective tool to attain the youngest generations and buyers with less purchase power who can discover online a huge variety of works at affordable prices; finally, thanks to these channels, galleries can expand their international customer base and attract art collectors who find the purchase of art online more convenient. Furthermore, e-commerce facilitates small and middle-sized contemporary art galleries in the creation of partnerships and collaborations with other galleries, art institutions or other businesses also abroad and with minimal expenses. It is even a useful instrument to establish new revenue models by differentiating the traditional revenues and costs linked with galleries' typical activities. In particular, it helps galleries cut some costs and implement price differentiation. Finally, online sales channels enable galleries to differentiate their offer by providing new purchase possibilities and innovative and engaging services that enhance customers' experience. In this way, they can conceive original value propositions and distinguish themselves from competitors.

However, the thesis has also underlined some difficulties that small and middle-sized contemporary art galleries have in implementing effective e-commerce strategies, and it has tried to suggest some possible solutions to these problems. Firstly, galleries must reorganize their financial and human resources. They must save money on non-strategic activities and invest in the development and maintenance of online platforms. Especially at the beginning, it is suggested to enrol in 3rd party art marketplaces which represent cheaper but effective solutions. Furthermore, galleries must start hiring full-time people with digital, technological, and marketing competencies who have the required skills to create innovative and engaging online content and regularly manage the platforms.

Moreover, since the contemporary art market is highly competitive and saturated by an immeasurable number of offerings, often presented in a similar format, galleries, and in particular the smallest players, also struggle to stay visible, attract buyers, foster trust, and retain customers. Based on collectors' surveys, some useful tools to face these problems have been highlighted. In particular, in order to attract buyers, e-commerce platforms must firstly be intuitive and easy to use, have a mobile-friendly interface, and constantly update their offer. Moreover, they must present innovative and unique proposals both in the form of content and methods of sale. For example, they could accept cryptocurrency as a payment method or embed blockchain technology; furthermore, they should publish high-quality editorial content and interviews with the actors of the sectors, organize podcasts, talks and webinars to share valuable and original information and create online viewing rooms using virtual and augmented reality to present the artworks. All these elements are even intended to enhance customer experiences and engage them more deeply with the final aim to foster trust and consequently retain buyers. In addition, the wise use of social media, the quality of the art offered, and the availability of high-resolution images, detailed descriptions of the works for sale, customer reviews, price information, interactive customer services, after-sale services, cost-effective, simple, and reliable shipping and delivering solutions, safe and clear payment plans, effective security systems, insurance options and favourable return policies are other effective instruments to achieve these goals. Since it is suggested to small and middle-sized contemporary art galleries to start presenting works online through 3rd party marketplace, they must pay

special attention to the platform selection and choose the one that provides most of the features just mentioned.

In the end, taking into consideration all the benefits brought by online sales within the process of business model renovation and all the other elements that have emerged in the discussion, the second and final goal of this thesis has been to propose a new business model, based on e-commerce strategies, that can help small and middle-sized contemporary art galleries to be more profitable and finally reach sustainability.

This new business model has been visualized through a Business Model Canvas. Indeed, because of its simple and standardised nature, the canvas appears as the perfect tool to guide art galleries in this process of renovation, by making the business model proposed clearly understandable and easy to reshape in relation to the internal features and the external contest in which these galleries operate.

In particular, this new business model has a hybrid nature since it is based on a multi-channel approach and an integration between offline and online channels and services. Indeed, in the contemporary art world, digital strategies and e-commerce do not appear as stand-alone tools but they always need to be considered alongside and complementary to offline initiatives. As confirmed by collectors' opinion, personal interactions, physical experiences, and direct observation of artworks still play a pivotal role in the market. Consequently, galleries continue to need physical locations to present the works of their artists and organise exhibitions although it is likely that, in the future, uninterrupted offline activities and a constant presence offline will be no longer necessary, and more space and importance will be given to digital channels and online initiatives.

In any case, as clearly visible in all the building blocks that composed the canvas, the new business model proposed wants to coordinate and find a perfect balance between offline and online channels, using digital technologies and e-commerce platforms as an additional component and an extension of galleries' offline services. In the new model, the *Customer segment* is therefore composed both of the traditional clientele of small and middle-sized contemporary art galleries (local or national small collectors with low purchase power), and the new customers reached thanks to the online sales channels (people not previous interested in art, young buyers, international buyers, collectors with higher purchase power). This has an impact on the galleries' *Value*

Proposition that must not only take into consideration the requirements, attributes, and aspirations of traditional buyers (personal interactions, physical experiences and observation in the flesh), but even start reflecting the specific needs of online collectors, such as the wish for personalized and unique offers; interactive, engaging, and innovative content; valuable, transparent, and easily accessible information; fresh, easy to use and faster channels that increase convenience and reduce transactional costs and frictions. Speaking about the *Channels* block, the traditional communication and purchase channels (galleries exhibitions and art fairs together with events, vernissages, talks with artists, conferences, advertising, newsletters, personal emails, and websites) are integrated with e-commerce and social media platforms which represent both a powerful communication tool and a disruptive sales channel. *Customer Relationships* block shows a combination of strong, personal, and in-presence relationships and impersonal and less direct interactions typical of the internet. However, because of the specificity of the art market, some forms of personal connections are created even online by setting up interactive customer services, allowing real-time conversations, taking advantage of the possibilities offered by social media and establishing online communities. Moreover, the *Key Resources* block is extensively renovated in all its components. The exhibition spaces which represent, together with offices and storehouses, the traditional physical resources of art galleries, lose most of their importance whereas technological devices become strategic elements. There is also an improvement in human resources since artistic knowledge is no more sufficient and managerial, digital, and marketing competencies start being required for galleries' employees. This is obviously reflected even in the intellectual resources of the galleries. Finally, financial resources are consciously allocated by investing more in the enhancement of online content and sales platforms and finding a balance with the resources dedicated to art exhibitions and fairs. Concerning *Key Activities*, traditional galleries activities (organization of solo or group exhibitions, sale of artworks, participation in art fairs, arrangement of events, artworks' transport and delivery, taking out insurance, publication of catalogues and articles, and search for new artists) are integrated with the operations linked with the implementation and management of e-commerce and social media platforms and the creation of innovative and engaging online contents. Furthermore, *Key Partnership* block consists of

horizontal cooperation with competitors, lateral collaborations with non-competitors, such as museums and art institutions, and vertical partnerships with insurance, transport, and public relations companies. In particular, if the traditional galleries' alliances have a local or national nature, within the new business model, online platforms allow galleries to set up international collaborations with actors located in different parts of the globe. Speaking about *Revenue Streams*, they increase thanks to the new business model since e-commerce channels represent an additional source of income added to the profits coming from traditional channels (sales during art exhibitions and fairs). Moreover, these new channels even allow more price differentiation. Finally, the value-driven *Cost Structure* is based on several fixed (wages, rent and mortgage, utilities, and state taxes costs) and variable costs (costs linked with the organization of exhibitions, participation at art fairs, transport and travel, insurance, advertising, and the payment of lawyers, consultants, and craftsmen). Obviously, the implementation and management of e-commerce channels generate new expenditures linked with the creation of platforms and websites, the payment of higher salaries and monthly fees to 3rd party marketplaces and the purchase and maintenance of digital devices. Nevertheless, the new business model also led to a reduction in costs traditionally incurred by art galleries by cutting in particular, rent and mortgage costs, information, and transaction costs and the ones needed to expand internationally.

At the end of this analysis, it is possible to conclude that small and middle-sized contemporary art galleries that use the new business model proposed as a guideline to renovate their inner structure and way of working, are more likely to achieve better profitability, grow in the market, and reach sustainability over time. Nonetheless, it is important to be mindful of some limitations of this thesis. Indeed, it does not take into consideration the external environment in which galleries operate although countries' policies and legislations largely affect their performances and can increase their weaknesses. Even though this discussion is out of the scope of this thesis, future research and in-depth analysis on this topic would be extremely helpful to develop a more complete overview of the problematics of this part of the art market and consequently come out with more accurate suggestions and possible solutions.

Appendix of figures

Figure 1.1 Number and Wealth of Dollar Millionaires 2020-2021.....	p. 21
Figure 1.2 Number and Wealth of Billionaires 2008-2021.....	p. 22
Figure 1.3 The Post-War and Contemporary Art Sector 2009-2021.....	p. 30
Figure 1.4 Market Share of the Post-War and Contemporary Sector in 2021.....	p. 31
Figure 1.5 Annual Sales Turnover of Survey Respondents in 2021.....	p. 42
Figure 1.6 Share of Total Dealer Sales by Price Bracket in 2019.....	p. 43
Figure 1.7 Gallery Openings and Closures.....	p. 44
Figure 1.8 Share of Dealers' Total Operating Costs 2019-2021.....	p. 45
Figure 2.1 The Online Art and Antiques Market 2013-2019.....	p. 52
Figure 2.2 The Online Art and Antiques Market 2013-2021.....	p. 63
Figure 2.3 Share of Dealer Sales by Value by Sales Channel H1 2021.....	p. 64
Figure 2.4 Share of Dealer Sales by Value by Sales Channel 2021.....	p. 64
Figure 2.5 Share of Collectors Purchasing Online by Generation.....	p. 65
Figure 2.6 Share of the Value of Online Sales by Buyer Category in 2021.....	p. 72
Figure 3.1 Top Business Priorities for Dealers in 2019 and 2020.....	p. 79

Figure 3.2 | Top Business Priorities for Dealers in 2021p. 80

Figure 3.3 | Artwork Purchase Channels that Trend Upward with Budget.....p. 90

Figure 3.4 | Element to Build Trust Online.....p. 104

Figure 4.1 | Business Model Canvas.....p. 113

Figure 4.2 | New Business Model Canvas.....p. 129

Appendix of tables

Table 1.1 | Categories, Characteristics and Description of Art Galleries.....p. 39

Bibliography

Adam, G., 2016. *Big Bucks*. Aldershot: Lund Humphries. Kindle edition.

Angelucci, C., 2020. *Le gallerie e la rivoluzione digitale del mercato dell'arte. 5 CASI STUDIO, da Gagosian a Zwirner*. ArtsLife. Available online at: <https://artslife.com/2020/04/16/le-gallerie-e-la-rivoluzione-digitale-del-mercato-dellarte/> (Accessed on 7 March 2022).

Arora, P. and Vermeulen, F., 2013. Art markets. In: R. Towse and C. Hanke, ed., *Handbook of the Digital Creative Economy Cultural Economics*. Cheltenham: Edward Elgar Pub, pp. 322-329.

Baden-Fuller, C. and Morgan, M. S., 2010. Business Models as Models. *Long Range Planning*, 43(2-3), pp. 156-171.

Badia, F., 2015. Evolution of the business models for contemporary art galleries. Current situation and future challenges. In: *IFKAD 2015 Culture, Innovation and Entrepreneurship: connecting the knowledge dots*. JC Spender, pp. 1567-1581.

Bakhshi, H. and Throsby, D., 2010. *Culture of Innovation. An economic analysis of innovation in arts and cultural organisations*. NESTA. An online publication. Available online at: https://media.nesta.org.uk/documents/culture_of_innovation.pdf (Accessed on 26 March 2022).

Barrilà, S., 2020. *Aumentano le piattaforme digitali e la collaborazione tra le gallerie*. Ilsole24ore.com. Available online at: <https://www.ilsole24ore.com/art/aumentano-collaborazione-le-gallerie-e-piattaforme-digitali-ADCyP9V> (Accessed on 14 March 2022).

Belcove, J., 2020. *From Online Exhibitions to Ecommerce: Art Galleries Are Turning to the Digital World to Survive Covid-19*. Robb Report. Available online at:

<https://robbreport.com/shelter/art-collectibles/art-galleries-digital-push-amid-covid-19-2918893/> (Accessed on 4 March 2022).

Bellman, R., Clark, C. E., Malcolm, D. G., Craft, C. J. and Ricciardi, F. M., 1957. On the Construction of a Multi-Stage, Multi-Person Business Game. *Operations Research* 5(4), pp. 469-503.

Bianchi, M., 2014. Willingness to believe and betrayal aversion: the special role of trust in art exchanges. *Journal of Cultural Economics*, 39(2), pp. 133-151.

Brenner, T. and Schimke, A., 2014. Growth Development Paths of Firms-A Study of Smaller Businesses. *Journal of Small Business Management*, 53(2), pp. 539-557.

Calabi, G. and Hecker, S., 2022. *L'effetto moltiplicatore dell'arte sull'economia*. We-wealth.com. Available online at: <https://www.we-wealth.com/enterprise/cbm-partners/news/leffetto-moltiplicatore-dellarte-sulleconomia> (Accessed on 16 May 2022).

Carter, M. and Carter, C., 2020. The Creative Business Model Canvas. *Social Enterprise Journal*, 16(2), pp. 141-158.

Chesbrough, H., and Rosenbloom, R. S., 2002. The role of the business model in capturing value from innovation: evidence from Xerox Corporation's technology spin-off companies. *Industrial and corporate change*, 11(3), pp. 529-555.

Codignola, F., 2009. *Economia globale, concorrenza e mercato dell'arte contemporanea*. Bologna: CLUEB.

Coes, B., 2014. *Critically assessing the strengths and limitations of the business model canvas*. Master thesis. University of Twente.

Cola, C., 2020. *Gallery Network. Sotheby's lancia una nuova piattaforma di vendita dedicata alle gallerie.* ArtsLife. Available online at: <https://artslife.com/2020/04/30/gallery-network-sothebys-lancia-una-nuova-piattaforma-di-vendita-dedicata-alle-gallerie/> (Accessed on 15 March 2022).

Depperu, D., Magnani, G., Crosato, L. and Liberati, C., 2021. Growth of Firms in a Fragmented Cultural Industry: Italian Commercial Art Galleries' Competitive Strategies. *Sustainability*, 13(9): 5057.

Fernandes, A. and Afonso, L. U., 2020. Online Sales and Business Model Innovation in Art Markets: A Case Study. *Social Sciences*, 9(2): 7.

Fleming, O., 2014. *Why the World's Most Talked-About New Art Dealer Is Instagram.* Vogue. Available online at: <https://www.vogue.com/article/buying-and-selling-art-on-instagram> (Accessed on 13 March 2022).

Furneaux, N., 2018. *Investigating Cryptocurrencies.* Indianapolis: Wiley.

Gerlis, M., 2020. *How Covid-19 has forced the art market's speedy digital conversion.* The Art Newspaper. Available online at: <https://www.theartnewspaper.com/2020/05/05/how-covid-19-has-forced-the-art-markets-speedy-digital-conversion> (Accessed on 15 March 2022).

Gundolf, K., Jaouen, A. and Gast, J., 2018. Motives for strategic alliances in cultural and creative industries. *Creativity and Innovation Management*, 27(2), pp. 148-160.

Güner, A. and Gülaçti, İ., 2022. Business models transformed by digitalization in contemporary art museums and galleries. *Journal of graphic engineering and design*, 13(1), pp. 13-20.

Habelsberger, B. and Bhansing, P., 2021. Art Galleries in Transformation: Is COVID-19 Driving Digitisation?. *Arts*, 10(3): 48.

Hackforth-Jones, J. and Robertson, I., 2016. *Art business today*. London: Lund Humphries.

Halperin, J., 2020. *Launching Two More Online Sales Initiatives, Mega-Gallerist David Zwirner Says He Already Envisions Less Need for Art Fairs*. Artnet News. Available online at: <https://news.artnet.com/market/david-zwirner-online-1826523> (Accessed on 13 March 2022).

Jones, G. M., 1960. Educators, Electrons, and Business Models: A Problem in Synthesis. *Accounting Review*, 35(4), pp. 619-626.

Jyrämä, A., 2002. Contemporary Art Markets — Structure and Actors: A Study of Art Galleries in Finland, Sweden, France and Great Britain. *International Journal of Arts Management*, 4(2), pp. 50-65.

Khaire, M., 2015. Art Without Borders? Online Firms and the Global Art Market. In: O. Velthuis and S. Baia Curioni, ed., *Cosmopolitan Canvases: The Globalization of Markets for Contemporary Art*. Oxford Scholarship Online.

Klang, D., Wallnöfer, M. and Hacklin, F., 2014. The Business Model Paradox: A Systematic Review and Exploration of Antecedents. *International Journal of Management Reviews*, 16(4), pp. 454-478.

Lee, J. and Lee, S., 2019. User participation and valuation in digital art platforms: the case of Saatchi Art. *European Journal of Marketing*, 53(6), pp. 1125-1151.

Maida, D., 2020. *David Zwirner lancia Platform per supportare le gallerie emergenti*. Artribune. Available online at: <https://www.artribune.com/arti-visive/arte-contemporanea/2020/04/david-zwirner-condivide-il-suo-spazio-di-vendita-online-con-le-gallerie-emergenti-di-new-york/> (Accessed on 13 March 2022).

Maggi, N., 2021. *Le gallerie d'arte nel mercato post-pandemico*. Collezione da Tiffany. Available online at: <https://collezioneditiffany.com/gallerie-arte-mercato-post-pandemia/> (Accessed on 2 March 2022).

Maggi, N., 2022. *Il mondo delle Gallerie d'Arte*. Collezione da Tiffany. Available online at: <https://collezioneditiffany.com/il-mondo-delle-gallerie-arte/> (Accessed on 14 February 2022).

Magretta, J., 2002. Why business models matter. *Harv Bus Rev*, 80(5): 86-92, 133.

Marchesoni, M., 2021. *Artsy: l'arte si compra dal cellulare, frena la poca trasparenza sui prezzi*. *Ilsole24ore.com*. Available online at: <https://www.ilsole24ore.com/art/artsy-l-arte-si-compra-cellulare-frena-poca-trasparenza-prezzi-AEOod8V> (Accessed on 7 March 2022).

Marx, K. and Engels, F. 1967. *Capital; a critique of political economy*. New York: International Publishers.

Masturzo, C., 2019 *Abbiamo fatto una grande inchiesta sul futuro delle gallerie d'arte*. *Artribune*. Available online at: <https://www.artribune.com/professionisti-e-professionisti/mercato/2019/02/futuro-gallerie-arte/> (Accessed on 12 February 2022).

Mateos-Ronco, A. and Peiró Torralba, N., 2019. Sustainable Management of Contemporary Art Galleries: A Delphi Survey for the Spanish Art Market. *Sustainability*, 11(2): 541.

McAndrew, C., 2015. *TEFAF Art Market Report 2015*. Helvoirt: The European Fine Art Foundation (TEFAF).

McAndrew, C., 2018. *The Art Market 2018: An Art Basel & UBS Report*. Art Basel, UBS. An online publication. Available online at:

https://d2u3kfw92fzu7.cloudfront.net/Art%20Basel%20and%20UBS_The%20Art%20Market_2018-1.pdf (Accessed on 12 February 2022).

McAndrew, C., 2019. *The Art Market 2019: An Art Basel & UBS Report*. Art Basel, UBS. An online publication. Available online at: https://d2u3kfw92fzu7.cloudfront.net/The_Art_Market_2019-5.pdf (Accessed on 12 February 2022).

McAndrew, C., 2020. *The Art Market 2020: An Art Basel & UBS Report*. Art Basel, UBS. An online publication. Available online at: https://d2u3kfw92fzu7.cloudfront.net/The_Art_Market_2020-1.pdf (Accessed on 14 December 2022).

McAndrew, C., 2021. *Resilience in the Dealer Sector. A Mid-Year Review 2021: An Art Basel & UBS Report*. Art Basel, UBS. An online publication. Available online at: https://d2u3kfw92fzu7.cloudfront.net/The_Art_Market_Mid_Year_Review_2021.pdf (Accessed on 16 February 2022).

McAndrew, C., 2021. *The Art Market 2021: An Art Basel & UBS Report*. Art Basel, UBS. An online publication. Available online at: https://d2u3kfw92fzu7.cloudfront.net/The-Art-Market_2021.pdf (Accessed on 16 February 2022).

McAndrew, C., 2022. *The Art Market 2022: An Art Basel & UBS Report*. Art Basel, UBS. An online publication. Available online at: <https://d2u3kfw92fzu7.cloudfront.net/Art%20Market%202022.pdf> (Accessed on 27 April 2022).

McCarthy, K., Ondaatje, E., Brooks, A. and Szántó, A., 2005. *A portrait of the visual arts*. Santa Monica, Calif: Rand Corp.

Milano, R., 2020. Economic Freedom and Inequality in the Art Market: The Case of the Commercial Gallery. *Arts*, 9(4): 126.

Mirabelli, A., 2022. *Cos'è il Tavolo Permanente per la circolazione delle opere d'arte*. Artribune. Available online at: <https://www.artribune.com/professionisti-professionisti/mercato/2022/01/tavolo-permanente-circolazione-opere-arte-intervista-calabi/> (Accessed on 16 May 2022).

Morris, M., Schindehutte, M. and Allen, J., 2005. The entrepreneur's business model: toward a unified perspective. *Journal of Business Research*, 58(6), pp. 726-735.

Moulin, R., 1987. *The French art market*. New Brunswick: Rutgers University Press.

Moureau, N. and Sagot-Duvaurox, D., 2012. Four Business Models in Contemporary Art. *International Journal of Arts Management*, HEC Montréal. Chair in Arts Management, 14 (3), pp. 44-56.

Oliveira, B. and Fortunato, A., 2006. Testing Gibrat's Law: Empirical Evidence from a Panel of Portuguese Manufacturing Firms. *International Journal of the Economics of Business*, 13(1), pp. 65-81.

Ongaretti, M., 2021. *Digitalizzazione e mercato dell'arte nel report Art & Finance 2021*. ArtsCore. Available online at: <http://artscore.it/digitalizzazione-arte-deloitte-2021/> (Accessed on 8 March 2022).

Osterwalder, A., Pigneur, Y. and Tucci, C., 2005. Clarifying Business Models: Origins, Present, and Future of the Concept. *Communications of the Association for Information Systems*, 16:1.

Osterwalder, A., Pigneur, Y. and Wegberg, J., 2010. *Business Model Generation*. Hoboken, New Jersey: John Wiley & Sons.

Palumbo, J., 2021. *The art market has radically changed. Here's how to buy art today.* CNN. Available online at: <https://edition.cnn.com/style/article/how-to-buy-art/index.html> (Accessed on 13 March 2022).

Plattner, S., 1998. A Most Ingenious Paradox: The Market for Contemporary Fine Art. *American Anthropologist*, 100(2), pp. 482-493.

Poli, F., 2011. *Il sistema dell'arte contemporanea.* Roma: Laterza.

Porter, M. E., 1980. *Competitive Strategy: Techniques for Analyzing Industries and Competitors.* New York: Free Press.

Prieto-Rodriguez, J. and Vecco, M., 2021. Reading between the lines in the art market: Lack of transparency and price heterogeneity as an indicator of multiple equilibria. *Economic Modelling*, 102: 105587.

Prinz, A., Piening, J. and Ehrmann, T., 2014. The success of art galleries: a dynamic model with competition and information effects. *Journal of Cultural Economics*, 39(2), pp. 153-176.

Purcell, C., 2018. *Growth of the Online Art Market / Updated Panorama.* ArtMarketGuru. Available online at: <https://www.artmarket.guru/le-journal/market/online-art-market/> (Accessed on 13 March 2022).

Rani, A., 2017. E-Commerce: The New Art Market. *Journal of Commerce and Trade*, 12(1), pp. 11-15.

Reitlinger, G., 1982. *The economics of taste. The rise and fall in picture prices 1760-1960.* 3rd ed., 3 vols. New York: Hacker Art Books.

Resch, M., 2011. *Management of art galleries: business models.* Borsdorf: Diss. University St. Gallen.

- Resch, M., 2018. *Management of art galleries*. 3rd ed. London: Phaidon Press Ltd.
- Richardson, J., 2008. The business model: an integrative framework for strategy execution. *Strategic Change*, 17(5-6), 133-144.
- Riyahi, Y., 2020. *Nasce Onstream Gallery, la galleria italiana interamente online*. exhibart.com. Available online at: <https://www.exibart.com/mercato/nasce-onstream-gallery-la-galleria-italiana-interamente-online/> (Accessed on 8 March 2022).
- Robertson, I., 2016. *Understanding International Art Markets and Management*. London: Routledge.
- Ronchi, G., 2020. *Intervista a Mauro Stefanini, Presidente di ANGAMC*. Artribune. Available online at: <https://www.artribune.com/professionisti-professionisti/mercato/2020/07/gallerie-post-covid-intervista-mauro-stefanini-presidente-angamc/> (Accessed on 7 March 2022).
- Saleeby, C., 2019. *Recent EU Developments in Art Law and Cultural Heritage*. Center for Art Law. Available online at: <https://itsartlaw.org/2019/08/20/recent-eu-developments-in-art-law-and-cultural-heritage/> (Accessed on 16 May 2022).
- Satchell, S., Roxburgh, D., Mueller, S., Johnstone, D., Belk, R., Horvitz, J., Campbell, R., Petterson, O., Williams, O., Rudd, A., Apt, A., Auld, J., Brown, A., Ashenfelter, O., Ashmore, D., Lalonde, R. and Barzilay, D., 2009. *Collectible investments for the high net worth investor*. Burlington, MA: Academic Press/Elsevier.
- Schneider, T., 2017. *The Great Reframing: How Technology Will—and Won't—Change the Gallery System Forever*. Kindle edition.
- Segnalini, S., 2022. *La legislazione italiana non può più ignorare l'arte, ma va ripensato il sistema*. Editorialedomani.it. Available online at:

<https://www.editorialedomani.it/giustizia/arte-contemporanea-legislazione-riforma-beni-culturali-hchssemo> (Accessed on 16 May 2022).

Servais, A., 2014. *Art In The Shadow Of Art Market Industrialization*. Sfaq.us. Available Online at: <https://www.sfaq.us/2014/11/art-in-the-shadow-of-art-market-industrialization-moving-toward-a-sustainable-ecosystem/> (Accessed on 12 February 2022).

Shafer, S., Smith, H. and Linder, J., 2005. The power of business models. *Business Horizons*, 48(3), pp. 199-207.

Sidorova, E., 2019. The Cyber Turn of the Contemporary Art Market. *Arts*, 8(3): 84.

Smith, H. L., Discenza, R., and Baker, K. G., 2005. Building Sustainable Success in Art Galleries: An Exploratory Study of Adaptive Strategies. *Journal of Small Business Strategy*, 16(2), pp. 29-42.

Solfaroli Camillocci, F., 2018. *Fisco. Un'opportunità per il mercato dell'arte*. Artribune. Available online at: <https://www.artribune.com/professionie-professionisti/diritto/2018/07/fisco-mercato-arte/> (Accessed on 16 May 2022).

Sparviero, S., 2019. The Case for a Socially Oriented Business Model Canvas: The Social Enterprise Model Canvas. *Journal of Social Entrepreneurship*, 10(2), pp. 232-251.

Sussman, A., 2017. *How Do Galleries Actually Support Their Artists?*. Artsy. Available Online at: <https://www.artsy.net/article/artsy-editorial-galleries-support-artists> (Accessed on 10 February 2022).

Teece, D., 2010. Business Models, Business Strategy and Innovation. *Long Range Planning*, 43(2-3), pp. 172-194.

Thompson, D., 2009. *Lo squalo da 12 milioni di dollari la bizzarra e sorprendente economia dell'arte contemporanea*. Milano: Mondadori.

Throsby, D., 1994. The Production and Consumption of the Arts: A View of Cultural Economics. *Journal of Economic Literature*, 32(1), pp. 1-29.

Urban, G., Amyx, C. and Lorenzon, A., 2009. Online Trust: State of the Art, New Frontiers, and Research Potential. *Journal of Interactive Marketing*, 23(2), pp. 179-190.

Vaughn, K., 2017. *The Past, Present and Future of the Art Gallery Business*. Art business journal. Available online at: <https://artpreneur.com/journal/artbusiness/art-gallery-business/> (Accessed on 13 February 2022).

Velthuis, O. and Lind, M., 2012. *Contemporary art and its commercial markets*. Berlino: Sternberg Press.

Vergès, J., 2015. *The diffusion and adoption of e-commerce in the art world*. MA ACM Dissertation. King's College London.

VITKAUSKAITĖ, I., 2016. Opportunities for Innovation Adoption in Art Galleries. *European Journal of Interdisciplinary Studies*, 8(2), pp. 1-19.

Walker, J., 1987. Art Works as Commodity. *Circa*, (32), pp. 26-30.

Wijnberg, N. and Gemser, G., 2000. Adding Value to Innovation: Impressionism and the Transformation of the Selection System in Visual Arts. *Organization Science*, 11(3), pp. 323-329.

Winkleman, E., 2017. *Selling Contemporary Art: How to Navigate the Evolving Market*. New York: Skyhorse Publishing.

Zampetti Egidi, C., 2014. *Guida al mercato dell'arte moderna e contemporanea con le testimonianze dei maggiori protagonisti internazionali*. Milano: Skira.

Zorloni, A., 2005. Structure of the contemporary art market and the profile of Italian artists. *International Journal of Arts Management*, 8(1), pp. 61-71.

Zorloni, A., and Trimarchi, M., 2016. *L'economia dell'arte contemporanea mercati, strategie e star system*, 2nd ed. Milano: Franco Angeli.

Zott, C., Amit, R. and Massa, L., 2011. The Business Model: Recent Developments and Future Research. *SSRN Electronic Journal*, 37(4), pp. 1019-1042.

2014. *Intervento Sistema dell'arte contemporanea in Italia oggi*. Mediterraneo. Associazione Culturale. Available online at: <http://www.acmed.it/casa-delle-culture/intervento-sistema-dell-arte-contemporanea-in-italia-oggi.html> (Accessed on 15 February 2022).

2018. *Corporate Art Collections. Quando a collezionare è l'impresa* Art Rights. Available online at: <https://www.artrights.me/corporate-art-collections/> (Accessed on 27 April 2022).

2018. *ONLINE AUCTIONS*. ArtMarketGuru. Available online at: <https://www.artmarket.guru/le-journal/market/online-auctions/> (Accessed on 13 March 2022).

2018. *ONLINE PLATFORMS / MARKETPLACES*. ArtMarketGuru. Available online at: <https://www.artmarket.guru/le-journal/market/platforms/> (Accessed on 13 March 2022).

2019. *La fiscalità nella compravendita di opere d'arte: le imposte nell'acquisto*. Studio legale farina. Available online at: <https://farinastudiolegale.com/2019/01/03/la->

fiscalita-nella-compravendita-di-opere-darte-parte-prima-le-imposte-nellacquisto-di-pierluigi-farina-avvocato-farina-studio-legale/ (Accessed on 16 May 2022).

2019. *The Online Art Collector Report 2019*. Artsy. An online publication. Available online at: http://files.artsy.net/documents/artsy_2019_onlineartcollectorreport.pdf (Accessed on 26 March 2022).

2019. *Why Collectors Buy Art Online*. Artsy. An online publication. Available online at: <https://www.artsy.net/article/artsy-editorial-key-drivers-online-art-market> (Accessed on 18 March 2022).

2020. *Hiscox Online Art Trade Report 2020 - Part One: The Online Art Trade*. Hiscox & ArtTactic. An online publication. Available online at: <https://www.hiscox.co.uk/sites/uk/files/documents/2020-07/Hiscox%20online%20art%20trade%20report%202020.pdf> (Accessed on 2 March 2022).

2020. *Hiscox Online Art Trade Report 2020 - Part Two: Buyer Behaviour*. Hiscox & ArtTactic. An online publication. Available online at: https://www.hiscox.co.uk/sites/uk/files/documents/2020-12/20688b-Hiscox_online_art_trade_report_2020-part_two.pdf (Accessed on 11 March 2022).

2020. *Hiscox Online Art Trade Report 2020 - Part Three: Towards a Frictionless Online Journey*. Hiscox & ArtTactic. An online publication. Available online at: https://www.hiscox.co.uk/sites/default/files/documents/2021-04/hoatr_report_2020_part3.pdf (Accessed on 11 March 2022).

2021. *Artsy Gallery Insights 2021 Report*. Artsy. An online publication. Available online at: https://pages.artsy.net/rs/609-FDY-207/images/Artsy-Gallery-Insights-2021-Report.pdf?mkt_tok=eyJpIjoiT0RRd01UVXhNekpsWWpsaSIInQiOiJJbVlSeVwvS HcrTk5ZSUhzV0w3VEdseWdwK1pRK05WRUJ5cERFK0ZucExLWXNCQlBMbF

BEdXZzWmp4cnZCREVNUFZOObGpzMkpcLzJycGFuZmt1b0E2MkhDdWx0VEM
rM3NDSkJWa3J4b2tSeWpybXNncHF0Njh0Q1I5OHVUaGtreFU2In0%3D

(Accessed on 2 March 2022).

2021. *David Zwirner Gallery Introduces Click-to-Buy Platform*. Artforum.com. Available online at: <https://www.artforum.com/news/david-zwirner-gallery-introduces-click-to-buy-platform-85753> (Accessed on 13 March 2022).

2021. *Hiscox Online Art Trade Report 2021 - Part One*. Hiscox & ArtTactic. An online publication. Available online at: https://www.hiscox.co.uk/sites/default/files/documents/2021-10/21674a-Hiscox_online_art_trade_report2021-part_one_1.pdf (Accessed on 11 March 2022).

2022. *The Contemporary Art Market Report 2021*. Artprice.com. An online publication. Available online: <https://www.artprice.com/artprice-reports/the-contemporary-art-market-report-2021> (Accessed on 13 February 2022).

Web References

<https://www.angamc.com/associati.html> (Accessed on 24 May 2022).

<https://artfacts.net> (Accessed on 22 April 2022).

https://artfacts.net/lists/global_top_100_artists (Accessed on 10 May).

<http://www.artnet.com> (Accessed on 22 April 2022).

<https://www.artsy.net> (Accessed on 15 May 2022).

<https://arttactic.com> (Accessed on 22 April 2022).

<https://www.beople.it/business-model-canvas> (Accessed on 10 May 2022).

<https://www.bidsquare.com> (Accessed on 22 April 2022).

https://www.bosettiegatti.eu/info/norme/statali/2004_0042.htm (Accessed on 24 May 2022).

<https://www.davidzwirner.com> (Accessed on 15 April 2022).

https://ec.europa.eu/info/business-economy-euro/banking-and-finance/financial-supervision-and-risk-management/anti-money-laundering-and-counteracting-financing-terrorism_en (Accessed on 24 May).

<https://www.fineartgroup.com> (Accessed on 14 May 2022).

<https://www.forbes.com/billionaires/> (Accessed on 15 May 2022).

<https://gagosian.com/fairs/2020/04/03/artist-spotlight-online-presentation> (Accessed on 22 April 2022).

<https://gagosianshop.com> (Accessed on 15 April 2022).

<https://gagosianviewingroom.com> (Accessed on 15 April 2022).

<https://galleryplatform.la/info> (Accessed on 15 April 2022).

<https://www.getparlor.com> (Accessed on 22 April 2022).

<https://www.hauserwirth.com/news/28281-artlab-new-technology-research-division/> (Accessed on 15 April 2022).

<http://inartfund.lu> (Accessed on 24 May 2022).

<https://www.invaluable.com> (Accessed on 22 April 2022).

<https://www.lexico.com> (Accessed on 15 May 2022).

<https://www.magnusresch.com> (Accessed on 30 April 2022).

<https://www.onstreamgallery.com> (Accessed on 14 April 2022).

<https://www.saatchiart.com> (Accessed on 20 April 2022).

<https://www.sothebys.com/gallerynetwork> (Accessed on 22 April 2022).

<https://vortic.art/discover> (Accessed on 20 April 2022).

Acknowledgements

I would like to thank first my supervisor Marina Mussapi for her support during the last few months and for the helpful suggestions she has provided me to write this thesis.

I would also like to thank my family, my friends and Luca.

