Critical Success Factors for Starting an Online Art Platform

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A qualitative study on the digitalization of the art market

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Abstract

The traditional art market is currently experiencing a digital transformation and multi-sided platforms (MSPs) for trading art are a major part of this. Much research has been done in the area of MSPs, however, there is a lack of studies in the field of starting such platforms for art. Therefore, this study aims to determine the critical success factors (CSFs) for starting an online art platform (OAP). To answer this, a two-piece market analysis consisting of a general art market analysis and an examination of existing OAPs was carried out in parallel with qualitative interviews and questionnaires with galleries, art advisors, and industry experts. The interview results were then analyzed inductively, using a grounded theory approach, before all findings were examined from a theoretical perspective.

The analysis of existing OAPs revolved around the three major platforms Artsy, artnet, and Saatchi Art, of which Artsy is leading in terms of size, capital raised, and prominent features. Results from interviews indicate galleries want more control on the platforms, higher quality of participating galleries, and easier management. Art buyers appeal to easier browsing, more information about artworks, and transparent pricing.

The concluded CSFs for buyer adoption are: (1) publicly available pricing; (2) increased discoverability and easier browsing; (3) less intimidating, and; (4) display price developments. For gallery adoption: (1) clear communication of expected results; (2) stricter selection criteria for participating galleries; (3) ease of management; (4) integration with existing OAPs and social media, and; (5) galleries should be able to control who can send inquiries. Additionally, three CSFs for general adoption were found: (1) advanced searching browsing and filtering; (2) large representation of sellers, and (3); editorial content. To successfully reach the mainstream market, platforms should target galleries struggling financially and buyers who are either unable to attend art fairs or are unsatisfied with existing OAPs.

Keywords: critical success factors, online art platforms, art market, multi-sided platforms, diffusion of innovations

Sammanfattning

Den traditionella konstmarknaden genomgår för närvarande en digital transformation och flersidiga plattformar (multi-sided platform - MSP) för konsthandel är en stor del i detta. Många studier har utförts i MSP-området, men det råder brist på undersökningar som fokuserar på plattformar för konst. Detta arbete avser därför fastställa kritiska framgångsfaktorer (critical success factor - CSF) för startandet av en onlineplattform för konst (online art platform - OAP). För att besvara detta utfördes en tudelad marknadsanalys bestående av en generell analys av konstmarknaden och en kartläggning av existerande OAP:er parallellt med kvalitativa intervjuer och enkäter som genomfördes med gallerister, konstrådgivare och bransch-experter. Intervjuresultaten analyserades sedan induktivt, med en metod baserad på grundad teori, innan alla upptäckter granskades ur ett teoretiskt perspektiv.

Analysen av existerande OAP:er kretsade kring de tre betydande plattformarna Artsy, artnet och Saatchi Art, av vilka Artsy är den ledande sett till storlek, riskkapital, och framstående funktioner. Intervjuresultaten indikerar att gallerier vill ha mer kontroll på plattformarna, högre kvalitet på deltagande gallerier och enklare hantering. Köpare lockas av enklare bläddring, mer information om konstverken och transparent prissättning.

De funna CSF:erna för köparnas adoption är: (1) publikt tillgängliga priser; (2) ökad upptäckbarhet och enklare bläddring; (3) mindre avskräckande, och; (4) tillgänglig prisutvecklingshistorik. För adoption av gallerier: (1) tydlig kommunikation av förväntade resultat; (2) striktare urvalskriterier för deltagande gallerier; (3) enkel hantering; (4) integration med befintliga OAP:er och sociala medier, och; (5) gallerier ska kunna kontrollera vem som kan skicka förfrågningar. Vidare identifierades tre CSF:er för generell adoption: (1) avancerad sökning, bläddring och filtrering; (2) stor representation av säljare, och; (3) redaktionellt innehåll. För att framgångsrikt nå den breda marknaden bör plattformar rikta sig mot gallerier som är finansiellt ansträngda och köpare som antingen inte kan delta på konstmässor, eller är missnöjda med existerande OAP:er.

Nyckelord: kritiska framgångsfaktorer, onlineplattformar för konst, konstmarknaden, flersidiga plattformar, diffusionsteori

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List of acronyms and abbreviations

AI	artificial intelligence
APAA	Association of Professional Art Advisors
API	application programming interface
AR	augmented reality
CMS	content management system
CRM	customer relationship management
CSF	critical success factor
FB	Facebook
HNW	high-net-worth
IG	Instagram
MSP	multi-sided platform
OAP	online art platform
RQ	research question
SEO	search engine optimization

1 Introduction

This introductory chapter serves to present the reader with the context and objectives of the thesis. Firstly, the background of the thesis is presented. Secondly, the purpose is explained, and research questions are stated. Lastly, the delimitations of the work are declared.

1.1 Background

There is a growing interest to understand how to successfully start a multi-sided platform (MSP). We live in an age where MSPs are an integrated part of our daily lives and we have seen the likes of Facebook, Airbnb, and Netflix reap great success while disrupting their industries. Having said that, successful MSPs are inherently difficult to build and should be seen as exceptions rather than the norm. (Hagiu, 2014)

To a lesser extent, the $67.4 billion art market has slowly seen itself reshaped by online art platforms (OAPs), such as Artsy (McAndrew, 2019). The global art market is, however, still a very traditional market and a vast majority of sales are conducted in-person through gallery exhibitions, art auctions, and art fairs (Khaire, 2015).

Much research has been dedicated to the success of MSPs (Hagiu, 2014; Hagiu & Wright, 2015). However, little research has been done to understand the development of the online art market. Khaire (2015) concludes that digital disruption of the traditional art market is possible, but difficult. Sidorova (2019) addresses the issue of digitalization by discussing technological innovations' implications for the industry. In this context, research is focused on major OAPs, but the views of actors in the art market are missing.

This thesis' aim is to find out how to successfully start an OAP. To do so, Rockart's (1979) theories on critical success factors (CSFs) for an organization, Roger's (2003) ideas on how innovations are diffused, Moore's

(2001) theories on how disruptive ideas can be adopted by the mainstream market, and Hagiu's (2014) theories on MSPs, will be used.

1.2 Purpose

The purpose of this thesis work is to determine the CSFs for starting an OAP. The platform shall accommodate galleries and art buyers looking to view, sell, buy, and in other ways interact around contemporary art. Ultimately, the work shall result in a presentation of the CSFs, including a framework that incorporates the identified CSFs.

1.3 Research Questions

This thesis' research questions (RQ) are found in Table 1.1 below.

Table 1.1 The research questions of this study.

RQ 1	Which are the critical success factors for starting an online art platform?	Chapter 7-8
1.1	How are existing online art platforms operating and what characterizes them?	Chapter 5
1.2	Which factors of an online art platform are important to galleries, art advisors, and art buyers?	Chapter 7
1.3	Which user groups should be targeted to increase the adoption of an online art platform?	Chapter 7

1.4 Delimitations

The findings of the thesis are likely the most applicable to OAPs who meet the following criteria:

- The OAP is yet to be designed and launched, as opposed to an already established OAP;
- The OAP is a pure online marketplace (see definition in section 5.1);
- The OAP accommodates two sides: galleries and art buyers;
- Galleries act as sellers, as opposed to artists selling directly to art buyers;

- It focuses on contemporary art, as opposed to other art styles;
- It focuses on the primary market, as opposed to the secondary market.

Additionally, the study is delimited by interviewing only gallerists, art advisors, and industry experts. No buyers or collectors were interviewed.

1.5 Definitions

MSP
A multi-sided platform, or MSP for short, is defined as a platform that enables direct interactions between two or more sides, where each side is affiliated with the platform. Examples of successful MSPs include Facebook (users, advertisers and third-party content developers), Airbnb (homeowners and renters) and Uber (professional drivers and passengers) (Hagiu & Wright, 2015). Hagiu's (2014) theories on MSPs are presented in section 3.3.

OAP
An OAP, short for online art platform, is defined by the authors as an MSP that accommodates parties wishing to browse, sell, buy and in other ways engage in art. Examples of existing OAPs include Artsy, artnet and Saatchi Art.

CSF
In short, CSFs, or critical success factors, can be described as the limited numbers of areas in which satisfactory results will lead to competitive performance for the organization. Rockart's (1979) theory on CSFs are explained in greater detail in section 3.1.

Adoption
Adoption is defined as an individual's decision to start using an innovation, such as an OAP.

2 Methodology

In this chapter, the methodology of the thesis is presented. First, the research strategy, research approach and research process are presented. Second, the methods for data collection and data analysis are introduced. Lastly, measures to ensure the ethics and credibility of the research are proposed.

2.1 Research Strategy

A research strategy is a step-by-step action plan that guides the researcher and enables him or her to conduct research in a systematic fashion that produces quality results and saves time and resources. Additionally, it serves to outline the logic and reasoning of the research, including its goals (MacKenzie Corporation, 2014; Denscombe, 2010, pp. 3-4).

In deciding on a research strategy for this thesis work, potential research strategies were evaluated based on their suitability, feasibility, and ethical aspects concerning the purpose of this thesis, as suggested by Denscombe (2010, pp. 4-8).

The overarching goal that this thesis aims to achieve is to answer the posed research questions, found in section 1.3. Moreover, it should present a recommendation that addresses the purpose of this thesis, found in section 1.2.

2.1.1 Research approach

When conducting research, the data can be analyzed in numerous ways to describe, explain, or interpret it. In practice, however, researchers tend to lean towards an approach that uses either quantitative research, qualitative research, or a combination of the two (Denscombe, 2010, p.237). Quantitative and qualitative research represent two contrasting approaches to conducting research, with distinct differences regarding their unit of analysis, the level of researcher involvement, scale, width and breadth of the study,

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and when the data analysis occurs (Denscombe, 2010, pp.238-239). Table 2.1 below illustrates these distinctions.

Table 2.1 Distinctions between quantitative and qualitative research.

Research Characteristic	Quantitative Research	Qualitative Research
Unit of analysis	Numbers	Words or images
Researcher involvement	Detachment	Involvement
Scale of study	Large-scale	Small-scale
Width and breadth of study	Specific	Holistic
Time of data analysis	After data collection	During data collection

All these distinctions do not necessarily hold for all research projects, but the difference between the two approaches centers around the unit of analysis that is used – numbers, or words or images. (Denscombe, 2010, p.237).

For a quantitative research approach, it is recommended to use a fixed research strategy, meaning that the design of the research is pre-specified before the data collection phase is commenced. Analogously, a flexible research strategy is advocated for qualitative research as it allows researchers to redesign the processes for collecting and analyzing data. A hybrid of the two – often called a multi-strategy – combines elements from both strategies and is typically designed with a flexible phase followed by a fixed phase (Robson & McCartan, 2016, pp.74-75).

In research, three common types of logical reasoning are deductive, inductive, and abductive reasoning. In short, deductive reasoning can be described as the forming of conclusions based on observed results that follow a set of rules. The observed results can then either demonstrate the rule or falsify it. In contrast, inductive reasoning forms generalizations by examining the implied results of what is known or observed, and thus, incorporates an element of probability. Abductive reasoning, on the other hand, starts with consequences and then constructs the logical reasoning that leads to that result. Table 2.2 below illustrates the logic behind each reasoning method (Timmermans & Tavory, 2012, pp.167, 170-171).

Table 2.2 Examples of deductive, inductive, and abductive reasoning.

Type	Example
Deduction	If all A > B and all B > C, then – deductively – all A > C
Induction	If all observed A > B and all observed B > C, then – inductively – all A > C. The probability of this conclusion increases with the number of observed cases.
Abduction	Surprising fact A is observed. If C is true, then A is a matter of course. In this scenario, abduction states that there is a reason to think that C is true.

For this thesis work, a primarily qualitative research approach was selected as it allowed for an iterative and flexible research design, greater freedom in formulating the research questions, and increased feasibility. The limited access to data sources and the scale of the study were critical aspects when choosing a qualitative approach over a quantitative ditto. A qualitative study can discover depths and insights in an area with lower requirements on sample size. Moreover, it allowed for open-ended questions during the interviews and stood out as a sensible option for a small-scale study that aimed to capture a holistic perspective, rather than specific variables. Owing to this, a flexible research strategy was used.

The grounded theory research method was chosen as an overall strategy. It was deemed suitable because the chosen research area is relatively new, and the goal is to generate new theories. A grounded theory approach revolves around generating theories and contrasts to testing the same. It emphasizes the empirical findings and the importance of linking conclusions to them. The method is focused on analysing the collected data by iteratively comparing the ideas gathered to create concepts and build theories. (Denscombe, 2010, p.106-124). In this case, the theory created is the critical success factors framework. Very little research has been done regarding the starting of OAPs and the digitalization of the global art market. Thus, this research intended to explore the topic and provide new insights into the area.

In terms of logical reasoning, a mix of inductive and abductive reasoning was used to answer the posed research questions. The primary research question, *RQ1*, was in part answered by interviewing actors in the art market, and in part answered by studying the global art market, existing OAPs and relevant theory. Both of these methods use induction. To some extent, abduction was also used in this research.

Research process

The research process is conceptually visualized in Figure 2.1 below.

2.1.2
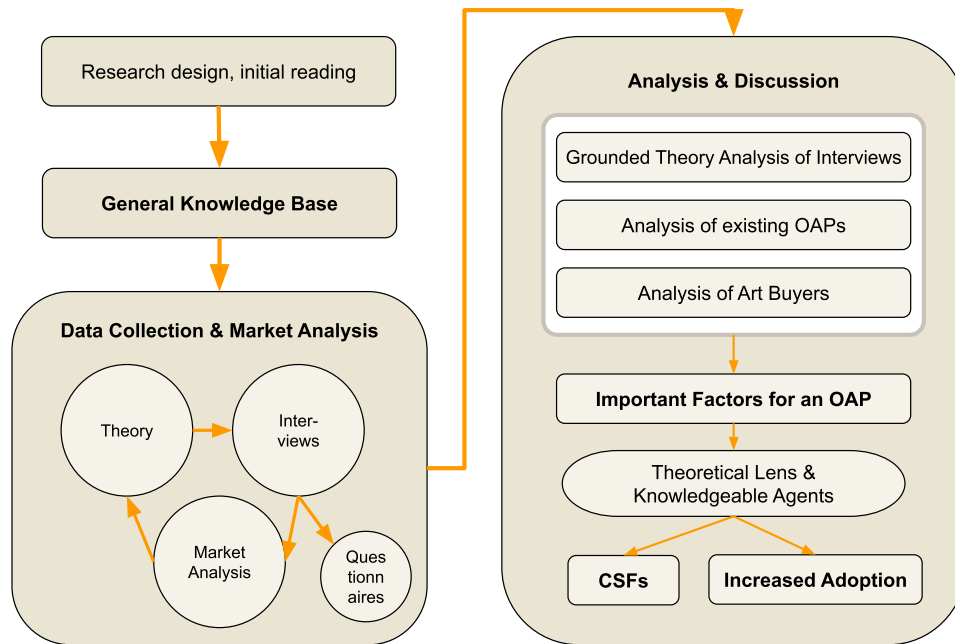
Figure 2.1 Overview of the research process.

The first step of the research process was to design the research and decide on a research strategy. Subsequently, a general knowledge base was established through initial reading on the subject and the frontier of knowledge was explored.

Once a general understanding had been established, data collection and a market analysis followed. In this phase, data were collected in parallel with the market analysis, which examined actors in the global art market and existing OAPs, and a study of theories regarding CSFs, diffusion of innovations, and multi-sided platforms. As illustrated in Figure 2.1, this phase was iterative, and the activities were done in tandem.

Regarding the collection of data, interviews with actors in the art market were deemed critical and the following steps explain the process that was used to conduct said interviews. Firstly, a plan for the interviews was prepared, which outlined the preferred number of interviews, the geographical spread of interviewees as well as their knowledge and expertise. Secondly, actors in the art market that met one of two of the following criteria were contacted

via email to schedule an interview: (1) prior participation at one of Art Basel's art fairs (Basel, Miami, or Hong Kong), or (2); active gallery partner at Artsy. In total, more than 200 actors in the global art scene were contacted. Thirdly, interviews were conducted. The interview process and its three steps – design, preparation, and collection – were iterative, meaning that the output from the first interview was fed back as input to the second interview and so forth. Once the interviews had been conducted, questionnaires were sent out to gather complementary information from participants.

The findings from the market analysis, the interviews and the questionnaires were then analyzed and discussed, which resulted in longlists of important factors for starting an OAP. By examining these important factors through a theoretical lens, the lists could be reduced. Additionally, by this stage, the authors had gathered valuable insights in the area of research and could therefore act as knowledgeable agents to shorten the lists further to only include the most important factors. As a final step, the shortlist of CSFs was presented, as well as a recommendation of user groups to target for increased adoption.

2.2 Data Collection

As described above, a market analysis, interviews, and two questionnaires were used to collect data. Choosing to use a flexible research strategy allowed for completing the first part of the market analysis before the interviews, which provided a well-grounded knowledge base when designing the other collection approaches. Seeing that the researchers had no prior knowledge of the art market, this was a crucial step.

2.2.1

Market analysis

The first part of the market analysis concerned the nature of the art market, its different stakeholders as well as general and online-specific drivers and challenges for the art market. The purpose of this analysis was to understand the market, its stakeholders, identify opportunities and threats, and to provide a knowledge base for the interviews and the questionnaires.

The second part of the analysis explored and compared three prominent OAPs in the global art market. Data was collected by using and observing said OAPs' services and features. To a lesser extent, information was

collected from other sources to give a more nuanced picture and to get hold of information not provided by the OAPs themselves. This part of the market analysis was carried out in parallel with the thesis' other methods for data collection.

The main search engine used for this thesis was Lund University's LUBsearch. Other search engines for scholarly literature, such as Google Scholar, were used as well. Peer-reviewed papers were prioritized over non-peer reviewed dittos and the authors sought to choose the most recent and reliable sources available. Other sources, such as books, reports from consultancy firms and websites, were also used.

Interviews

2.2.2 Interviews can be used to collect valuable background information and to receive insights regarding a proposal. They are done in person or through other communication tools with the interviewees. There are three types of interviews, which differ regarding their degree of structure: structured, semi-structured, and open interviews. Structured interviews are more or less an oral questionnaire. Semi-structured interviews are of describing or explanatory nature and mixes open and closed questions. Open interviews are directed using an interview guide which contains areas of interest about which the interviewer should ask questions (Höst, Regnell & Runeson, 2006, pp. 89-91).

For this thesis, the semi-structured interview method was chosen to be able to combine open questions, which can discover interesting depths of the topic, and closed questions, which gives answers that are easier to compare, code and extract conclusions from. Interview guides were created to act as question batteries. Useful guidelines from de la Croix, Barret & Stenfors (2018) on how to execute research interviews were used in the creation of the interview guides. The interview guides were reviewed several times to improve the questions. See Appendix A for the interview guides.

The interviews were directed at galleries, art advisors, and industry experts. In total, 24 interviews were conducted. 17 of them were with founders, directors, or managers of galleries. Moreover, six art advisors were interviewed and one industry expert. A small set of interviews were conducted in person with gallery directors in Stockholm, Sweden. The rest were carried out via phone or through digital communication tools since the

interviewees were based throughout Europe, North America, and the Middle East. All the interviews, but one, were recorded and transcribed.

The interviewees were asked to participate in the study via email and were informed about the purpose of the study and topics in focus. When scheduling an interview, the interviewees were asked for consent to record the interview and to use their names in this report.

The interviews covered primarily two topics: sales and online platforms. To understand how the interviewees conduct sales, questions were asked on sales channels, customer acquisition, and other important aspects of their business. To understand their use and views on online platforms, the interviewees were asked to map their use of digital platforms and their attitude towards them as well as what they considered to be important factors for selling art online. In addition to these questions, each interview discussed the purpose of the interview and the interviewee's background.

Owing to the differences in the interviewees' businesses, some questions were altered, added, or removed for each interview. Moreover, the interviews emphasized different questions, depending on which topics the interviewee chose to elaborate on.

Lists of the interviewees are presented below in Tables 2.3-2.5 in chronological order.

Table 2.3 List of interviewed gallerists.

Name	Organization	Role	Location
Björn Wetterling	Wetterling Gallery	Director	Stockholm
Sara Berner Bengtsson	Galerie Forsblom	Director	Stockholm
Angelika Knäpper	Galleri Bohman Knäpper	Director	Stockholm
Stefan Andersson	Galleri Andersson/Sandström	Director	Stockholm
Ben Loveless	Galerie Nordenhake	Director	Stockholm
Brian Grøtte	Galleri Fineart	Head of Sales	Oslo
Tobias Vielmetter Diekmann	Vielmetter Gallery	Senior director of development & technology	Los Angeles
Giorgia Zardetto	Weng Contemporary	Managing director	Zug
Irit Sommer	Sommer Gallery	Founder	Tel Aviv
Ylva Linn Liliegren	Robilant + Voena	Director	St. Moritz
Atle Gerhardsen	Gerhardsen Gerner	Director	Berlin
Benedict Tomlinson	Robilant + Voena	Director	London
Vera Munro	Galerie Vera Munro	Founder	Hamburg

Sebastiaan Brandsen	GRIMM Gallery	Senior director	Amsterdam
Viktória Pikovská	Victory Art	CEO	Rotterdam
Dorothée Nilsson	Dorothée Nilsson Gallery	Director	Berlin
Katherine Kastner	Hunt Kastner Gallery	Founder	Prague

Table 2.4 List of interviewed art advisors.

Name	*Organization*	*Role*	*Location*
Anne Tache	Twig Art	Director	Brussels
Stephanie Manasseh	SM Art Advisory	Founder	Brussels
Maya Mikelsone	Maya Mikelsone	Art curator & advisor	Paris
Brunno Silva	Brunno Art	Founder	Berlin
Victoria Burns	Victoria Burns Art Advisory	Founder	Los Angeles
Lisa Ivemark	Art Basel	Art Advisor	Stockholm

Table 2.5 List of interviewed industry experts.

Name	*Organization*	*Role*	*Location*
Jenny Danielsson	The Artword Podcast	Founder	Los Angeles

The results from the interviews were used to create follow-up questionnaires that were sent to the interviewees. One questionnaire was sent to the interviewed gallerists and one to the interviewed art advisors.

2.2.3

Questionnaire

Questionnaires are used to collect opinions, viewpoints, and other data from a larger group of people. Primarily, closed questions with a pre-defined set of alternative answers are used. Some aspects to consider when designing questions are their simplicity, unambiguity, conciseness, symmetries, and sensitivity. To receive answers regarding opinions, thoughts, and feelings, there is a need to construct scales in which the respondent may show their view. One of these is the Likert scale (Höst, Regnell & Runeson, 2006, pp. 85-89).

According to Slattery et al. (2011), the first step in designing a questionnaire is to decide the objective. The second step is to design the questions which, when asked, shall obtain the most relevant information to meet the objective.

To construct the proper questions, interviews may be used to find areas of interest. Finally, adequate language and the order and structure of the questions, should be decided.

When the questionnaire design is completed, sampling must be decided upon. The collected data can be analyzed in different ways depending on how the selection of participants has been designed, making the selection important. When inviting the selected participants to complete the questionnaire, some information should be included, such as the purpose of the research, confidentiality, contact details and selection criteria (Höst, Regnell & Runeson, 2006, pp. 85-89).

The questionnaires used for this thesis were designed after the interview phase and sent out to each interviewee to collect complementary data. More specifically, they aimed to capture additional information about each interviewee's business and view on OAPs. One of the main questions regarded ranking important factors of an online art platform. The factors to be ranked by survey participants were elicited during the interviews. The two questionnaires can be found in Appendix B.

2.2.4 **Observations**

To study phenomena or events, a commonly used method is observation (Höst, Regnell & Runeson, 2006, pp. 92-93). This method was used to better understand how existing OAPs operate. The websites of these platforms were visited by the authors, and their respective features were explored. In detail, the researchers tested each platform's search and browse functionality, reviewed the user interface and created user accounts and explored some of the more advanced features.

2.3 Data Analysis

According to Höst, Regnell, & Runesson (2006, pp. 115), the process of qualitative data analysis can be divided into four steps: data collection, coding, grouping, and conclusions. Denscombe (2010, p.240) adds to these steps by adding data validation as a fifth step. In this thesis work, these five steps were followed to analyze the data.

When analyzing the data, an iterative and inductive approach was used. Iterative in the sense that the data analysis was an evolving process in which

the data collection and the data analysis took place in tandem, as opposed to a one-off analysis. The inductive element in the data analysis stemmed from generalizations being made from the particular. Moreover, the data analysis was research-centered, meaning that the researchers' values and experiences were seen as factors affecting the analysis. These three characteristics are all typical for qualitative data analysis. (Denscombe, 2010, pp. 272-273)

To code and group the collected data, a template analysis was undertaken as a first step to thematically analyze the qualitative data. This template analysis, however, was only used internally by the researchers. As a second step, in an attempt to avoid the risk of "lacking in scholarly rigor" (Gioia, Corley & Hamilton, p. 15, 2012), which sometimes is a shortcoming of qualitative research, a systematic approach to grounded theory was used. The approach is adapted from Gioia, Corley, & Hamilton (2012) and can be divided into the following three phases:

1. **1st order concepts:** In the first phase of the analysis, a large number of informant terms (i.e. interviewees' words) were generated by reviewing the transcripts from the recorded interviews. These informant terms were then reduced to a more manageable number of 1st order concepts.
2. **2nd order themes**: In the second phase, it is suggested that the researchers take the role of knowledgeable agents who tries to transform the 1st order terms into more abstract 2nd order themes, and a larger narrative. In particular, the term "knowledgeable agents" refers to the researchers being able to see patterns and relations in the data that might otherwise go undetected by the informants. Essential questions to be answered in this phase include: "is there a deeper structure to the answers? What is going on?"
3. **Aggregate dimensions**: In the third and final phase, the 2nd order themes are further condensed into aggregate dimensions and presented as a data structure. In addition to constituting a graphical representation of the analysis, the data structure also aids in tracking the researcher's path from raw data to aggregate dimensions.

Once coded and grouped, the aggregate dimensions were used by the researchers to create longlists of important factors for starting an OAP.

As a penultimate step of the data analysis, the longlists of important factors were examined through a theoretical lens, as illustrated in Figure 2.2 below. The theoretical lens should be viewed as an optical lens through which the important factors pass through and get filtered and refracted. As a final step, the researchers acted as knowledgeable agents once more to further focus the lists of important factors to only include the CSFs and a recommendation of user groups to target for increased adoption.

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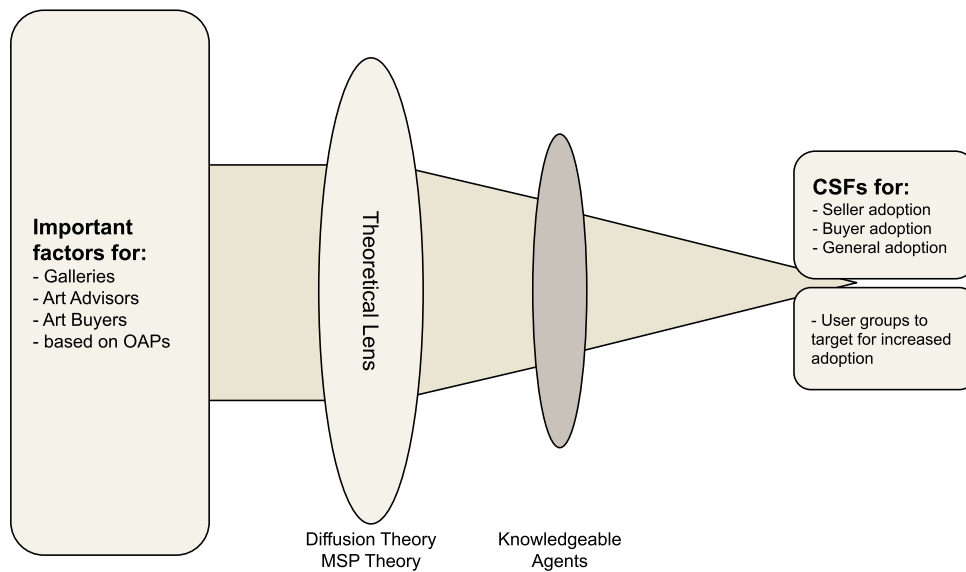
Figure 2.2. Important factors are filtered to derive CSFs and recommended target groups for increased adoption.

2.4 Research Ethics

Four key principles of research ethics should guide researchers in their research (Denscombe, 2010, p.331). Researchers are expected to:

- Protect the interests of the participants;
- Ensure that participation is voluntary and based on informed consent;
- Avoid deception and operate with scientific integrity, and;
- Comply with the laws of the land.

With these key principles as a starting point, ethical aspects of the thesis were considered, and two risks were identified. For one, confidential and sensitive information from the interviewees could be used inappropriately by the researchers. For two, personal preferences and an imbalanced interpretation of findings could lead to a biased result. To mitigate the former risk, the anonymity of individuals and organizations partaking in this research was guaranteed, unless participants had given their explicit consent for the researchers to identify them by name (or by other attributes). Consent was approved in writing and verbally by each interviewee before each interview. The latter risk was in part mitigated by the researchers becoming aware of

the risk and by understanding that bias in research constitutes a systematic error that can flaw the research.

2.5 Credibility of Research

Denscombe (2010, p.297-298) acknowledges the importance of providing evidence of the credibility of the research as an essential part of the whole research process. Other researchers and people reading the research should be shown that the findings are based on good practices. There are a few key factors to consider when assessing the credibility of research: validity, reliability, transferability, and objectivity.

Validity concerns the accuracy and precision of the research. It boils down to answering the question: "are we extracting the relevant data to answer the research question?". Triangulation, using contrasting data sources, or respondent validation might be used to assert the validity. Additionally, qualitative data research is usually grounded in fieldwork, which adds to the validity of the conclusions (Denscombe, 2010, p.299).

Conducting interviews and other qualitative research methods results in deep researcher involvement in the collection of data. This makes the questions of *reliability* and reproducibility relevant. The neutrality of the research method is important. A good way to deal with reliability is to thoroughly document the method, analysis, and decisions made to be able to see how the researchers devised their conclusions (Denscombe, 2010, p.299-300).

Transferability regards the potential generalizability of the findings. Could the conclusions drawn be transferred to other similar cases? To address this, the researchers should provide sufficient information about the studied cases for others to be able to make comparisons (Denscombe, 2010, p.300-301).

The issue of *objectivity* refers to keeping the research unbiased and free from the influence of the researchers. However, given that the collected data is produced and interpreted by the researcher, it is inevitable that the data is colored by the researcher, at least in part. To tackle this, one alternative is to be completely open about the researcher's identity, values, beliefs, and background as well as demonstrating how they have approached the research with an open mind (Denscombe, 2010, p.301-302).

To increase the credibility of the research, several measures were taken. The reliability and transferability were established by thoroughly documenting the research process, the analysis, and by disclosing relevant information

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about the interviewees. To ensure objectivity, the researchers always sought to approach the results with an open mind. Some parts of the analysis were done separately by both authors before creating a unified reasoning to be able to avoid subjectivity. Furthermore, to address validity, an external art market expert was continuously consulted to verify the results.

3 Theoretical Framework

This chapter presents the theories through which the results will be examined. Firstly, critical success factor theory is explained. Secondly, several theories concerning the diffusion of innovations are presented. Lastly, theories regarding multi-sided platforms are introduced.

3.1 Critical Success Factors

Critical Success Factors, CSFs, is an approach that is based on the concept of Success Factors, which was first introduced in 1961 by D. Ronald Daniel, former managing director at McKinsey & Company. Rockart (1979, p.85) builds on Daniel's concept and defines CSFs as the "limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization". If results within these areas are inadequate, the organization's efforts will be unsatisfactory. Simply put, CSFs indicate key areas where "things must go right" for the individual, department, or organization to thrive (Bullen & Rockart, 1981, p.7; Rockart, 1979, p.85).

Given that the results for CSFs are closely linked to a company's overall success, these areas should be closely monitored by management, and performance in these areas should be measured and resources allocated accordingly (Rockart, 1979, p.85).

CSFs are likely to stem from five major sources (Bullen & Rockart, 1981, pp.14-16):

1. **The industry** – each industry has a set of CSFs specific to that industry. For the supermarket industry, the suggested CSFs are product mix, inventory, sales promotion and price (Rockart, 1979, p.86);
2. **Competitive strategy and industry position** – a firm's competitive strategy and its position relative to competitors will affect some of the CSFs;
3. **Environmental factors** – factors outside of the company, such as economic fluctuations and national politics, are also likely to give rise to CSFs;

4. **Temporal factors** – unordinary events with big impacts, can – for a limited period of time – generate new CSFs, and;
5. **Managerial position** – each managerial position has a set of CSFs associated with it, such as product quality and inventory control for a manufacturing manager.

CSFs are a fundamental concept in this thesis and will be used when answering the primary research question, *RQ 1*. In this thesis, the theory has been adapted to include a narrower scope and key features for an OAP.

3.2 Diffusion of Innovations

Diffusion of innovations is a theory that aims to describe how, why, and at what rate new ideas and technology spread across society. The theory was popularized by Everett Rogers in 1962 in a book by the same name. Rogers (2003, pp. 6,13) defines diffusion as "the process by which an innovation is communicated through certain channels over time among the members of a social system" and states that the rate of adoption of innovations is determined by those four elements: the innovation itself, communication channels, time and a social system.

The diffusion of innovations is a theory that is essential in explaining how new ideas or technologies spread through society.

3.2.1

Rate of adoption

Rogers (2003, p.255) describes an innovation's rate of adoption as the "relative speed with which an innovation is adopted by members of a society" and continues by stating that it is typically measured as the number of people who adopt an innovation in a given time frame. Rogers' research indicates that the rate of adoption can be explained by customers' perceptions of five attributes of an innovation, namely: (1) relative advantage – the perception of the level of improvement that the new idea brings compared to the idea that it supersedes (Rogers, 2003, p. 265); (2) compatibility – the degree to which an innovation is perceived as being compatible with existing ideas, needs, values and past experiences (Rogers, 2003, pp. 277-278); (3) complexity – the perception of how difficult an innovation is to understand and use (Rogers, 2003, p.297); (4) trialability – the degree to which an innovation can be tried out before purchase (Rogers, 2003, p. 298), and; (5) observability – how easily the results of an innovation are visible to others

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(Rogers, 2003, p.299). It should be noted that the three first attributes emphasize the customers' perceptions of the innovation, as opposed to an objective view based on expert opinions.

The factors influencing the rate of adoption for innovations are useful to understand when discussing *RQ 1,* CSFs for starting an OAP.

Adoption categories

3.2.2 Individuals who adopt a new idea can be grouped into adopter categories based on their innovativeness, which Rogers (2003, p. 25) defines as the "degree to which an individual or other unit of adoption is relatively earlier in adopting new ideas than the other members of a system". The five adopter categories are described below:

1. **Innovators** are the first individuals in a system to adopt a new idea. They are willing to accept higher levels of uncertainty than any other adopter category and cannot depend on the subjective evaluation of the innovation by other individuals in the same social system. Moreover, they share a desire to be the first to adopt new ideas (Rogers, 2003, p. 26).
2. **Early adopters** come second and are the most influential adopter category. They demonstrate strong opinion leadership and potential adopters look to them for inspiration and information about an innovation. In other words, early adopters play a crucial role in triggering the critical mass to adopt the innovation (Rogers, 2003, p. 328). Geoffrey Moore (2008) builds on Rogers' theories and argues that there is a chasm between early adopters and early majority that needs to be crossed for new and disruptive innovations to not die out and fall into oblivion.
3. **Early majority** make up one-third of the social system's population and adopt ideas just before the average member of the system does. They seldom lead in the adoption of innovations, but they follow deliberately. In essence, they form a link between early and late adopters and help get the late majority and laggards on board (Rogers, 2003, p.329).
4. **Late majority** is equal in size to the early majority and their reasons for adoption include economic necessities and peer pressure. Pressure from peers is needed to encourage adoption and this category is characterized by skepticism and caution towards the unknown. Additionally, norms in the social system must speak in favor of adoption (Rogers, 2003, pp.329-330).
5. **Laggards** are the last group of individuals to adopt an innovation. As such, they exercise no opinion leadership and their point of reference is the past. They share a suspicion towards innovations and replacement products may very well be out on the market before they adopt the innovation at hand (Rogers, 2003, p.330).

In addition to the descriptions above, early adopters tend to have higher aspirations for education, status, and occupations than their late counterparts (Rogers, 2003, p.336). Moreover, it should be noted that although there are five distinct adopter categories, individuals exist in a continuum, and the descriptions above are based on generalizations for each category.

Figure 3.1 below illustrates how the diffusion of innovations happens among adopter categories. The blue curve plots the adoption frequency of an innovation, which takes the form of a normal distribution curve. The yellow, S-shaped curve plots the cumulative frequency basis over time (i.e. the market share).
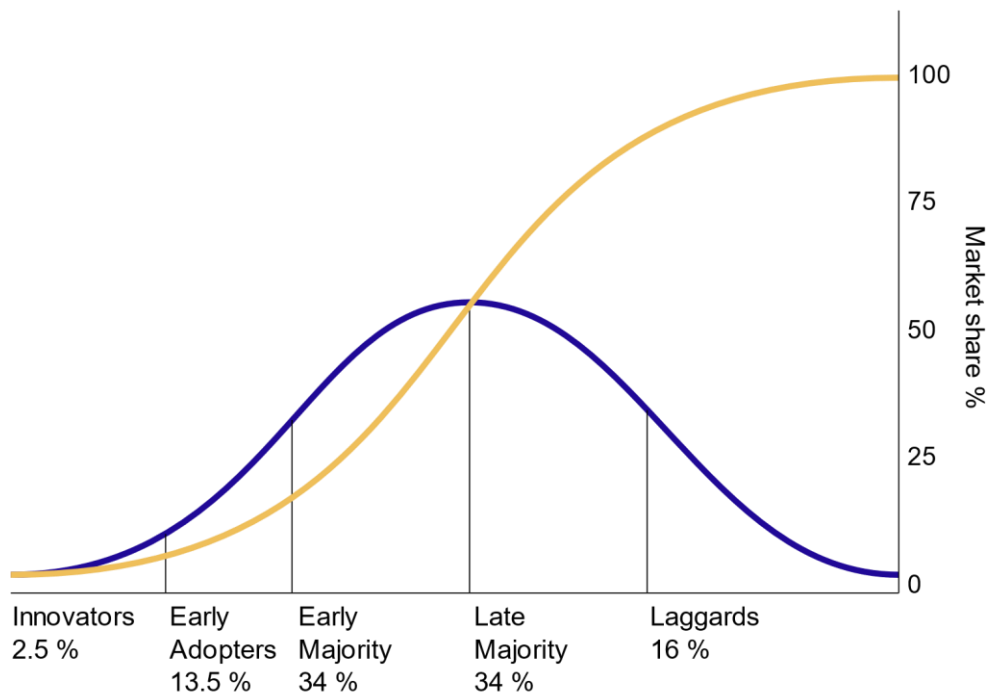
Figure 3.1 Diffusion of innovations among adopter categories (blue) and the innovation's market share (yellow) (Rogers, 2012)

The understanding of how and why different adopter categories adopt innovations is used when determining which user groups to target to increase the adoption rate of an OAP, *RQ 1.3*.

3.2.3

Crossing the chasm

Moore (2001, p.32) builds on Rogers' theories and argues that there is a chasm between early adopters (visionaries) and the early majority

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(pragmatists) that needs to be crossed for disruptive or discontinuous innovations to reach the mainstream market, as illustrated in Figure 3.2 below.
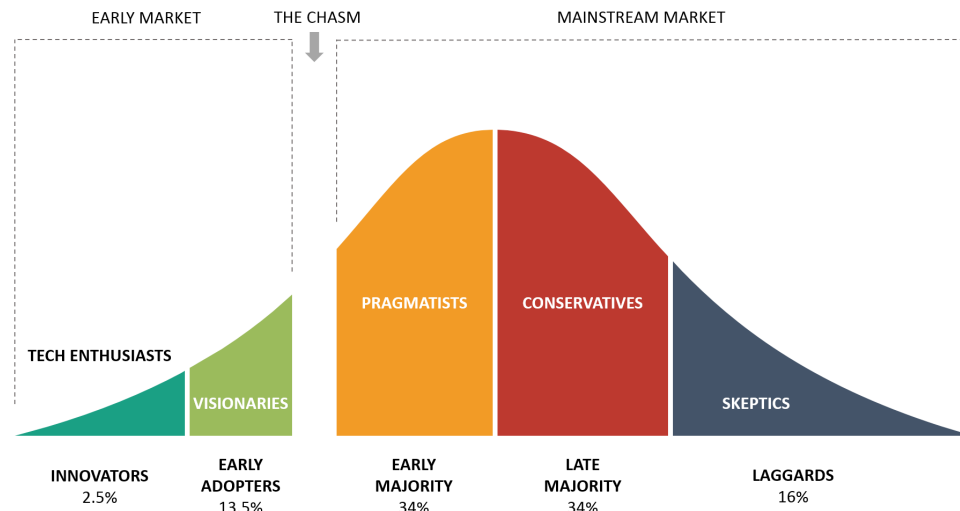
Figure 3.2 The chasm that separates the early from the mainstream market. (Business-to-you, 2020)

The Chasm, Moore (2001, pp. 32-34) argues, exists because visionaries and pragmatists adopt innovations for vastly different reasons. On the one hand, early adopters (visionaries) adopt ideas because they expect to gain a competitive advantage and they want to see "a dramatic departure from the status quo" (Moore, 2009, p.13). As such, they are prepared to deal with bugs and incompatibilities with existing systems. The early majority (pragmatists), on the other hand, adopt innovations because they want to see a gradual improvement to their existing operations and they definitely do not want to troubleshoot any glitches. They want an evolution, not an overthrowing revolution. Moreover, pragmatists are cautious, manage their expectations, and spend to budget. Visionaries, in contrast, are adventurous, think big and spend big. For all these reasons, visionaries are poor references for pragmatists. At the same time, pragmatists rely on references to convince them to buy. This creates a paradoxical situation, a catch-22 if you will, whereby the only suitable reference for a pragmatist is that of another pragmatist, but no pragmatists will buy unless other pragmatists have bought it first.

The chasm can be hard to discover, according to Moore (2009, p.9), but it appears when neither visionaries nor pragmatists see any compelling reasons to adopt an innovation. At this stage, visionaries do not believe that adoption

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will yield them that much of a head start anymore and that it is too easy for others to follow. For pragmatists, the lack of reliable references means that they are not convinced to buy.

To cross the chasm, it is suggested that product vendors should focus on a " single beachhead" and accelerate the creation of that target segment's whole product[1]. Rather than trying to satisfy each customer's wish-list, product vendors should commit to one wish-list and solve it to 100 percent. The rationale behind this reasoning is that pragmatists will not buy 80 percent solutions. (Moore, 2009, pp. 9-11)

Preferably, when selecting a wish-list to complete, a target segment that is ready to move should be selected. One example of such a segment is "pragmatists in pain", Moore (2009, p. 17) argues.

This is important to understand when answering which user groups to target to increase the adoption of the platform in *RQ 1.3*.

3.3 Multi-sided Platforms

Today, some of the biggest companies in the world are multi-sided platforms (MSPs). Facebook, Netflix, Uber, and Airbnb are a few of them, but nondigital business models, such as physical newspapers, are also examples of MSPs. They create value and can disrupt traditional businesses by connecting different participant or customer groups. Figure 3.3 illustrates the difference between an MSP and traditional sales channels. There are several differing definitions of an MSP, but according to Hagiu & Wright (2015), there are two key features that an MSP should have:

1. It enables direct interactions between two or more distinct sides;
2. Each side is affiliated with the platform.

Direct interaction means that the sides maintain control over the interactions themselves, without the intermediary steering too much. Being affiliated with the platform requires each side to make platform-specific investments, e.g.

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[1] Whole product is defined as the minimum set of products and services needed to create a compelling reason to buy (Moore, 2009, p. 11)

paying a fee to use the platform (e.g. Netflix) or having to spend time and money learning how to develop apps (e.g. Apple's App Store) (Hagiu & Wright, 2015).
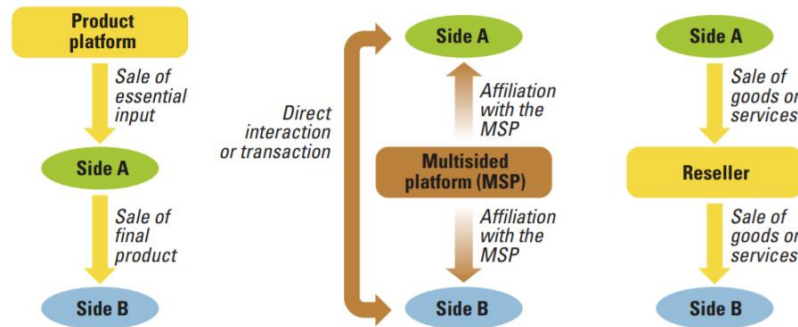
Figure 3.3 Comparison of a multi-sided platform and traditional sales channels. (Hagiu, 2014)

MSPs usually show cross-group effects, which is when one group of participants' benefits depend on the size of another group. For MSPs, this poses a defined critical challenge since it causes a chicken-and-egg problem. No group wants to join before the other has boarded (Hagiu, 2014).

Hagiu (2014) also recognizes that successful MSPs are very difficult to build. They are not the norm, rather the exception. The three major obstacles that hinder the success of new MSPs are the chicken-and-egg problem, resistance to join from potential key constituents, and the complexity of running the platform. Further, Hagiu presents four essential strategic decisions to consider when investing in or building an MSP:

- The number and identity of sides to involve;
- Design;
- Pricing structures;
- Governance rules.

3.3.1 The number and identity of the sides

The first question to ask oneself before starting to build an MSP is "how many sides do we want to bring to the platform?" And "which should these sides be?" There are usually both advantages and disadvantages of taking on fewer or more sides. For example, when Microsoft decided to join the game console market with their Xbox, they tried to use the same three-sided strategy they had used for the Windows OS by offering hardware manufacturers a license to produce their console. However, hardware manufacturers declined the offer because game consoles are sold with

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negative margins and the money is made on games developed for the console. Microsoft then had to reconcile with the two-sided model that dominated the industry (Hagiu, 2014).

When choosing which sides and how many of them to include, there are evident trade-offs to consider. More sides may create stronger cross-side network effects and more diversified sources of revenue. However, the complexity of the platform increases with the number of sides as well as the risk for conflicts of interest. It may be attractive to allow more sides eventually, but some MSPs find it easier to solve the chicken-and-egg problem by starting with fewer sides. In the future, other sides might be integrated into the platform (Hagiu, 2014).

3.3.2 Design

When deciding upon the design of an MSP, several considerations regarding features must be made. The ultimate question is "which features do we include in the platform?". The easy answer to this can be found by conducting a cost-benefit analysis. If the total benefits of a feature outweigh the cost of developing it, then it should be implemented. However, this might be easier said than done. Some features might result in great benefit for one side of users while another side is affected negatively. Take increased advertisement on a platform as an example. The advertisement side will enjoy more visibility, while the other users of the platform might feel intruded upon and leave for other alternative platforms. These trade-offs need to be carefully managed and thought through before moving forward with changes. The MSP will need to focus on the benefit of the sides which contribute most to the platform's long-term success. This might involve short-term sacrifices of revenue to avoid stupid mistakes (Hagiu, 2014).

3.3.3 Pricing structure

The pricing structure of the MSP is a well-discussed area. The platforms serve multiple sides and usually have multiple streams of revenue and prices. Most MSPs offer their services for free to one side of the platform to gain users, which can generate revenue from the other sides of the MSP. The main question is: "how should the MSP charge the different sides, relative to each other?" (Hagiu, 2014).

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According to Hagiu (2014), there are three general principles to follow when deciding on the pricing structure: (1) For each side, charge a higher price if the side is not as price sensitive. The price sensitivity may be estimated by evaluating substitute services; (2) If no priced transaction between groups exists, charge more to the one who benefits more. Business conferences where attendees, but not speakers, get charged is one example, and; (3) If a priced transaction exists, charge more to the side that extracts more value. This is done to not disproportionately penalize sides that do not gain as much value from a service. Such penalties might otherwise make them drop out.

Governance rules

3.3.4 Lastly, the governance rules of the platform are strategically important to consider (Hagiu, 2014). The value of an MSP is created when third-party actors gain access and interact on the platform. However, the saying "the more the merrier" about the number of members does not apply directly to all MSPs. The quality, not only the quantity, of members on each side can have a major impact on cross-side effects. The MSP executives must therefore answer the questions "who is allowed to join?" and "what are the various sides allowed to do?". The tightness of the governance rules varies from business to business. For example, the Apple iOS has much stricter restrictions and demands on third-party developers than Android has. The trade-off that needs to be considered is the benefits of tighter governance rules versus costs associated with developing and enforcing the rules.

Most of the time, some governance is necessary to mitigate potential MSP market failures. Hagiu (2014) presents three different causes for these market failures, which MSP executives should try to avoid by implementing governance rules. The first one regards lack of information and transparency around the quality of the products or services offered on the platform. This might lead to low-quality suppliers pushing out high-quality ones, potentially breaking the market. The second source of potential market failure is the risk of too high competition in one of the participant groups. An overload in competition can lead to actors on one side not being able to derive enough profit from their participation which, in turn, can reduce their incentives to develop high-quality services or products. Lastly, governance rules can ensure that participants commit to investments that produce positive spillover effects to the MSP or other sides of the platform. If no impactful governance rules are in place, the constituents will perhaps avoid these investments and some cross-side effects will be neglected.

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Critical mass and launching strategies

3.3.5 All new MSPs face the problem of attracting enough users from each side to make the platform profitable to use for the other sides. This so-called chicken-and-egg dilemma is perhaps the biggest obstacle faced by new platforms. When the critical mass is reached, indirect network effects appear and growth is driven (Evans & Schmalensee, 2017).

In the article *Platform Launch Strategies,* by Stummer, Kundisch, & Decker (2017), six different strategies to address the chicken-and-egg problem are presented. They can either be applied independently or in combination.

The single target group strategy revolves around starting in a specific area or industry to reduce the critical mass needed for the MSP to succeed in that specific area. As an example, Uber launched in San Francisco and expanded to other regions only after succeeding there. The strategy can be focused on marquee users (i.e. users who provide significant value to other sides of the platform), or loyal users who are less probable to switch platforms and are associated with lower price elasticity. (Stummer, Kundisch, & Decker, 2017)

The second strategy is called platform staging. It suggests the platform should be unfolded in two stages. First, a vendor-based business model should be applied and only after reaching a critical mass in users, the platform model can be switched to. A variation of this model is starting as a one-sided platform, similar to how the OpenTable restaurant reservation service started. They began as a booking management system sold to restaurants only and after a critical mass of restaurants had joined, they launched their customer side. (Stummer, Kundisch, & Decker, 2017)

Subsidizing one or several sides is a third strategy. This includes letting the chosen sides use the platform at a reduced price or completely for free to grow the user base. The MSP may then start to charge fees for members of that particular user group or simply resolve to claim fees from the other sides. (Stummer, Kundisch, & Decker, 2017)

MSPs may also choose to apply the platform envelopment strategy, which involves partnering with other existing and large platforms with the view to grow with them. This strategy is well used when there are overlapping user bases, which might boost both platforms. (Stummer, Kundisch, & Decker, 2017)

The fifth strategy targets exclusivity agreements as a means to lock in one side to attract the others. In the early stages of an MSP, agreements with

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marquee users and exclusive rights to content may provide accelerated growth. (Stummer, Kundisch, & Decker, 2017)

Side switching is the last strategy presented by Stummer, Kundisch, and Decker (2017). The approach is to transform a two-sided platform to a single-sided one, by letting users fill both sides simultaneously. Airbnb, for example, first targeted private users who could both offer their housing to others as well as use the platform to find lodging abroad.

These theories regarding MSPs will be used to understand how to design the OAP to increase the likelihood of initial success when answering *RQ 1*.

4 The Global Art Market

In this chapter, an overview of the global art market is presented, initially with a focus on the art market numbers. Moreover, the primary stakeholders and the online art market is examined. Finally, drivers and challenges for art buyers are described and the value creation of art is reviewed.

4.1 The Art Market in Numbers

In 2018, sales in the global art market amounted to $67.4 billion, corresponding to an increase of six percent year-on-year. According to McAndrew (2019, pp.16, 36), the distribution of sales in the global art market is dominated by three countries – the US, the UK and China – who account for 84 percent of total sales in 2018, with a market share of 44 percent, 21 percent, and 19 percent respectively. In a distant fourth place, France can be found with a six percent market share, see Figure 4.1 below.
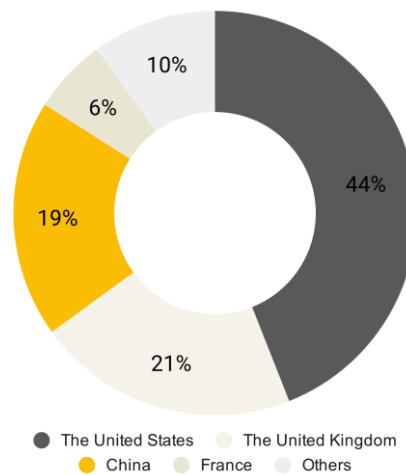
Figure 4.1 Share of the global art market by value in 2018.

Art is primarily sold through four different sales channels, namely: dealers, auctions, art fairs, and online. In 2018, dealers accounted for 41 percent of global art sales, followed by auctions at 33 percent, art fairs at 19 percent, and online at 9 percent, see Figure 4.2 below. In terms of growth, online sales showed the largest growth rate at 11 percent year-on-year. (McAndrew, 2019, p.21)
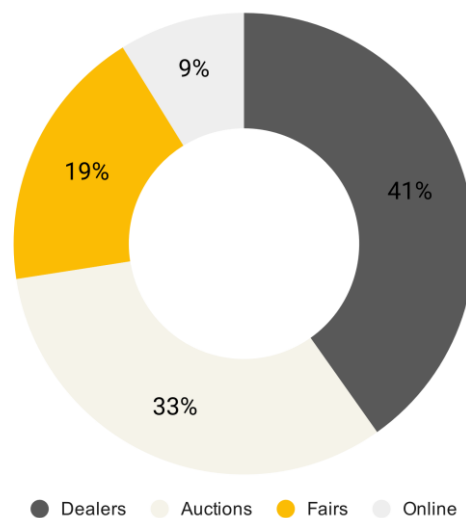
Figure 4.2 Major sales channels' share of the global art market by value in 2018.

4.2 Stakeholders in the Art Market

4.2.1

Artists

Artists are the creators – or manufacturers if you will – of artistic goods and supply the art market with artworks for sale. Most commonly, the artworks are sold through art dealers, art auctions, art fairs, and through online channels (Cellini & Cuccia, 2013). Examples of artists include painters who paint paintings and sculptors who sculpt sculptures.

4.2.2

Art dealers and galleries

An art dealer is a person or a company that buys and sells artworks. The role of an art dealer is typically to represent a selected number of artists and to build relationships with collectors (i.e. potential customers) who are likely to

be interested in said artists' work. In 2018, dealer sales reached an estimated $35.9 billion globally, which is higher than any other sales channel (McAndrew, 2019, p.50; Art Dealers Association of America, 2007). The art dealers' sales were in turn distributed as follows: 48 percent was sold in the gallery, 46 percent through international and local fairs, and the remaining 6 percent was sold online, either via their websites or a third-party platform (McAndrew, 2019, p.225).

In the past, many art dealers' business models were based on the principle of "buying cheap and selling dear". Today, however – partly as a result of stiffening competition between art dealers and auction houses – many art dealers base their competitive advantage on value-adding service and expertise. (McAndrew, 2019, p.67).

Art dealers are often described as being buyers and sellers of art. That description, however, is not completely accurate. In fact, when surveyed, art dealers reported that only 36 percent of their sales in 2018 stemmed from works of art that they owned (i.e. works that they had bought). The equivalent number for works sold on consignment[2] was 56 percent, suggesting that it is the preferred type of agreement for art dealers. When working on consignment, art dealers typically keep 40, 50, or even 60 percent of the price of the artwork. The remainder is forwarded to the artist. (Bryce, 2008, p.81; McAndrew, 2019, p.68)

Most art dealers specialize in a specific style, period, or region, meaning that they primarily sell artworks that meet a specific set of criteria. An example would be an art dealer specializing in American contemporary art. To find good buys, art dealers frequent art fairs, auctions, and selected artists' studios. According to Bryce (2008), prominent dealers may be able to predict future market trends and influence the "taste of the market", suggesting that they can shift the demand for artworks in a favorable direction.

In addition to specializing in a specific field of art, a clear distinction should be made between primary-market dealers and secondary-market dealers. The former represents the work of living artists and sell artworks that previously have not been sold on the market. As such, they act as an intermediary

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[2] When goods (i.e. artworks) are sold on consignment, the recipient of the goods (i.e. the art dealer), only pays for them once sold (Cambridge Dictionary, 2020).

between artists and collectors. The latter, on the other hand, resells artworks on behalf of collectors and act as an intermediary between collectors. (Art Dealers Association of America, 2007)

An additional distinction can be made between public and private art dealers. While both types of art dealers sell and commercialize art, public art dealers organize exhibitions that are open to the public, which private art dealers do not. Instead, they typically cater to a selected group of clients and work by appointments only. Because of their role as exhibitors of artworks, public art dealers are often referred to as galleries. (PicassoMio, n.d.; Art Dealers Association of America, 2007)

Art auctions

4.2.3 Auctions have been around since antiquity and artworks have since then been sold to the highest bidder at the fall of the auctioneer's hammer (Krishna, 2003).

In 2018, it was reported that sales from public auctions of art and antiques reached $29.1 billion, excluding sales from private auctions. A majority of the sales value, 61 percent, stemmed from lots selling at prices above $1 million, but these artworks only corresponded to one percent of total lots sold. (McAndrew, 2019, p.144)

Looking at the auction houses, it is evident that the value is concentrated to a handful of auction houses with Christie's and Sotheby's having a combined market share of more than 40 percent. In addition to these giants, McAndrew (2019, p.144) states that there are hundreds of mid- to large-sized auction houses of significant size who have a dominating position in their domestic markets.

4.2.4

Art fairs

An art fair, or art exhibition, is a space in which artworks meet an audience for a limited time. In 2018, there was close to 300 established international art fairs, up from 55 in year 2000. In 2018, sales from art fairs were estimated to have surpassed $16.5 billion. (McAndrew, 2019, p.224)

On average, art dealers attended four art fairs in 2018, collectively spending $4.8 billion to exhibit their art at these fairs. In the Art Market 2019 report, it is stated that a common complaint amongst art dealers concerns the rising

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costs associated with art fairs; both in terms of booth prices, but also in terms of the alternative costs associated with not being present at your gallery. In 2018, the average price per square meter for a booth was $910 in North America, which was significantly higher than in Europe, Africa and the Middle East, and Asia, which all had an average price of $465–$500 per square meter. (McAndrew, 2019, p. 228)

As previously mentioned, the number of international art fairs have increased four-fold since 2000, but many now believe that the "growth in the number of events has peaked and that the next few years will see a continued consolidation of fairs into a smaller number of major events", says McAndrew (2019, p.224).

Looking at the art fairs with the highest visitor numbers, found in Table 4.1 below, it can be seen that Art Basel is the leading player in the art fair sphere. Founded in the 1970s, Art Basel's three fairs attract some 260,000 visitors and 800 exhibitors every year. (McAndrew, 2020, p.207)

Table 4.1 Visitor and exhibitor numbers of major art fairs.

Art Fair	Visitor numbers (2020)	Exhibitor numbers
ARCO Madrid	103,000	203
Art Basel	93,000	290
Art Basel Hong Kong	88,000	242
Art Basel Miami Beach	81,000	269
Paris Photo	70,598	213
TEFAF Maastricht	70,400	279
Frieze London	70,000	160

In March 2020, Art Basel Hong Kong was forced to cancel due to the COVID-19 pandemic (McAndrew, 2020, p.188). Instead, they offered online viewing rooms for all exhibitors who were supposed to attend the fair. This digital initiative was live March 20–25 and allowed buyers to search, browse, and inquire about all the exhibitors' artworks (Art Basel, 2020).

Furthermore, Art Basel was postponed until 17 September, Frieze New York cancelled its May fair, and many other art fairs cancelled or postponed as well (Brady, 2020).

Art advisors

4.2.5 Art advisors are art experts who use their expertise of the art world and art itself to help clients in the process of acquiring art. It is a profession that requires connoisseurship and, ideally, an art advisor should have held positions at an art gallery (or at another art institution) or have formal education in art history and the art market. (Sotheby's Institute of Art, 2020)

In addition to aiding in the process of buying art, art advisors can provide educational services and provide access to artists and galleries that otherwise would not have been accessible to most collectors (Sussman, 2019).

For their services, art advisors typically charge their clients 5–10 percent of the sale price of an artwork or a fixed fee (Neuendorf, 2016).

The art advisor profession is not regulated by any governing bodies, but trade organizations provide rules for their members. An example of such an organization is the Association of Professional Art Advisors (APAA), which disallows their members to maintain inventory, to act as private dealers, and to receive financial compensation that risks creating a conflict of interest between them and their clients (APAA, n.d).

4.2.6 ### Collectors and buyers

Those who purchase art are often categorized as either art buyers or as art collectors. The former typically buys art to fill a space on a wall or to decorate their home. Common selection criteria for art buyers include personal taste, price, color, and size. The latter, on the other hand, are much more selective in which works they purchase and have a particular set of selection criteria in mind. For instance, a collector might collect art from a certain artist, a specific genre of art or period. Similar to collectors of other objects, art collectors are often very knowledgeable about their subject and might very well view themselves as connoisseurs (Gaugy, 2014).

Inna Didenko (2018) of Art Acacia distinguishes the two by stating that "assembling an array or random art pieces does not automatically constitute an art collection".

Art collectors can be found in a large variety of wealth segments, but the behaviors of high-net-worth (HNW) collectors – defined as individuals with a personal wealth above $1 million, excluding real estate assets – are often seen as particularly important in influencing the current art market (McAndrew, 2020, p.12). To illustrate this, as mentioned earlier, lots sold at

auctions above $1 million constitute 61 percent of total sales value, but only one percent of the sales volume (McAndrew, 2019, p.144).

In a survey with more than 1,300 HNW collectors[3] from the US, the UK, France, Germany, Singapore, Taiwan, and Hong Kong, the following were observed (McAndrew, 2020, pp. 319, 322, 330, 344, 346):

- the average HNW collector has a collection of 76 works and the median collection consists of 27 works;
- 49 percent of HNW collectors were millennials (aged 23–38 years), 33 percent belonged to generation X (aged 39–54 years) and 12 percent were baby boomers (aged 55– 73 years);
- the most preferred purchasing channel for all collector groups were dealers and galleries, followed by auction houses;
- 75 percent of collectors had purchased artworks from one to ten galleries in the past two years;
- 75 percent of collectors had bought through an art adviser before and half the sample did so frequently or always;
- Millennial collectors were the most active and the most frequent purchasers of art priced above $1 million. Notably, they were also the most active buyers of antiques – a segment traditionally catered towards older buyers.

4.3 The Online Art Market

4.3.1

The online art market in numbers

Global online sales in the art market amounted to an estimated $6 billion in 2018, up 11 percent year-on-year (McAndrew, 2019, p.260). In this context, online sales are calculated as the aggregated online sales made by traditional art dealers and auction houses, as well as online-only art dealers and auction houses. Sales through third-party platforms (OAPs) are also included in these numbers. In relation to total sales, aggregated online sales accounted for nine percent of the total, which is three percentage points lower than e-commerce's share of total retail sales across all industries worldwide. What

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[3] Of which 33 percent had a personal wealth in excess of $10 million and 17 percent in excess of $50 million

is more, in 2018, e-commerce across all industries grew by 22.9 percent worldwide, which is more than twice the rate of online sales growth in the art market (eMarketer, 2020; McAndrew, 2019, p.260). Online sales in the global art market is thus lagging behind other industries both in terms of the relative share of total sales and in terms of growth rate, as can be seen in Figure 4.3 below.
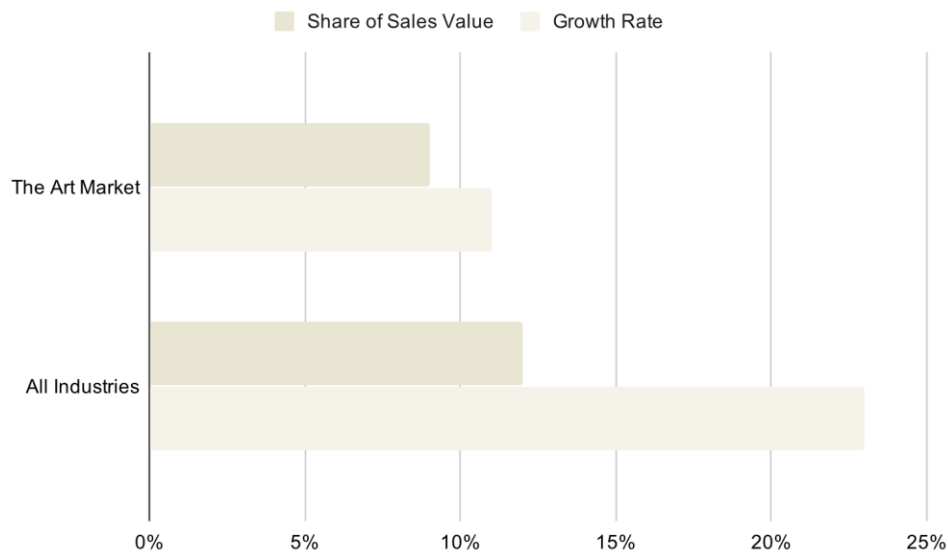
Figure 4.3 Online Sales in 2018 in the art market and across all industries.

Looking at the price tags of artworks sold online, a majority of the pieces are sold for $5,000 or below, and less than ten percent above $250,000. It is thus apparent that online sales are dominated by artworks in the low-to-middle price segments. At the same time, there are indications of collectors being increasingly willing to purchase art online in the higher price segments. In particular, this holds for artworks that are sold by established sellers in specific sectors (McAndrew, 2019, p. 264). In a survey conducted by Artsy with 3,638 art collectors, it was seen that a majority of online art buyers spend less than $5,000 on one to two pieces of art per year (Forbes, 2019). However, contrary to popular belief, the budgets of these online collectors were equal or slightly higher than those of the average art collector.

In terms of online purchases, art buyers are displaying a heterogenous online behavior, where younger collectors are more frequent online shoppers than their older counterparts. In fact, in 2018, 94 percent of millennial HNW collectors stated that they had purchased art online. Amongst HNW baby boomers, a majority had never purchased art online. (McAndrew, 2019, p. 267)

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4.3.2 Drivers for online buying

In Artsy's Online Art Collector Report 2019, based on surveys with short of 4,000 art collectors, five key drivers for increased online buying were identified. In descending order of importance, the five drivers were (Forbes, 2019, p.39):

1. Access to artworks otherwise inaccessible to them;
2. Increased convenience;
3. Access to more information;
4. More competitive pricing, and;
5. A less intimidating shopping experience.

It goes without saying that online buying is driven by artworks being more easily accessible to collectors online. Responses in the Online Art Collector Report 2019 indicate that collectors value the ability to browse and purchase works from international art fairs and blue-chip galleries, without having to attend or visit them. Not necessarily because they do not like to attend the fairs or visit the galleries, but because it is not always a feasible option. Notably, this was cited as a more important driver for buyers with larger budgets. (Forbes, 2019, p.38)

The second most important driver was increased convenience, which stemmed from browsing and searching for art made easier and purchasing made quicker. More experienced buyers with larger wallets, highlighted speed and less friction as drivers for transacting online, while less experienced buyers emphasized increased discoverability and flexibility. At the same time, slow response rates from sellers were seen as conversion killers. (Forbes, 2019, pp.39-40)

The third and fourth most important drivers, access to more information and more competitive pricing, are closely linked to one another as they both concern the ability to research information about the artwork and its price point. Generally speaking, collectors highlighted being able to research at their own pace as appealing. Moreover, more experienced buyers cited competitive prices to be important to a higher degree. (Forbes, 2019, p.40)

Last but not least, one-third of online buyers stated that their decision to transact online was influenced by the traditional art world being perceived as intimidating. Hardly surprising, these buyers were newer to the art market and of younger age. (Forbes, 2019, p.40)

Drivers

Artsy's Online Art Collector Report 2019 surveyed approximately four thousand art collectors to understand their motivations and drivers for purchasing art as well as the challenges that face the art market.

4.3.3

The report shows that the following themes motivate art collectors to buy art, in descending order of importance (Forbes, 2019, p. 31):

1. Aesthetics and a desire to live with art;
2. A passion for artists and their stories;
3. Investment and portfolio diversification, and;
4. To give as a gift or to pass on to a client.

71 percent of respondents purchased art to decorate their homes, making it the most important driver for art purchases. Remarkably, this held for even the most investment-minded collectors. As a close second, 67 percent stated that they purchase art to be inspired in their daily life (Forbes, 2019, p.30).

The second most important factor was to support artists. Only one in six collectors reported that they buy art without giving a lot of thought to the artwork's matter, the story behind the individual artwork, and the artist's background and career. What is more, collectors were in general relatively more motivated by the story of the individual artwork than by the artist's story and background. (Forbes, 2019, p.31)

The third theme that motivates art collectors to purchase art concerns investment aspects. One-third of respondents stated that they purchase art as an investment, but only one fourth stated that they evaluate the likelihood of an individual piece to gain value when purchasing art. Interviews with these collectors, however, indicated that art is seen as a store of value and used as a means to diversify their portfolios, rather than for speculation. One collector said "I think of it as my savings account on my wall. It should hold its value." (Forbes, 2019, pp. 31, 36-37).

4.3.4

Challenges

Looking at the challenges that face the art market, the following four challenges were identified, in order of descending importance (Forbes, 2019, pp.42-46):

1. Making prices available;
2. Making it easier to resell artworks;
3. Making art more affordable, and;

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4. Helping collectors find non-mainstream artists.

The most frequently reported obstacle for buying art – in-person as well as online – was the lack of information about an artwork's price. Interestingly, it should be noted that collectors with the most experience and the highest average budgets were the most likely to mention pricing asymmetry as a roadblock to purchasing art. This implies that more transparent pricing can drive sales, especially in the higher price segments. Artsy's own sales data shows similar findings, where artworks with publicly available prices are two to six times as likely to sell than similar works where the price is only available on request. (Forbes, 2019, p. 43)

The lack of open pricing was not only seen as a conversion killer, but it also caused discomfort among some collectors who had to ask for the price. To avoid the potential embarrassment of not being able to afford the artwork, many opted to not ask for the price. (Forbes, 2019, p. 43)

Another challenge that art collectors experienced was the reselling of artworks. Collectors reported that improved reselling options would make them feel more confident in purchasing art. In particular, this would allow collectors to purchase art that's relatively more expensive, given their budget. (Forbes, 2019, p. 44)

A third challenge concerned making art more affordable. Both in terms of lower price tags, but also in terms of more flexible payment options, such as payments over several installments over the course of a few months or a year. (Forbes, 2019, pp. 44-45)

Lastly, collectors saw a challenge in finding artworks from lesser-known artists and to support regional hubs, rather than buying everything from blue-chip galleries and international art fairs. (Forbes, 2019, p. 46)

4.4 Value Creation in the Art Market

The global art market is, in its essence, a traditional market where artists, dealers, gallerists, and buyers connect locally. Relationships and personal contact between sellers and buyers are of great importance in this market. According to Khaire (2015), these personal exchanges are necessary to create the symbolic, rather than material value, which artworks' (and products of other creative industries) total value mainly consist of. The art market is dependent on an art world, with an institutional structure, which defines the meaning and value of art through its discourse. This construction of value is

created within each field of the market, where certain criteria, logic, and rules are relevant and an ecosystem of artists, dealers, critics, museums, and buyers are operating. The actors and criteria of the field tend to be both geographically, socially, and culturally localized, which emphasizes the local connections traditionally seen in the art market. (Khaire, 2015)

4.5 Summary of Market Analysis: The Global Art Market

In conclusion, the art market is a $67.4 billion industry that is dominated by three countries, the US, the UK and China, which together account for more than 80 percent of global sales. In terms of sales channels, art dealers are the most important, followed by art auctions, art fairs, and lastly, online sales.

Despite online sales experiencing the fastest growth of the above-mentioned sales channels, online sales in the art market are lagging behind other industries in terms of both market share and growth rate.

Looking at the stakeholders in the global art market, the primary stakeholders are artists, dealers and galleries, auctions, fairs, OAPs, advisors, and collectors and buyers.

What is more, the global art market is characterized by an uneven distribution of value. This skewness can be seen in a variety of ways: less than a handful of countries account for an overwhelming majority of sales; expensive artworks represent just a few percentages of total sales volume, but a vast majority of sales value, and; HNW collectors play a significant role in shaping the global art market, although few in numbers.

5 Existing Online Art Platforms

This chapter presents and compares three prominent OAPs. Firstly, a distinction between different kinds of OAPs is made. Secondly, the chosen platforms are presented. Lastly, the platforms are compared and analyzed.

5.1 Categorizing Online Art Platforms

In the paper on digitalization of the contemporary art market by Sidorova (2019), the current state of the online art market is analyzed and presented. New dependencies between art, technology, and commerce are emerging and the phenomenon of online platforms is being transformed from sheer marketing to an art market system of its own. As mentioned earlier, the online art market is the fastest-growing sales channel (McAndrew, 2019, p.21), perhaps because going online has two distinct advantages over staying off: (1) the instant and global reach of the internet, and; (2) providing access to all from the comfort of their homes. (Sidorova, 2019)

Sidorova (2019) categorizes the actors in the online business into two types:

Hybrids. Traditional galleries and auction houses that operate both online and offline. The online activity is primarily used for marketing and to increase sales. Brick-and-mortar auction houses are leading this segment in terms of value.

Pure online actors. Consists of online auctions, online galleries, and online marketplaces. Online auctions let potential buyers bid on art from wherever they are without the social barriers that traditional auctions can exert. Online galleries are galleries that exist online-only, to avoid the costs associated with renting and operating a physical space as well as to gain significant reach. Online marketplaces exist to let people buy art directly through the site and act as an entry point for new art buyers to come in contact with galleries.

The three OAPs that are presented and compared below, were primarily chosen because they were the most frequently mentioned OAPs by the interviewed gallerists and art advisors. Additionally, the selection of the most

established OAPs was aided by the number of monthly visitors for each website. What is more, seeing how most OAPs do not disclose their revenues nor earnings, which makes financial comparisons hard, visitor numbers were deemed particularly suitable.

To compare and analyze the selected OAPs, each platform was observed and explored by visiting each website, creating an account, and trying out their respective features.

5.2 Artsy

Artsy is an OAP (pure online marketplace by Sidorova's definition) for collecting and discovering art, which can be accessed at Artsy.net (see Figure 5.1). Founded in 2009 by Princeton graduate Carter Cleveland in his dorm room, Artsy has since grown to become the world's leading OAP, employing approximately 200 employees. To date, Artsy has raised $100.9 million in funding from a handful of reputable investors, such as Eric Schmidt, former CEO of Google for ten years; Jack Dorsey, co-founder and CEO of Twitter; Peter Thiel, co-founder of PayPal, and art collector Wendi Deng Murdoch (Crunchbase, 2020a). Advisors include John Elderfield, former chief curator at the Museum of Modern Art, and Larry Gagosian, owner of Gagosian galleries (Robehmed, 2013).
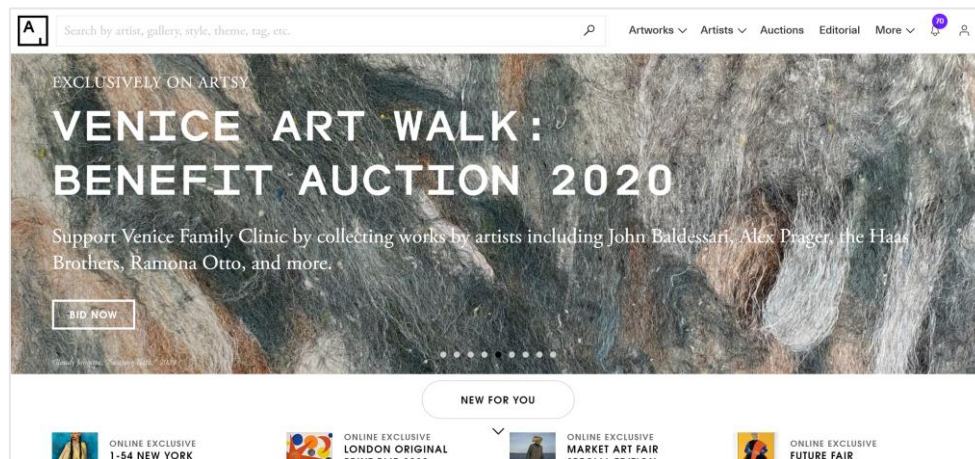
Figure 5.1 Artsy's home page (Artsy, 2020a). Authors' screenshot.

Artsy's mission is to "expand the art market to support more artists and art in the world" (Artsy, 2020b) and they are displaying artworks from 3,200 galleries, of which three-fourths are contemporary galleries, more than 700

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museums and institutions, and over 60 international art fairs (Artsy, 2020c; 2020d; 2020e).

For galleries located in the US and selected European countries, Artsy currently offers the possibility to sell artworks directly on the platform through a feature called Buy Now. Buyers wishing to negotiate the price before they purchase an artwork can use a feature called Make Offer, to make an offer. To make an offer, the buyer must provide Artsy with payment and shipping details. If the seller chooses to accept the offer, the artwork is automatically sold at that price. To provide this service, Artsy charges the seller a four percent processing fee and a commission fee that is based on the seller's subscription plan. The commission fee, however, is not publicly available. (Artsy, 2020f; 2020g)

Collectors seeking to resell parts of their collections may submit individual works of art on consignment to Artsy for sale through partnering auction houses and galleries. Artsy does not charge users for this service but the partners may charge a commission of their choosing. Although not stated, it is reasonable to believe that Artsy charges participating partners a commission for this service (Artsy, 2020h).

Another interesting feature on Artsy is the Art Genome Project, which is an advanced classification system that is used to display artworks that share similarities. When a user views a certain piece of art on Artsy, the user is also shown other works that share some of the same characteristics. The brains behind the Art Genome Project is a team of 20 art historians who have classified hundreds of thousands of artworks into more than one thousand categories (genes). However, unlike regular tags or categories, which are binary – where an artwork is either tagged "contemporary art" or not – these genes are given a value between 0 and 100, making them much more dynamic and information-rich. The Art Genome Project hopes to fuel the discovery of art and is labeled as "a vital part of the Artsy user experience, aimed to help anyone […] discover and fall in love with art" (Israel, Backus & Fagon, 2016).

The majority of the categorization for the Art Genome Project is done by hand, but to aid the team of art historians in the process, similarity algorithms and artificial intelligence (AI) are used. Artsy has explored the possibility to use collaborative filtering, which Cleveland describes as a "best-in-class algorithm for e-commerce when you sell mass-produced items". It is a set of algorithms that are used by e-commerce giants and the likes of Amazon to say "other people who like this, also like this". This approach, however, is problematic to use for unique artworks, Cleveland says, because they can

only be bought once. Instead, he argues that Artsy must be able to make recommendations for artworks that are not based on previous user interactions or purchasing behaviors because those do not exist for an individual artwork. (Siggelkow, 2018)

For users wishing to access Artsy from a mobile device, Artsy has developed an app for iOS. Notably, the app has a feature called View in Room, which utilizes augmented reality (AR) technology and the user's camera to display two-dimensional artworks virtually (three-dimensional objects, such as sculptures, are currently not supported). Through this feature, it is possible to see how an artwork looks in one's home before inquiring about or purchasing it. (App Store, 2020a)

5.3 artnet

artnet, accessed at artnet.com, is one of the leading online platforms (pure online marketplace by Sidorova's definition) for buying, selling, and researching international art (see Figure 5.2). It was founded in 1990 by art dealer and entrepreneur Hans Neuendorf. Nine years later, in 1999, it was taken to the Frankfurt Stock Exchange, valued at $26.7 million (artnet AG, 2000). The company has offices in Berlin, London and headquarters in New York. The company was founded with the "goal of bringing transparency to the art world" by providing a "comprehensive suite of products", which "offers a variety of art market resources to our audience of collectors, dealers and art enthusiasts". (artnet AG, 2019)
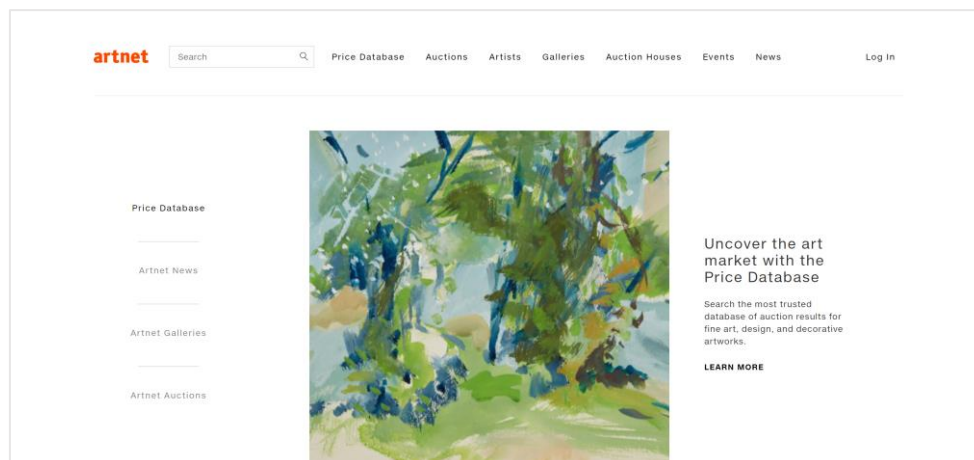
Figure 5.2 artnet's home page (artnet, 2020a). Authors' screenshot.

The platform has several distinct features, such as the artnet Price Database, market alerts, a gallery network, artnet Auctions, analytics reports, and artnet News. The Price Database covers over 30 years of auction lots, containing more than 10 million results. It is used by appraisers, dealers, and collectors worldwide to make appropriate valuations of artworks. The Price Database is a subscription service and artnet's primary revenue stream, accounting for roughly one-third of total revenue. (artnet AG, 2019)

Started in 2008, artnet Auctions enable auctions to happen online, with 24/7 bidding and a global reach. In 2018, for the first time, the auction segment showed a positive contribution to artnet's profit margin. (artnet AG, 2019)

artnet News, started in 2012, is a platform for market analysis with the mission to inform and engage people in the art world by providing everyday art news and expert commentary (Goldstein, 2020).

According to artnet AG's 2018 annual report, the company employed 131 people in 2018 and turned over $22M with a $0.9M profit. The gallery network includes approximately 1,100 galleries from 60 countries worldwide. (artnet AG, 2019)

5.4 Saatchi Art

Saatchi Art is another pure online marketplace that sells art with the mission of "connecting people with artists and art they love", which can be accessed at saatchiart.com (see Figure 5.3) (Saatchi Art, 2020a). The company was

founded in 2011 and is based in California. In 2014, the company was acquired by media company Leaf Group Ltd. for $17 million, which is a company that builds platforms to enable creators to reach their audiences. Before the acquisition, between 2010 and 2013, Saatchi Art raised $11.2 million in venture capital. (Owler, 2020a; Crunchbase, 2020b; Bloomberg, 2020)
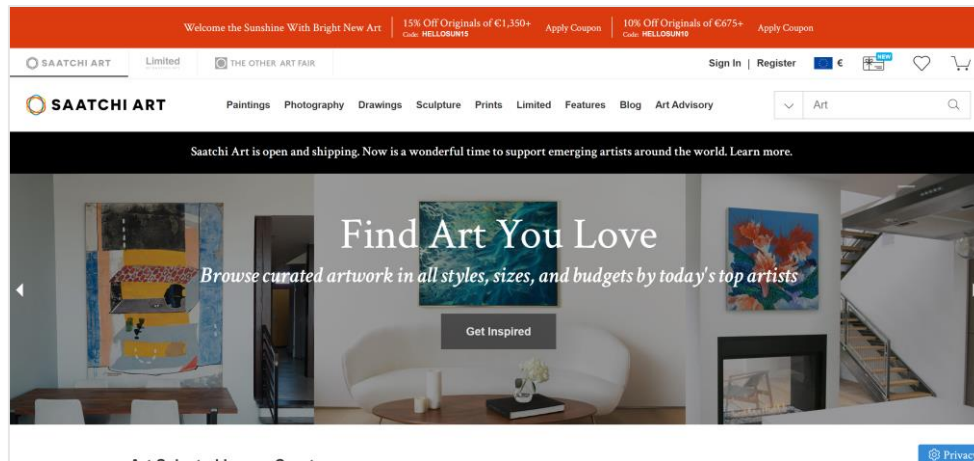
Figure 5.3 Saatchi Art's home page (Saatchi Art, 2020b). Authors' screenshot.

Unlike Artsy and artnet, Saatchi Art was created to let emerging artists sell artworks online to art buyers and collectors, without galleries as intermediaries. Any artist who wishes to sell his or her art on Saatchi Art can easily create an account and upload photos and texts of their works. Once uploaded, buyers can view and buy their works directly via the Saatchi Art website (Menendez, 2018). As of today, the works of more than 100 000 artists can be found on Saatchi Art. It is free for artists to participate in Saatchi Art, but the platform charges a 35 percent commission on all artworks sold on the platform. Moreover, shipping is administered by Saatchi Art, but paid by the customer (Saatchi Art, 2020c).

The website showcases millions of paintings, photographs, drawings, sculptures, and prints available for sale. When browsing the site, users can view artworks selected by Saatchi Art's curators, browse by different price ranges, see featured collections, or search artworks by title or artist name (Saatchi Art, 2020b). The search functionality also offers advanced filters, that allow users to sort works by medium, subject, and more (Saatchi Art, 2020d).

Similar to Artsy, Saatchi Art has an iOS app that uses AR to allow the user to virtually hang art on his or her walls through a feature called View In Your

Room. Additionally, this feature can also be used to get recommendations on artworks that fit a certain space, given its dimensions and available space on the wall (App Store, 2020b).

Saatchi Art has taken its online platform offline with its fair for emerging and undiscovered artists, The Other Art Fair. The fair visits several cities in the UK, the US, and Australia each year (Saatchi Art, 2020e).

5.5 Comparison of the Art Platforms

In this section, Artsy, artnet and Saatchi Art, arguably the most established OAPs in the world for selling, buying, and researching contemporary art, are compared.

Artsy and artnet are similar in terms of the features that they offer as well as their number of monthly visitors. Both platforms let galleries and other art institutions showcase their works, allowing collectors, buyers, and enthusiasts to browse through millions of artworks. Saatchi Art, in contrast, allows artists to showcase and sell art directly to consumers, without galleries as middlemen. In other words, Artsy's and artnet's customers are galleries (and other art institutions), whereas Saatchi Art's customers are artists.

Because of these distinctions, Artsy and artnet better fit the delimitations presented in section 1.4 and, as such, the following comparison will primarily focus on Artsy and artnet.

The following aspects are compared: search, filter and browsing, price range, revenue streams, gallery representation, editorial content, and other features. Additionally, the side-by-side comparison of the OAPs is summarized in section 5.5.7 in Tables 5.1 and 5.2.

5.5.1 As previously mentioned, the below comparison is to a large extent based on the researchers' observations.

Search, filter and browse artworks

Artsy's search and filter function is more advanced than artnet's, allowing users to search for works of e.g. certain movements, eras, mediums, and colors. When viewing a certain piece on Artsy, the user is also shown other works by the same artist, works of the same type, related works, and artists, which is made possible thanks to Artsy's Art Genome Project.

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By comparison, to view an artwork from a gallery on artnet, users must first navigate to the corresponding gallery's artnet page. It is also possible to browse artworks from a specific artist, given that the artist is represented by a gallery on artnet, but it is not possible to browse artworks based on the artworks' characteristics.

When browsing Artsy and artnet, it is apparent that Artsy puts a greater emphasis on individual artworks than artnet does. On Artsy, an individual artwork can be used as the starting point for finding art, whereas on artnet, the users must first specify a gallery or artist whose works they wish to see.

Saatchi Art's search and filter function is advanced and similar to Artsy's.

Price range

5.5.2 A majority of sellers on Saatchi Art are emerging artists and, as such, the artworks are more moderately priced. Most works sell for less than $10,000, but exceptions can be found (Saatchi Art, 2020d). In contrast, artworks on Artsy and artnet have a higher average price tag and many works are priced above $100,000 and a few over $500,000 (Artsy, 2020i).

5.5.3 ### Revenue streams

In terms of revenue streams, Artsy charges partnering galleries a monthly membership fee and earns commissions from sales through the platform. Neither the membership fee nor the commission is publicly available.

Similar to Artsy, artnet charges partnering galleries an undisclosed monthly subscription fee. artnet's largest revenue stream, however, is their subscription-based price database, followed by commissions from auctions.

In contrast, Saatchi Art earns all its revenue by charging artists a 35 percent
5.5.4 commission on each sale.

Gallery representation

Comparing Artsy and Artnet in terms of gallery representation, Artsy comes out on top. Artsy showcases artworks from more than 3,000 galleries, compared to artnet's approximately 1,100 galleries. Both platforms allow galleries to show online fair booths when they exhibit at art fairs. By

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uploading photos of the art that they bring to the fairs, people from all over the world get a chance to view it.

Editorial content

5.5.5 All three sites have an editorial component where articles revolving the art market, artists and trends are frequently published to stimulate the discourse and generate traffic to the platforms. artnet has artnet News, Artsy has Editorial, and Saatchi Art has a blog called Canvas.

Other features

5.5.6 Standing out among the other features, Artsy is offering participating galleries the option to sell artworks directly on the platform, either at a fixed price (Buy Now) or through bidding (Make Offer). Direct transactions are also available on Saatchi Art, but not through artnet.

Artsy and Saatchi Art both offer a free to use iOS app where the user can browse through collections of works and virtually view them by the use of AR technology and the user's cell phone camera, which artnet does not.

A distinguishing feature of artnet is its auction price database, which covers more than 1,800 auction houses, 340,000 artists and 12 million artworks, dating back to 1985 (artnet, 2020b). Although the secondary market is outside of the scope of this thesis, buyers and collectors may be interested in secondary market prices for an artist before buying artworks on the primary market as an indication of the work's future value.

5.5.7

Comparison tables

The comparison of the three OAPs is summarized in the two comparison tables below.

As can be seen in Table 5.1, artnet is approximately 20 years older than the other platforms and has the highest visiting rates. Artsy, however, is not far behind. What distinguishes Artsy from its peers is the amount of capital it has raised. Moreover, Artsy and Artnet are much larger operations compared to Saatchi Art, which is evident by looking at the number of employees.

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Table 5.1 Comparison of Artsy, artnet, and Saatchi Art.

Platform	Founded & Headquarter	Number of sellers	Visits per month[1]	Number of employees	Capital Raised
Artsy	1990, New York	3,200+	2.4M	180[2]	$100.9M
artnet	2011, New York	1,100+	3.0M	131[3]	$26.7M
Saatchi Art	2009, Santa Monica	100,000+	1.6M	24[2]	$11.2M

[1] (SimilarWeb, 2020a-c);

[2] (Owler, 2020a-b);

[3] (artnet AG, 2019)

The main features of each OAP and its distinguishing characteristics are illustrated in Table 5.2 below.

Table 5.2 Artsy's, artnet's and Saatchi Art's main features and characteristics.

Features and Characteristics	Artsy	artnet	Saatchi Art
Galleries, art institutions and auction houses as sellers	X	X	
Artists as sellers			X
Large representation of sellers	X	X	X
Advanced searching, browsing, and filtering	X		X
Auctions	X	X	
Price Database		X	
Editorial content	X	X	X
iOS app (with virtual viewing)	X		X
>$10 million raised in capital	X	X	X
Online transactions possible	X		X
Art fair to complement online platform			X

5.6 Summary of Market Analysis: Existing Online Art Platforms

In this market analysis, three existing OAPs – Artsy, artnet, and Saatchi Art – were compared. All being pure online marketplaces, they share several similarities and are guided by the same idea – to digitize the traditional art market and sell art online. That being said, the three are distinctively different and have their respective niches.

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Looking at Artsy, they have the biggest financial muscles and the largest representation of galleries. Three times as many galleries are listed on Artsy (and pay a monthly membership fee), compared to artnet. One might also argue that Artsy is the most versatile of the three in terms of the services and features that they provide.

Founded in 1990, one year after the World Wide Web was invented, artnet is by far the oldest of the three and has the largest number of visitors. Similar to Artsy, it caters both to the primary market and the secondary market, but it focuses more clearly on the secondary market, with its auction results price database and auctions representing its largest revenue streams. However, unlike Artsy and Saatchi Art, users can not transact directly on the platform.

As previously mentioned, when browsing artnet, it is evident that the site highlights artists and galleries, rather than individual works of art. Since artnet has not developed an advanced classification system for displaying artworks that share similarities, such as Artsy's Art Genome Project, this makes perfect sense. What is more, this pattern of browsing (i.e. display artworks from gallery X or artist Y), assumes that the users have a clear intent with their visit and know which artists and galleries they like and trust.

Moving on to Saatchi Art, which is an OAP that leaves out gallerists and other art institutions and focuses on the interactions and transactions between artists and collectors. This makes Saatchi Art distinctively different from Artsy and artnet. Most evidently, Saatchi Art features less well-established artists and works are sold at a lower price tag, directly through the platform. It is also a much smaller undertaking in terms of the number of employees.

6 Interviews and Questionnaires

This chapter presents the results from the interviews with gallerists, art advisors, and industry experts, and the questionnaires sent out to the same. The interview results are presented together with complementary information from the questionnaires. Then, the questionnaire results regarding important factors for partnering with or buying art through an OAP are presented.

6.1 Gallerists

Table 6.1 shows information regarding the participating galleries' revenue, number of employees, the price range generating the most revenue and their innovativeness (i.e. when they adopt innovations relative to others).

The information was gathered by sending out questionnaires after the interviews were held and complemented with information from the galleries' websites and other sources.

Table 6.1 Gallery information.

Gallery	Number of Employees [a]	Revenue	Price range generating most revenue	Adoption of innovations
Fineart	10+	$1m-$10m[b]	-	-
Vielmetter Los Angeles	10+	$1m-$10m[c]	-	-
Galerie Forsblom	6-10	$1m-$10m[d]	$50k-$250k	Before the majority
Galleri Andersson Sandström	6-10	$1m-$10m	$250k-$1m	Among the first
Robilant+Voena	6-10	$1m-$10m	$250k-$1m	Before the majority
GRIMM Gallery	6-10	$1m-$10m	$5k-$50k	Before the majority
Victory Art	6-10	-	-	-
Galerie Nordenhake	3-5	$1m-$10m[e]	$50k-$250k	After the majority
Bohman-Knäpper	3-5	$1m-$10m[f]	$250k-$1m	Before the majority
Wetterling Gallery	3-5	$1m-$10m	$250k-$1m	Among the first
Sommer Contemporary Art	3-5	$1m-$10m	$50k-$250k	Before the majority
Galerie Vera Munro	3-5	-	-	
Hunt Kastner Gallery	3-5	-	-	-
Dorothée Nilsson Gallery	2	up to $500k	$5k-$50k	Before the majority
Gerhardsen Gerner	2	up to $500k[g]	-	-
Weng Contemporary	-	-	-	-

[a] Source: Questionnaires and galleries' websites.

[b] Revenue for 2018 (Proff.no, 2020a)

[c] (dun & bradstreet, 2020)

[d] Revenue for 2018 (Allabolag.se, 2020a)

[e] Revenue for 2019 (Allabolag.se, 2020b)

[f] Revenue for 2018 (Allabolag.se, 2020c)

[g] Revenue for 2018 (Proff.no, 2020b)

Brian Grøtte, head of sales at Fineart

6.1.1
Fineart is Norway's largest gallery in terms of size and revenue. Their art is primarily sold through their gallery space in Oslo, but also through their website (online gallery and online auctions). Brian Grøtte argues that their online business feeds their gallery business and vice versa but admits that such behaviors are hard to track. New clients are acquired through word of mouth.

In addition to their own sales channels, Fineart is listed on Artsy, which Grøtte says has had a positive contribution margin. artnet, on the other hand, which they used before, did not generate any sales.

Looking at the artworks sold on Artsy, they are almost exclusively made by international, well-known artists. Grøtte likes that Artsy offers a way for Fineart to reach a global audience. However, what he does not like, is that it is time-consuming to upload artworks to Artsy and that it creates double-work. The solution to this problem, Grøtte argues, would be an API[4] for automatic imports of existing product catalogs. Regarding the introduction of Artsy's Buy Now functionality, Grøtte says that such a feature could be relevant for some artworks, but not for all. Personally, he dislikes the idea of not owning the customer and fears a scenario of anonymous customers, owned by Artsy.

6.1.2
Tobias Vielmetter Diekmann, senior director of development & technology at Vielmetter Los Angeles

Vielmetter Los Angeles is a contemporary art gallery that utilizes three major sales channels to conduct sales: the physical gallery, email marketing, and art fairs. The gallery has established a strong brand which makes art enthusiast visit their space when in Los Angeles. They also sell digitally, mostly through email, using email marketing software to connect with collectors they have relations with. It is described as a great way to spark a conversation around an artwork, which later can be developed into a purchase. What is more, their customers expect to receive information about

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[4] An API (application programming interface) can be explained as an interface through which an application can access the data, or certain features, of another application or system (Gazarov, 2020).

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new artworks and artists via email, so it is also a value-adding service. Art fairs are the third major component. The gallery regularly takes part in all the big art fairs, such as Art Basel, Armory Show, Frieze New York, Frieze Los Angeles, and others.

As Senior Director of Development & Technology, Vielmetter Diekmann's role focuses on development in the broad sense and how digital tools can be used to the gallery's advantage. At the moment, they do not participate in any OAPs, such as Artsy and artnet. He argues that

> *"when it comes to sales and actually fostering client relationships, they haven't yet proven to us that they are good at it".*

However, he believes that these platforms produce good content and generate visibility for the gallery, but that they do not necessarily increase sales. Regarding selling art directly online, Vielmetter Diekmann is not entirely convinced. He argues that it might be interesting for higher volume works at a lower price point, such as editioned work, but for pieces important to the artist's practice it would not. Vielmetter Diekmann says

> *"we represent our artists and we help them develop a career, so we wouldn't want to blindly offer artworks to a market without knowing where it goes".*

To keep track of the gallery's tens of thousands of contacts and inventory, Vielmetter Diekmann has created a CRM and inventory management tool called WrkLst. This tool is used by the gallery and is also available for professional use by other art businesses.

Looking into the future, Vielmetter Diekmann believes that the art world will adapt to more technologies and platforms. It does not have to be Artsy or Instagram (IG), some new platform might turn up and take over. For example, Art Basel Hong Kong 2020 was canceled and replaced by digital viewing rooms, he says. This is a concept Vielmetter Diekmann finds appealing. Additionally, he believes the collectorship will change when a
6.1.3 new generation of collectors emerges.

Sara Bengtsson, director at Galerie Forsblom

Galerie Forsblom located in Stockholm, Sweden, is a rather traditional gallery that sells art through its gallery, art fairs, and Artsy. Customers are acquired through exhibitions in the gallery, attending art fairs, and by emailing and calling existing and potential clients. Other promotional

activities include dinners with clients and artists. However, more often than not, email is used in the sales process, according to Bengtsson.

Bengtsson believes that Galerie Forsblom's quality of service across all employees, knowledge, and meticulousness are important factors in driving sales. The use of a CRM platform is another one.

In terms of the gallery's presence on social media, IG, Facebook (FB), Twitter, and LinkedIn are used. IG is used to create interest by displaying artworks in a visually appealing way, while the other mediums are primarily used for sharing information.

In addition to their website, Galerie Forsblom uses Artsy to drive sales, increase reach, and as a means to improve branding and to create social proof. Bengtsson says that

> *"on Artsy, we don't sell [works from] young Swedish artists, but big, international names, who buyers receive alerts from"* and continues *"for those works, it's super important that we are on Artsy"*.

On the negative, it is very time-consuming to upload content to social media, their website, and Artsy, Bengtsson says. She believes that this is a struggle for many galleries since the typical gallery only employs a handful of people or less. Owing to this, when asked to participate in a new OAP, Bengtsson is forced to respectfully decline out of time-constraints.

6.1.4

Stefan Andersson, director at Galleri Andersson/Sandström

Stefan Andersson is one of the founders of Galleri Andersson/Sandström, with spaces in Stockholm and Umeå, Sweden. The focus of the gallery is international contemporary art, especially sculptures, and features both established and emerging artists. The gallery regularly hosts previews of upcoming exhibitions where local clients can meet the artist and socialize with other enthusiasts. A majority of sales are made with local buyers; however, approximately half of the revenue comes from a few international sales of works by established artists.

Andersson believes that selling art is distinctly different from selling other products. Key factors to successfully sell artworks are trust in combination with a thorough understanding of the individual customer.

The gallery created its website approximately 20 years ago and has since then utilized digital tools increasingly. Social media, FB and IG, are used daily to showcase their art and push out information regarding new exhibitions. The

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gallery can be found on both Artsy and Artnet, through which they get exposure to international collectors. These platforms are best used when promoting established artists' works, Andersson argues. Young and emerging artists are much harder to sell exclusively online. Although many international clients find them via the platforms, sales are seldom completed without personal contact via email, phone calls, or physical meetings. Regarding digital art fairs, Andersson sees value in complementing the physical fairs, but believes that online shows can never replace the traditional fairs.

Ylva Linn Liliegren, director at Robilant+Voena St. Moritz

6.1.5 Robilant+Voena St. Moritz, Switzerland, is one of Robilant+Voena's three galleries. The other two are located in London, the UK, and Milan, Italy. The gallery in St. Moritz is the smallest of the three galleries and Liliegren is the sole employee. In addition to contemporary fine art, Robilant+Voena also specializes in old masters, 19th-century art and modern art, and deals on the secondary market to a large extent.

Given that Liliegren is the sole employee in St. Moritz, she does not frequent any art fairs during the winter and summer months when the gallery is open and almost all sales are done at the gallery. Robilant+Voena is, however, represented on the largest art fairs through their Milan and London galleries.

In order to sell art, Liliegren believes that it is important to build relationships and to provide proper information and certificates of authenticity. Trust is another key factor, she says. On the one hand, customers can look up price-developments and auction results in an instant, making them less dependent on cultivating relationships with dealers or galleries to obtain this information, she argues. On the other hand, all clients do not have the time nor interest to do so, so they are happy to delegate this task to a gallerist that they trust. This increases the importance of personal relationships, which cannot necessarily be translated to the online world.

Looking at social media and digital platforms, Robilant+Voena uses IG, FB, Artsy, and artnet. Liliegren does not administer any of these platforms, but she receives inquiries through these platforms and says that

> "the impression is that the follow-through or success rate is very small for these inquiries".

Inquiries from exhibitions via email yield a much higher success rate, she says.

Benedict Tomlinson, director of Robilant+Voena London

Robilant+Voena in London is a gallery that, similar to its gallery in St Moritz, specializes in the old masters, 19th century, modern and contemporary art, and deals on the secondary market to a large degree. Their four most important sales channels are the gallery itself, art fairs, their website, and Artsy. The most important factors for acquiring new customers are to be active and to constantly meet new people. Once in contact with clients, conversation and relationship-building is key. Tomlinson argues that it is important to maintain the relationship, but not only for sales. To host dinners and to take clients out for lunch are just as important in the long run. Moreover, he believes that it is a necessity to travel to art fairs.

In terms of social media, Robilant+Voena has a presence on all the major mediums, such as FB, IG, Pinterest, and Twitter. In addition to this, Artsy is used to sell artworks online and to reach a global network of potential clients. So far, Tomlinson is somewhat satisfied with the results on Artsy and says that it has paid off. On the downside, Artsy is difficult to manage for the gallery. It only takes a prospective buyer the click of a button to send an inquiry to the gallery, but the gallery has to respond correctly, politely and promptly, even though it does not lead anywhere, he says. To reduce the number of inquiries, it is suggested by Tomlinson that users are screened or vetted by Artsy before they can send inquiries, or that they must provide more information about themselves when sending an inquiry.

Tomlinson does not believe in selling art directly to customers through their website or a third-party platform, especially not for works that are priced above £100,000. Additionally, he does not love the idea of paying a commission to Artsy for each sale. What he believes in, however, is the idea of producing short films to present artworks online and to talk about them.

Sebastiaan Brandsen, senior director at GRIMM Gallery

Sebastiaan Brandsen has been part of GRIMM Gallery for the past eight years and has seen it become one of the Netherland's most established galleries with two – soon three – galleries in Amsterdam and a franchised gallery in New York. GRIMM sell art in a rather traditional fashion and more

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than 60 percent of sales stem from gallery exhibitions and other activities in their galleries, which Brandsen finds pleasing. The remainder is done through large, international art fairs and, to a lesser extent, through online sales channels.

The gallery spaces are not only a key factor for selling artworks, they are also important for the artistic process, Brandsen says. For this reason, GRIMM invest heavily in its spaces and tries to create a new experience for each exhibition.

Looking at art fairs, the benefits of attending the most established art fairs are three-folded: sales, status, and networking. In terms of sales, many artworks are sold via liaison through emails to customers who have seen the artworks in-person during the fairs but decide to buy at a later point in time.

"You meet people at art fairs, but you sell later on, online", Brandsen says.

In addition to increased sales, being at the most established art fairs also increases GRIMM Gallery's status and prestige in the art world. This is important when representing artists because they grow when the gallery grows and vice versa. The third benefit of attending important at fairs is that you meet many new people, which makes your network grow exponentially. This being said, Brandsen is not a fan of art fairs. He views them as a necessary evil in the art world and he does not enjoy seeing art at art fairs, because it ruins the aura and the mystique of the displayed works.

In terms of online channels, GRIMM Gallery has noticed an increase in online sales, albeit from low levels. Primarily, they get sales through their website and Artsy. Brandsen is somewhat satisfied with the results from Artsy as it yields them new inquiries every day, but it is time-consuming and costly, he says. Having a presence on Artsy creates an obligation to respond to inquiries straight away, which can be problematic for works in high demand where there is a discrepancy between supply and demand. In fact, Brandsen argues that this scenario can lead to a negative response among prospective buyers. Regarding Artsy's Buy Now functionality, Brandsen would be open to it, but boundaries would have to be set. For one, some works should be placed, as opposed to being sold on the open market. For

two, you need to be cautious of selling artworks to flippers[5], as it can put the artist's career at stake.

Lastly, looking at social media, GRIMM post actively on IG and have achieved the largest following base of all Dutch galleries.

Viktória Pikovská, CEO at Victory Art

6.1.8 Victory Art is an online gallery that is based in Rotterdam, the Netherlands, which specializes in Central and Eastern European art, primarily for the B2B market.

Viktória Pikovská heads the team of ten people and is responsible for strategic partnerships, business development, and leadership. In terms of sales, roughly half of the revenue stems from in-person purchases and the other half from online purchases, so both sales channels are important.

To acquire new customers, Victory Art utilizes social media platforms, such as IG, FB, and LinkedIn, as well as advertising through Google Adwords and similar ad networks. They also work actively with search engine optimization (SEO) to increase the traffic to their website from search engines. Additionally, they rely on word of mouth and existing clients to bring in new business. To sell art online, Pikovská says that the most important thing is to target the right audience. If not, your marketing spend will not yield any sales. The second most important factor is the presentation of the artworks.

Unlike most traditional galleries, Victory Art does not frequent any art fairs.

6.1.9

Ben Loveless, director at Galerie Nordenhake

Galerie Nordenhake located in Stockholm, Sweden, is one of Nordenhake's three galleries. The other two are located in Berlin, Germany, and Mexico City, Mexico. The gallery makes sales through the gallery itself and larger, international art fairs. Loveless claims that sales between the two are quite evenly distributed, the distinction being that works sold through art fairs

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[5] A flipper can be described as a speculative buyer who hopes to buy and resell the same artwork within a short time-frame to make a quick profit, i.e. flipping art (Cohen, 2020).

represent a lower share of total sales volume, but priced higher. When fairs go well, Loveless says, they are a really important part of the gallery's income. Most artworks at fairs are sold to buyers who visit the fair, but some of the works are sold from an image, meaning that the buyer has never seen the work in-person.

Looking at social media, Galerie Nordenhake uses IG as a profiling and promotional platform, rather than as a sales platform. That being said, IG has yielded them a few sales, but that is not something that Loveless expects of IG. When it comes to OAPs, Nordenhake uses Artsy. Similar to IG, Artsy is primarily seen as a promotional tool to showcase the gallery's art to a much wider base of potential clients. Even if Artsy does not necessarily develop into direct sales, Loveless finds it useful in terms of increased visibility. On the negative, Loveless would like to know more about the clients who contact Nordenhake via Artsy. Previously, Nordenhake used to be on artnet as well, but it felt a bit too ambitious to be listed on both, he says.

Speaking of the art market in more general terms, Loveless says

> *"there is a discord between the old world and the new world"* and continues *"I think we all want to be – need to – become much more savvy and knowledgeable in online selling. To me, it's not super clear at the moment how to bridge that discord."*

6.1.10 Angelika Knäpper, director at Galleri Bohman Knäpper

Angelika Knäpper is an experienced gallery director of the contemporary Galleri Bohman Knäpper in Stockholm. Bohman Knäpper is an established gallery and attracts many clients through their existing clients' networks. New clients then visit their website, the gallery, or send an email to establish a connection. The client connection is then nurtured by having an active conversation and being responsive to the client's needs and interests.

Knäpper divides the clients into two different groups: buyers and collectors. Buyers purchase art to decorate while collectors are driven by a desire. The client base of collectors has declined slightly over the years, but the gallery's clients buy 4-5 works on average.

Speaking about another sales channel, art fairs, Knäpper no longer prioritizes going to big international art fairs, due to the extreme costs associated with it and the fact that only the wealthiest collectors go to buy from the largest international galleries. The gallery usually participates in the Market art fair in Stockholm but being present there is not critical for the gallery's success.

As per its digital presence, the gallery uses IG and Artsy to increase visibility and showcase works for sale. These channels generate client connections, however, Knäpper points out that the digital experience of art can never beat the real experience, and consequently does not put much effort into these activities. Speculating about the future success of the online platforms, she mentions trust as an important factor and believes the platforms might enable easier transactions.

Björn Wetterling, director at Wetterling Gallery

6.1.11 Wetterling Gallery is a traditional gallery, located in Stockholm, Sweden, which conduct sales through exhibitions in the gallery space and its network of clients. Exhibitions as well as art fairs are the most important ways for attracting new clients. Wetterling Gallery exhibits at several art fairs every year, where the purpose is to meet people, gain new clients, and sell art. However, Wetterling mentions the difficulty of introducing lesser known artists at fairs as well as the high costs involved in attending the fairs. The most important aspect of selling art, according to Wetterling, is the personal contact.

Wetterling Gallery uses both IG and FB to generate customers. The gallery also participates in Artsy, but Wetterling admits to not have given its online presence a real effort, which is something he regrets today. He believes that digital operations will become a large part of their business in the future.

6.1.12

Irit Sommer, founder of Sommer Gallery

Sommer Gallery is an Israeli mid-career gallery that was founded in 1999 in Tel Aviv, Israel. Their sales are evenly distributed between the gallery and art fairs. Emailing is viewed as one of the most important sales channels and – at one point in time – it contributed to 50 percent of sales. Today, however, she argues that social media and their website have become more important. Not in driving sales directly, but indirectly.

Sommer Gallery is a rather analog gallery and they do not use any third-party OAPs and they have never been listed on Artsy or similar platforms. The primary reason, Sommer says, is the fact that those platforms have gotten swamped by galleries who do not come off as professional. Furthermore, she believes that these platforms' selection criteria are compromised on to bring in new business. Sommer does not think that these platforms would generate

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new clients for Sommer Gallery, but she thinks that it would be reassuring to potential clients to find her gallery on Artsy.

Vera Munro, founder of Galerie Vera Munro

Vera Munro started as an artist, but decided to start her contemporary gallery in Hamburg, Germany in 1977. The main interest for her has always been the artists and the art. To successfully sell the art according to Munro,

> *"it's a whole kaleidoscope you have to follow",*

but four factors are essential: a beautiful space for the presentation, great knowledge, persuasiveness, and participation in art fairs. The gallery has attended Art Basel every year since its commencement. Through the fairs, people can meet Munro, socialize, and see the art. This is how she usually acquires new clients. Her vision has always been to avoid trends to establish a good name in the long run, making her clients want to return to buy more.

Regarding the gallery's digital presence, the gallery uses ads to announce shows and IG to promote works. However, Munro is uncertain whether they actually get clients through social media.

Occasionally, when a buyer is familiar with the artist's work and it is not too expensive, the gallery sells artworks after showing photos only.

Katherine Kastner, founding director at Hunt Kastner Gallery

Hunt Kastner Gallery is a Czech mid-career gallery that is located in Prague, Czech Republic. The gallery was founded 14 years ago by Katherine Kastner and her partner Camille Hunt.

Their most important sales channel, Kastner says, are art fairs and the gallery participates in one to five fairs each year. However, given that it is very costly to participate in the most established art fairs, it is difficult for the gallery to cover their costs through direct sales at the fairs. What makes them worthwhile, she says, are the indirect sales that derive from their participation in these art fairs. What is more, these sales could very well be two to three years down the road.

In terms of in-gallery sales, Kastner says that the gallery does not drive a hard-sell, but rather they try to be informational and let the artworks speak for themselves.

Looking at digital platforms, Hunt Kastner use their website, IG and FB to increase their visibility online. The gallery has been offered to take part in OAPs several times, but when they tried them out, nothing came out of it and their participation did not result in any sales and only a handful of inquiries. One reason for this, Kastner argues, is that the gallery does not work with the internationally renowned artists, which limits the gallery's appeal to international collectors.

When it comes to new ways of displaying and selling art, Kastner is open to new ideas, but she is not excited by what is currently available. For instance, she was not impressed by Art Basel's digital viewing room of the canceled 2020 art fair in Hong Kong.

Dorothée Nilsson, founder of Dorothée Nilsson Gallery

6.1.15 Dorothée Nilsson is a Swedish gallerist located in Berlin, Germany. The gallery is a small operation, Nilsson, and an assistant, focusing on artists creating photographic art, e.g. making three-dimensional sculptures, collages, or videos. Berlin is an internationally interesting spot for art people, because of its many artists and galleries. However, it is a buyer's market which makes it important for smaller galleries to attend international art fairs. There, gallerists can meet new buyers, curators, collectors, and other art enthusiasts. Relationships are built at the fairs, and then continuously grown. Good relationships are key to selling art, and it requires a credible gallerist to build those. Additionally, Nilsson believes that art is an emotional product associated with an emotional buying behavior, which is why empathy and chemistry between the buyer and seller are essential.

The most important sales channels for Nilsson are the art events in Berlin, Berlin Gallery Weekend and Art week, and the internet. The gallery showcases its art on its website and Nilsson is about to try out OAP Artland to find new customers. She may try to sell directly online but would never consider going online-only, without a physical space. The physical meeting is something she values a lot even though she sometimes sells art without it. Furthermore, Nilsson sees value in keeping a direct contact with clients, which makes direct selling online less appealing.

Speculating about the future, Nilsson believes the online market will increase considerably and that digital fairs might be a good complement to physical fairs.

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Atle Gerhardsen, director at Gerhardsen Gerner

6.1.16 Gerhardsen Gerner is a gallery in Oslo, Norway, run by Atle Gerhardsen and Nicolai Gerner-Mathisen, with no other employees. It has undergone considerable changes during the last few years, switching from a global scope with two locations, Oslo and Berlin, to a more local focus on the Nordics and Northern Europe. The reason for the shift is two-fold: to improve their quality of life and to engage more in the local market. They conduct most of their sales through the gallery and exhibitions during the year and participate in few art fairs, if any. Gerner believes the number of art fairs will decline in the coming years. There are just too many as of today.

The majority of clients stem from the network that they have established over the years. Gerner argues that the most important factor for selling art is the skillful artists they work with. That is why their clients continue to purchase art from the gallery. Regarding online platforms and social media, Gerner is skeptical. The gallery has an IG account and a website, but no partnership with any OAPs. He believes in the traditional method and putting an effort in creating exhibitions in cooperation with the artists and insists that it is essential to have a physical space.

6.1.17 Giorgia Zardetto, managing director at Weng Contemporary

Weng Contemporary is a pure online gallery that was established in Zug, Switzerland in 2015. They sell limited editioned contemporary artworks, priced $1000 – $100,000, to customers located primarily in Europe and the US, but they have customers worldwide. The company is a digital expansion of Weng Fine Art, a German gallery that was founded 25 years ago. Weng Contemporary is thus an effort to bring Weng Fine Art's know-how about selling art to e-commerce.

Weng Contemporary acquire customers through social media, Artsy, artnet as well as word of mouth. Giorgia Zardetto ranks the OAPs as the most important in terms of bringing in new business. In particular, she likes that the platforms generate a lot of traffic and gives them a worldwide reach. Moreover, collectors who follow a certain artist on Artsy or artnet will receive a notification when Weng Contemporary uploads a work from that artist to these platforms, which Zardetto likes. If Artsy's Buy Now functionality is made available to Swiss galleries, that could be of interest to the gallery, but Zardetto is not especially fond of paying Artsy a commission for each sale.

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The most important factor for selling art online, Zardetto believes, is trust and says that:

> *"That is why it is mandatory to have people behind a website. It is not an automatized process. At the end, everything can be displayed online, but you need to have an actual figure who can pick up the phone and explain at length why you can be sure that this is a good acquisition that will fit your collection and is a wise investment."*

6.2 Art Advisors

Table 6.2 shows information regarding the participating art advisories number of employees, revenue and innovativeness. The information was gathered by sending out a questionnaire after the interviews were held.

Table 6.2 Information about art advisories.

Art Advisory	Number of employees	Revenue	Price range generating most revenue	Adoption of innovations
Victoria Burns Art Advisory	2	$200k-$500k	$50k-$250k	Before the majority
SM Art Advisory	2	$50k-$100k	$5k-$50k	Before the majority
Twig Art	2	-	-	-
Maya Mikelsone Inc.	1	$100k-$200k	$250k-$1m	Among the first
www.brunno.art	1	$50k-$100k	$5k-$50k	Before the majority
GrimRoad Art Advisory AB	1	$100k-$200k[a]	$50k-$250k	Among the first

6.2.1   [a] Revenue for 2018 (Allabolag.se, 2020d)

Victoria Burns, founder at Victoria Burns Art Advisory

Victoria Burns is an art advisor in Chicago, the US, with over 26 years in the business. She serves both corporate and private collectors and buyers from all over the US. It is essential for her to fully understand the clients' needs, which is a process that takes around six months, she explains. This process is vital when creating long term relationships with clients. To Burns, it is important that her clients purchase art because they love it and not because it

might be a good investment. That way, clients will be able to accept a potential decline in value.

Burns acquires new customers mostly through referrals. New clients often hire her because they do not have the time or the knowledge to navigate the art market. She then introduces them to the art world and hopefully they stay with her for 5-10 years. Important factors that make people hire her are her experience, art history knowledge, and the fact that she travels and meets a lot of people.

Concerning digital platforms, Burns has a website for her advisory which works like a resume. People can get referred to her and then read more about her background on the site. To document her art collections, she uses collector systems. Furthermore, she uses Artsy, Art Space, Art News, and Art Forum to browse and find art but does not buy art directly online. When an interesting artwork has been found, she contacts the gallery representing the artist to establish a direct conversation. To successfully sell art online, she believes that high-resolution photos, relationships, and knowledge are key factors.

6.2.2 Stephanie Manasseh, founder at SM Art Advisory

Stephanie Manasseh is an art advisor, curator, and founder of the Accessible Art Fair. For the art advisory, Manasseh has both private and corporate collectors as clients. She works equally with both the art fair and her advisory and finds that they feed off each other. The network of artists she has acquired through the fair is a good source when conducting her advisory services. Her access to many hundreds of artists is one thing she believes brings new clients from Europe and New York. Another key factor for gaining new clients is your track record, which makes people trust you.

The fair's revenue comes from fees from exhibiting artists and sponsors. For the advisory, she generally charges the artists, as opposed to buyers, a commission of around 8 percent.

Regarding digital platforms, Manasseh uses IG to showcase works available for sale and LinkedIn to elaborate on her business model and find collectors. The Accessible Art Fair has a partnership with artnet for displaying the works from the fair, but Manasseh does not buy art online for the advisory. There is real value in meeting the artist and experiencing the work.

> *"I need to know the artist before I buy",* she says.

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She argues that OAPs can be used to find a lot of works, but it is usually only really cheap or really expensive works that get bought online.

Anne Tache, director at Twig Art

6.2.3 Anne Tache, a former gallery owner for 20 years, is one of two directors at Twig Art Art Advisory, an art advisory based in Brussels, Belgium who deals primarily in the secondary art market.

Although based in Belgium, most of Twig Art's clients are located outside of Belgium. New clients are acquired through contacts from her former gallery and recommendations from existing clients, which creates a gradually increasing inflow of new clients. Additionally, some clients find Twig Art through IG.

The business model is commission-based and paid by the client, meaning that a fee of five to ten percent of the sales price is charged to the client. Twig Art is hired by clients who either lack the knowledge to find good art or lack the time required to find and purchase art.

When it comes to sourcing art for their clients, art is sourced through collectors and galleries from Tache's network. To some extent, she uses Artsy to search and browse artworks. To find artworks on sale, Tache uses Artprice. Currently, Twig Art does not buy art from any online platforms, but they are open to it as long as they can see sufficient documentation, such as condition reports and certificates of authenticity.

6.2.4

Maya Mikelsone, art curator & advisor at Maya Mikelsone Inc.

Maya Mikelsone is an art curator and art advisor based in Paris, France. She holds a master's degree in arts and is also a lecturer at the American University of Paris.

Her work can be divided into two groups: curating of private collectors' collections and art advising consultancy. The clients for Mikelsone's art advising can in its turn be divided into three groups: young and passionate buyers who love art, mostly Asian; investors wishing to invest in art, and; French business owners who purchase art partly due to favorable tax deductions.

Mikelsone primarily finds new clients at art fairs and Art Basel is described as the best place to meet new clients. Private dinners at galleries are another

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great source of new clients as it offers a private setting where she can meet with collectors. Clients choose to work with Mikelsone because she knows the art market very well and because she has access to software that can be used to research and analyze prices in the art market.

In terms of digital platforms, Mikelsone is a frequent buyer of art online and thinks that digital art fairs are an exciting complement to traditional fairs. The most important factors for buying art online, she thinks, are trust and security.

She does not use Artsy, but she does consider opening a gallery and list it on Artsy. However, she does not intend to have a physical space.

> *"The gallery model has changed. It's perfectly fine to have art on Artsy without having a physical space."*

Brunno Silva, founder at Brunno Art

6.2.5

With a background in economics and a master's in art business from the Sotheby's Institute of Art, Brunno Silva is an accountant who turned art advisor out of a passion for art. Based in Berlin, Germany, he advises clients primarily in the UK and the US who are looking to purchase art priced between €5,000 to €60,000. Generally speaking, his work circles around educating clients, monitoring what is happening in the art market, and persuading new clients of the value that he can bring.

Silva finds new clients through referrals and from friends and their friends. To find artworks that suit his clients, he visits a lot of local galleries, and fairs – both large and small ones. The larger ones, however, do not excite him that much. Additionally, he browses Artsy for several hours each week to research young, emerging artists and to check out fairs.

When it comes to purchasing art online, Silva believes that it is suitable for works that can be reproduced, such as prints and photographs. Partly because of the price points, but also because it is easier to get a good idea of what you are getting for these things. He is more skeptical of paintings and sculptures.

Regarding new, disruptive ways of selling art, Silva sees a lot of similarities with how the music industry functions today.

> *"The reality is that these models co-exist. We still have vinyls, you know, and bands travelling the world. I think with art, there will always be space for galleries – both physical ones and online ones"* and continues *"I think that in the future we are going to see all these new things pop up, and there will be space for everyone".*

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Lisa Ivemark, founder at Grimroad Art Advisory and responsible for VIP Relations Scandinavia at Art Basel

Lisa Ivemark runs an art advisory and is also responsible for Art Basel's VIP relations in Scandinavia. She has an art history degree and considerable experience working in auction houses in Stockholm and London. Today, she divides her attention equally between her two endeavors.

The Art Basel VIP relations employment involves servicing the reoccurring buyers of the Art Basel fairs. Activities include visiting the collectors, taking them to other fairs, and establishing a community amongst them.

Ivemark currently advises four clients in Sweden and she is very restrictive when it comes to acquiring new ones. When taking on new clients, it is usually by referrals from her network. She believes her clients value her expertise, sense of quality, and network of artists and gallerists. Ivemark has, through her extensive collection of contacts, access to many works other advisors do not. When acquiring art for a client, she frequently finds art through galleries in her network. Around 70 percent of the purchases are made after only seeing digital photos of the work, without viewing the work in-person. These artworks are from established artists which both she and the client are familiar with. On the contrary, if the artwork is from an emerging artist, she wants to view it in-person prior to a potential purchase.

Ivemark does not use online platforms to find artworks to acquire for clients. She believes, from experience, that the works put up for sale on these platforms are the ones the galleries are struggling to sell.

Reflecting on the future of art fairs, Ivemark believes the market might be saturated with traditional fairs. Digital fairs, she believes, might be on the uprising, but they will never replace physical meetings.

6.3 Industry Experts

Jenny Danielsson, founder and hostess of the Artword Podcast

Based in Los Angeles and Stockholm, Danielsson works as a freelance journalist, writing for the magazines Artlover, Konstperspektiv, and the online journal Konsten.net. She is also the host of the podcast the Artword, where she interviews an inspiring art person on a specific topic each episode.

Danielsson contributed to the study with insights revolving trends in the art world and speculation around the future of the art market.

One of the identified trends according to her is the unsustainable development in the gallery sector where mega-galleries, such as Gagosian and Zwirner, are taking over the market, while the middle-segment of galleries are struggling. These small to medium-sized galleries usually depend on one or a few artists who generate the majority of their income. If they lose them to the bigger players, they run the risk of running out of business. In Los Angeles, she has seen a new type of smaller gallery operations run by the artists themselves, circumventing traditional galleries. These artists emphasize the private and personal experience by setting up exclusive exhibitions in their private homes.

At the same time, social media, especially IG, has created new business opportunities for artists as well. Some artists have acquired follower communities of several thousand people, to whom they can sell their art and prints directly. This is another way of escaping the traditional way of selling art through a gallery.

Danielsson refers to the art market reports from Artsy and Art Basel, where it clearly can be seen that the online sales of art are increasing. She believes the sales will continue to grow but argues that no one has yet cracked the code. The difference of viewing an artwork on a screen compared to seeing the textures and other visual details of it in person is considerable. Technologies that create virtual or augmented realities might be able to assist in making these viewing experiences more comparable. However, she points out that art is unique and not just another expensive thing to own. An artist might work several years to produce artworks for just one physical exhibition, and it is difficult to translate that experience to digital.

Additionally, the personal connection between an artist or gallerist and a potential buyer is also difficult to convert to the digital world. Gallerists physically meet and engage with art people every day. The new generation has different, more digitally maintainable, relationships with each other and might therefore not favor the physical connection in the same way. Danielsson believes the future will demand new ways of interacting with people online and claims that it is not sustainable to fly across the globe to purchase art.

There is an ongoing discussion in the art world regarding the art market system, with galleries representing lineups of artists. This system works if both the artist and gallerist strive towards the same goal. In the future, she

believes there will be more opportunities to view and sell art, challenging the traditional system.

6.4 Rankings of Important Factors

The questionnaires sent to interviewed gallerists and art advisors asked them to rank important factors for partnering or buying art through an OAP. The answers from gallerists are presented in Table 6.3 below. The gallerists were asked to choose and rank what they consider the three most important factors for partnering with and selling artworks on an OAP. The factors are sorted based on the aggregated sum of rank 1, rank 2, and lastly rank 3, in descending order. Nine answers were collected.

Table 6.3 Important factors for partnering with an OAP.

Factor	*# rank 1s*	*# rank 2s*	*# rank 3s*
High quality of participating galleries	4	1	2
Strong and trusted brand	2	-	-
Screening of customers (to increase the quality of inquiries)	1	1	-
Easy-to-use admin panel/CMS[1]	-	5	-
Low effort required to upload artworks	-	1	2
Low subscription fee and/or commission	-	-	2
Editorial content	-	-	2
In-platform purchasing (Buy Now functionality)	-	-	-
Number of website visitors	-	-	-
Transparency	-	-	-

[1] Content Management System

The interviewed art advisors received a similar question in their questionnaire. The art advisors were asked to choose and rank the three most important factors they would consider when buying artworks through an OAP. The aggregated answers are presented below in Table 6.4. Five answers were collected.

Table 6.4 Important factors for buying art through an OAP.

Factor	# rank 1s	# rank 2s	# rank 3s
Strong and trusted brand	2	-	-
High quality of participating galleries	1	1	-
High-resolution photos	1	1	-
Transparency	-	2	1
Editorial content	-	-	1
In-platform purchasing (Buy Now functionality)	-	-	1
Extensive info about artists and artworks	-	-	1
Number of website visitors	-	-	-
Documentation (CR, COA)	-	-	-

Of the proposed factors, there is a preference among both the surveyed gallerists and art advisors towards a strong brand for the OAP and high quality of participating galleries. Additionally, an easy-to-use admin panel and a low effort required to upload content are quality requirements that galleries value highly.

7 Analysis and Discussion

Initially, this chapter describes the format of the analysis and discussion. Subsequently, the analyses of interviews and questionnaires are presented, and the market analysis is discussed. Subsequently, the theoretical frameworks are applied. Ultimately, the CSFs for starting an OAP are extracted.

7.1 Framework for Analysis and Discussion

This chapter analyzes and discusses the results from the interviews, questionnaires, the market analysis, and applies the theoretical frameworks. The determination of CSFs is accomplished through three perspectives: gallery adoption (i.e. adoption of sellers), art buyer adoption (i.e. adoption of buyers) and general adoption (i.e. adoption of both sellers and buyers). The rationale behind this division is the fact that an OAP is an MSP, meaning that adoption on all (both) sides of the platform is crucial to the OAP's success. It is thus argued that the CSFs for an OAP consists of the combination of CSFs for sellers and buyers.

When discussing CSFs for an OAP, it is important to understand the distinction between important factors, which are plenty in numbers, and CSFs, which – by definition – are limited in numbers. In other words, CSFs can be described as the most important, among many important factors.

The process of extracting the CSFs is described in Figure 7.1 below.
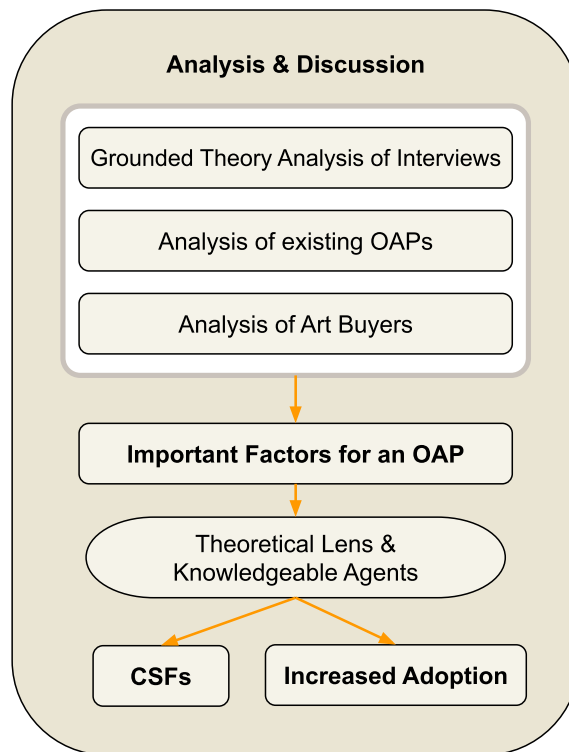
Figure 7.1 Framework for the analysis and discussion.

First, the interview and questionnaire results are analyzed and longlists of important factors for sellers (galleries) and buyers (art buyers) are created. Second, the art collector survey presented in sections 4.3 and 4.4 is examined to produce another longlist of important factors from the buyers' perspective. Third, the aggregated longlists of important factors are assessed through the theoretical frameworks presented in chapter 3 to derive a shortlist of important factors for starting an OAP (i.e. the CSFs for starting an OAP). Finally, the user groups to target for increased adoption are presented.

As mentioned in section *1.4 Delimitations*, the findings from this study are the most applicable to an OAP which meets a specific set of criteria. In particular, the discussed CSFs are intended for an OAP that is a pure online marketplace, accommodates galleries and art buyers on the primary market for contemporary art.

7.2 Analysis of Gallerist Interviews

The complete data structures from the analysis of the gallerist interviews are presented in Figures 7.2 and 7.3 below. The data structures show how the analysis has transcended from 1st order concepts to categorized 2nd order themes and finally to aggregate dimensions, achieving a high level of reasoning.

The concepts have been divided into two parts, one for traditional sales, and one for the interviewees' views on online platforms and social media. In the first round of analysis, 113 relevant informant terms were identified and noted. Subsequently, these were condensed to 15 concepts regarding ways of traditional sales and 18 regarding online platforms and social media.

7.2.1 Traditional sales

For traditional sales, three aggregate dimensions could be synthesized in the final round of the analysis (see Figure 7.2). These highlight the focus on exhibitions and artists, the importance of relationships and networks as well as the value of art fairs.
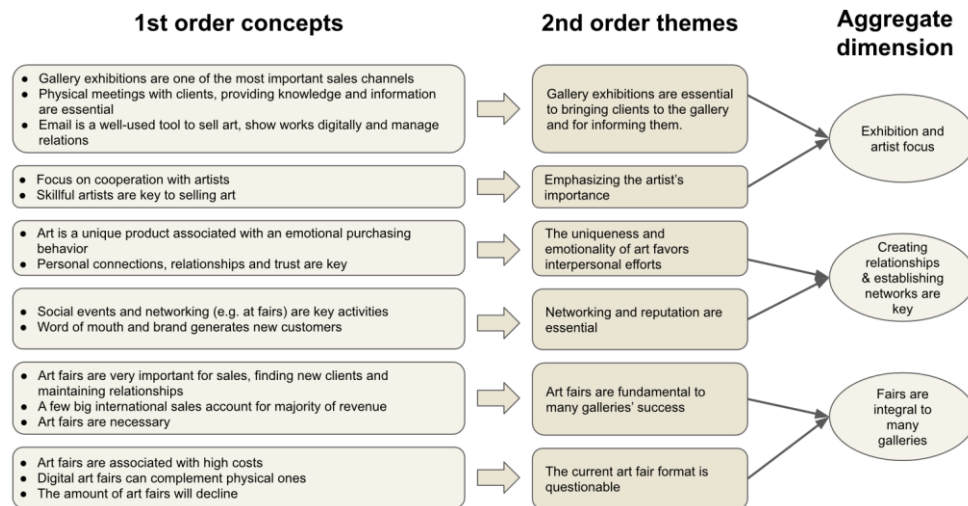
Figure 7.2 Data structure, traditional sales.

7.2.1.1 Exhibition and artist focus

Looking at the concept group at the top left of Figure 7.2, there is a view regarding traditional sales that emphasizes the gallery space and exhibitions

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as one of the most important sales channels. This is where many physical meetings take place and gallerists get in contact with aspiring buyers and collectors. After the initial contact, emails follow as the preferred communication channel through which it is possible to transfer information and images of artworks to manage the relationships with buyers and, ultimately, conduct sales.

Another rather traditional view found among gallerists was the focus on the artistic side of things. Many galleries, if not all, realize the importance of cooperating with skillful artists as a core of their business.

7.2.1.2 Creating relationships and establishing networks are key

The third group of 1st order concepts concerns the recognition of art as a unique product associated with an emotional purchasing behavior. Several interviewees mentioned the fact that art is not just another product, because there is usually only one unique piece of it. It is not always easy to make comparisons of one piece of art to another, which further contributes to its uniqueness. One consequence of the emotionality of art is the increased need for personal connection and understanding between seller and buyer. Part of the gallerist's tasks is to create strong and trusting relationships with clients to make them comfortable enough to buy original art from them.

The relationships a gallerist creates and maintains are vital to the success of their business. Therefore, it is essential to participate in and organize social events where networks can be established and expanded. Parallel to networking, the establishment of a strong brand is also mentioned by gallerists as important for sales. Many galleries find new customers through word of mouth and referrals from existing clients.

Albeit hardly surprising, this is telling of a market that is driven by personal relations and trust. This implies that it is important for OAPs to not overlook the importance of personal relations and trust in their attempt to transition sales from offline to online.

Considering the points made above, it is argued that OAPs should consider integrating social elements into their platforms to create a sense of a community, which attracts visitors. A forum where users can discuss art with each other springs to mind, but there are plenty of other ideas. Inspiration can also be drawn from social networking platforms.

7.2.1.3 Fairs are integral to many galleries

Social events are mentioned as key activities to find new clients and reduce the churn rate. Art fairs are one of the most important channels for this, if not the most important. Most galleries feel that art fairs are necessary and, generally speaking, sales connected to the attendance at art fairs account for a large part of the gallery's revenue. For some galleries, the sales of a few works of internationally established artists may account for a majority of their revenue.

While art fairs are considered by many to be a good source of new clients and revenue, there are other views of the fairs. Some believe that the number of fairs will decline in the future and that the market is oversaturated. Some consider the fairs too costly to attend, both in terms of fees and costs associated with travel and shipping. Instead, new digital art fairs could serve as a cheaper complement to physical ones, saving time and money while increasing reach.

7.2.2 Online platforms

Regarding the gallerists' views on online platforms, four aggregate dimensions could be extracted (see Figure 7.3). These show the usefulness of OAPs, the potential of Buy Now features, some gallerists' reluctance towards the digital experience of art, and the notion that IG is the dominant social media.
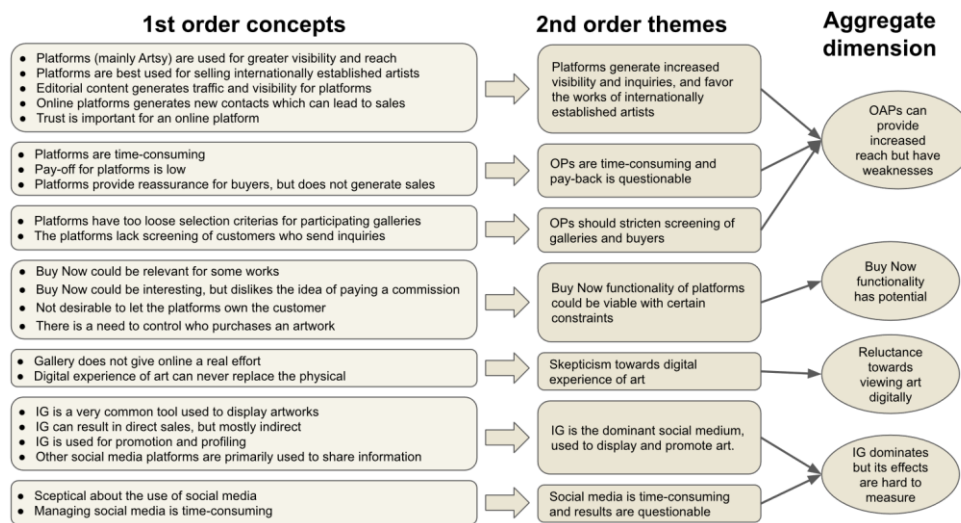
Figure 7.3 Data structure, online platforms.

7.2.2.1 OAPs can provide increased reach but have weaknesses

The first group of concepts regards several views on online platforms. A common view is that these platforms generate greater visibility and reach for galleries. Editorial content is a frequent feature of OAPs, which drives traffic to their sites. Another important characteristic of these platforms is trust, which gallerists value highly. Some gallerists find these platforms best used for selling internationally established artists, while emerging artists are much harder to sell. This suggests that existing OAPs have not yet found a model that appeals to all galleries and that they, at the moment, are most suitable for well-established galleries. Those who do not fit that description, are likely to see weaker results.

A number of negative views of these platforms are presented in the second group of concepts regarding the platforms' pay-off. Some feel that the time needed to maintain a presence on these platforms is too high and would like to see easier ways of managing their published content on these platforms. A probable reason for this is the fact that a vast majority of galleries worldwide only employ a handful of people or less, meaning that there is a limit to the amount of time that a gallery can spend uploading content and writing texts for different platforms and mediums. As stated by Bengtsson of Galerie Forsblom, her gallery cannot participate in new OAPs out of time-constraints, regardless of how promising the new platforms may seem. This implies that an important factor for an OAP is ease of management, which is further strengthened by the questionnaire rankings of important factors. To

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be able to integrate future OAPs with existing platforms and social media through APIs is another solution to this concern.

A few gallerists believe that the selection criteria for galleries on the platforms are too loose, allowing lesser-known galleries to dilute the pool of prominent ones, leading to an undesirable decrease in the average quality of works. The results from the follow-up questionnaire further support this viewpoint, in which four out of nine gallerists viewed the quality of participating galleries to be the most important factor for an OAP. Stricter criteria may hurt sales short-term (fewer galleries become paying members), but there are several arguments as to why stricter selection criteria is a good idea long-term. This is especially true for OAPs wishing to attract more established galleries.

Another time-consuming aspect of OAPs is, at least for some galleries, the high volumes of inquiries that they receive from prospective customers and must respond to. This may sound like a pleasant problem, but due to the platforms' lack of screening of customers, the inquiries are of varying quality. Practically anyone with an email can create an account and start sending inquiries to galleries listed on these platforms within a matter of minutes. Once registered, sending an inquiry for an artwork priced at one million dollars is just a few clicks away.

This suggests that some galleries would like the option to control who can contact them through these platforms and who cannot. Perhaps, gallery A only wants to receive inquiries from users with a verified identity and who can prove that they are collectors of a certain artist, while gallery B is happy to receive inquiries from anyone with a profile picture and gallery C are open to all inquiries. To address this concern arguably poses an opportunity for future OAPs.

7.2.2.2 Buy Now functionality has potential

The functionality to sell works directly through OAPs, a so-called Buy Now functionality, could be interesting to some galleries. However, it would most probably only be suitable for certain works, such as editioned works or prints. Some objections to it included wanting to control who can purchase an artwork and an unwillingness of paying a commission to OAPs. Additionally, some galleries were reluctant about the idea of transferring the ownership of the customer to an OAP.

To address the galleries' concerns, it is suggested that an OAP should allow galleries to sell artworks directly on the platform, but the galleries must be allowed to adjust this option individually for each artwork. To control who

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can purchase certain artworks, it is proposed that the galleries should be able to determine this, similar to how it is suggested that inquiries can be controlled. Moreover, regarding the ownership of customers, it is of course in both parties' interest to own the customer. However, if OAPs wish to convince galleries to sell artworks directly on their platforms, they should consider giving up the control of the customer to speed up the adoption of such features.

7.2.2.3 Reluctance towards viewing art digitally

Furthermore, some gallerists have not given OAPs real effort. For instance, they may believe that the digital experience of art is inferior to the physical one, or that OAPs have yet to prove their worth. In fact, quite a few galleries are skeptical about their very existence and are likely to show resistance to adopt new ones in the future. This is hardly surprising, but important to keep in mind.

7.2.2.4 IG dominates but its effects are hard to measure

Looking at social media, IG is widely seen as the most important social medium among galleries and, unlike other social media which are primarily used to share information, IG is used to promote artworks for sale or promotion. Moreover, many gallerists believe that IG can drive sales directly as well as indirectly. Given the importance of IG for galleries, it could be beneficial for OAPs to integrate well with IG. For example, such use cases could include integration with IG Stories to create posts in the correct format out of the box.

However, some gallerists are skeptical about the use of social media. Since it is difficult to measure the impact of social media, they are uncertain whether it brings in new clients or not. It takes time to manage social media and if it does not generate sales or lead to other positive effects, the pay-off 7.2.3 is questionable.

Longlist of important factors

To conclude the analysis of the gallerist interviews and the responses from the questionnaire, the following longlist of important factors for gallery adoption of an OAP are identified:

- Personal relationships and trust should not be overlooked;
- Social elements and community-building features should be integrated into the platform;

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- Clear communication of the results that participating galleries can expect;
- Strict selection criteria for participating galleries;
- Ease of management;
- Integration with existing OAPs and social media;
- Galleries should be able to control who can send inquiries;
- Online transactions should be made possible, but galleries must be able to control which artworks can be sold through the OAP, and;
- For online transactions, the ownership of the customer should remain with the gallery.

7.3 Analysis of Art Advisor Interviews

Traditional sales

7.3.1

Figures 7.4 and 7.5 present the 1st order concepts derived from the analysis of the interviews with art advisors. Analogous to the analysis of the gallerist interviews, the 1st order concepts have been divided into two categories: traditional sales, and online platforms and social media.

In the initial round of the analysis, 45 informant terms were identified and noted from the six interviews with art advisors. Subsequently, these were condensed to eight concepts regarding ways of traditional sales and eleven regarding online platforms and social media. These concepts were then categorized into 2nd order themes. However, since the 2nd order themes were not related to one another and few in numbers, aggregate dimensions were deemed superfluous.
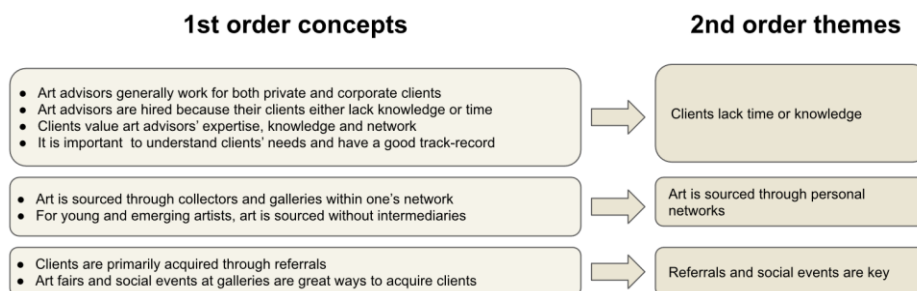
Figure 7.4 1st order concepts and 2nd order themes, traditional sales.

7.3.1.1 Clients lack time or knowledge
The first 2nd order theme that can be identified is the fact that clients hire art advisors for one of two reasons: they either lack the time or the expertise

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required to purchase art. Moreover, clients value art advisors' expertise and knowledge of art and the art market. Additionally, they see value in gaining access to the art advisors' networks of galleries, collectors, and artists.

7.3.1.2 Art is sourced through personal networks

When it comes to sourcing artworks for clients, most artworks are purchased through each art advisor's network of galleries and collectors. For less established artists, it is not unheard of for art advisors to purchase art directly from the artists, without intermediaries. Given that clients, at least in part, hire art advisors to get access to their networks, it comes as no surprise that it is common for art advisors to source artworks from their networks. The fact that art advisors have extensive networks in the art world also means that they are less dependent on OAPs for finding artworks, compared to the average buyer.

7.3.1.3 Referrals and social events are key

In terms of acquiring new clients, referrals from existing clients are considered second to none. In addition to referrals, art fairs and social events at galleries pose excellent opportunities for art advisors to meet new clients.

7.3.2   Online platforms

Continuing the analysis of the interviews with art advisors, the views on online platforms and social media are presented in Figure 7.5 below.
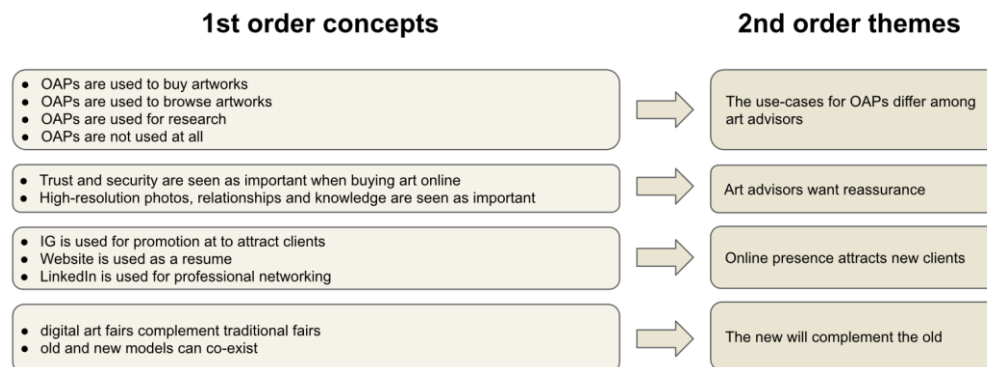
Figure 7.5 1st order concepts and 2nd order themes, online platforms.

7.3.2.1 The use-cases for OAPs differ among art advisors

From interviews, it can be noted that art advisors use existing OAPs in different ways. Some use them to buy artworks, some to browse artworks or

to research artists, while others do not use them at all. This indicates that art advisers view OAPs differently and that no homogenous behavior can be seen across peers.

7.3.2.2 Art advisors want reassurance

Looking at important factors for buying art online, art advisors highlight factors such as trust, security, high-resolution photos, relationships, and knowledge. A common denominator for these factors is that they all create reassurance and leads to more informed purchase decisions.

Arguably, art advisors can be seen as professional purchasers of art and, as such, it is reasonable to believe that they want to reduce the level of uncertainty associated with purchasing art. That, coupled with the fact that they can purchase art through their networks, means that they can set strict requirements that must be met in order for them to transact online.

7.3.2.3 Online presence attracts new clients

Interviews show that art advisors take to their websites and social media, primarily IG and LinkedIn, to attract new clients. Moreover, their websites are used as resumes. Seeing that the online presence of art advisors is mainly geared towards attracting new clients, one could argue that art advisors, generally speaking, are open to partnering with OAPs to attract new clients. Similar to how galleries pay a monthly membership fee to OAPs, art advisors could pay a fee to be listed on the same platforms. Through such an arrangement, art advisors can get new clients and OAPs can increase their revenue while adding value to visitors.

7.3.2.4 The new will complement the old

There is a view among art advisors that old and new models for selling art can co-exist. For instance, it is argued that digital art fairs can exist in tandem with traditional art fairs. This viewpoint suggests that new ways of selling art will not replace more traditional ways of selling art, but rather complement
7.3.3 them.

Longlist of important factors

To conclude the analysis of the art advisor interviews and the responses from the questionnaire, the following longlist of important factors for art advisor adoption of an OAP are identified:

- Consider partnering with art advisors to increase revenue and add value;

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- Develop features that facilitate informed purchase decisions.

7.4 Important Factors for Art Buyers

This section looks at the important factors for an OAP in order for buyers to adopt it. The findings are based on Artsy's Online Art Collector Report 2019, which surveyed 3,638 art buyers and interviewed some of them. All the respondents had an active Artsy account and to qualify for the survey, they had to have purchased at least one artwork per year or had to have set a specified budget for art purchases. In terms of demographics, respondents from the US constituted half of the sample size and the distribution of men and women were equal. This report is the largest dataset of art buyer responses that could be found and is therefore deemed a good foundation for the discussion of important factors for buyer adoption of an OAP. Moreover, the fact that respondents had to have an active account on one of the largest and most established OAPs, arguably increases the relevance of the report for this thesis. At the same time, this very fact also means that they are not representative of the average art buyer.

Important factors for consumer adoption can be divided into online-specific factors and factors that apply to the general art market, regardless of sales medium. Let us begin by discussing the former.

When looking at online-specific factors, it is evident that the lack of publicly available pricing is seen as a major challenge to transacting online. As a matter of fact, transparent pricing is considered to be the biggest hindrance to buying art online, according to Artsy's Online Art Collector Report 2019. What is more, seeing that this is a particularly articulated concern by the art buyers with the biggest wallets and the most experience, this suggests that OAPs can benefit financially from making prices available. In addition to hindering sales, having to ask for pricing information cause some buyers discomfort, which leads to potential buyers refraining from asking for the price.

Another driver of online transactions – and thus an important factor for OAPs – is increased discoverability and easier browsing of artworks. In this context, discoverability can be described as a measure of how easy it is to find artworks. Low to mid-budget buyers viewed increased discoverability as particularly important, whereas more seasoned buyers with larger wallets highlighted increased speed and less friction as especially appealing.

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A third important factor for OAPs is to be perceived as less intimidating than the traditional art market. As much as one-third of online buyers reported that their decision to transact online was influenced by the traditional art world being perceived as intimidating. This suggests that OAPs wishing to appeal to inexperienced and less knowledgeable customers should try to be welcoming in their communication. If not, these customers run the risk of spending their money elsewhere.

Regarding factors that are non-online-specific, art buyers across all budget brackets see a challenge in the reselling of artworks on the secondary market. Better reselling options would not only make them feel more confident in purchasing art, it would also allow them to more comfortably stretch their budgets for art purchases. One art buyer puts it this way:

> *"we've never sold anything up until now, but especially for things that are a bit more expensive, feeling that if we need to, we would be able to sell it, that's important"*
> (Forbes, p. 44, 2019)

Facilitating the reselling of artworks, however, is arguably easier said than done. Even on a global scale, only the artworks of some thousand artists are sold on a liquid secondary art market, suggesting that swift reselling is inherently hard for most artworks. Irrespective of this, an OAP that facilitates the reselling of artworks would arguably be praised by art buyers. Even if the OAP cannot help liquidating an artwork on behalf of a customer, it can help buyers to predict a work's future value. One way of doing this is to display price developments for other works by the same artist.

Another important factor is more flexible payment options, where some collectors requested the possibility to make payments over a number of installments over a few months or even a year to help them finance their art purchases.

Moreover, collectors are comparatively more motivated to purchase art because of the characteristics of an individual artwork, than because of the artist's background and career. This suggests that OAPs could benefit from highlighting the story behind the artwork itself and not just the artist's story.

7.4.1

Longlist of important factors for art buyers

To conclude, the following longlist of important factors can be identified among art collectors:

- Publicly available pricing;

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- Increased discoverability and easier browsing;
- Less intimidating;
- Facilitate reselling;
- Display price developments;
- Flexible payment options, and;
- Story behind the artworks.

7.5 Important Factors Based on Existing Online Art Platforms

This section looks at the important factors for starting an OAP, based on the findings from the market analysis of existing OAPs in chapter 5.

The findings are made inductively based on the researchers' observations from existing OAPs' websites and other sources.

Table 7.1 below lists the features that are found in at least two out of the three analyzed OAPs (excluding auctions, which are outside the scope of this thesis). Inductively, it can be argued that these six features are important factors to the platforms' success given that they are found across the platforms.

Table 7.1 Important factors for three existing OAPs.

Feature or characteristic	*Artsy*	*artnet*	*Saatchi Art*
Advanced searching, browsing, and filtering	X		X
Large gallery/artist representation	X	X	X
Editorial content	X	X	X
iOS app (with AR)	X		X
>$10 million raised in capital	X	X	X
Online transactions possible	X		X

7.6 Longlists of Important Factors

Through the analysis of interviews with gallerists and art advisors, by analyzing the behaviors and attitudes of art buyers and by looking at existing OAPs, the following longlists of important factors have been prepared.

Longlist of important factors for galleries

The longlist of important factors for galleries is presented below:

7.6.1

- Personal relationships and trust should not be overlooked;
- Integration of social elements and community-building features;
- Clear communication of expected results;
- Stricter selection criteria for participating galleries;
- Ease of management;
- Integration with existing OAPs and social media;
- Galleries should be able to control who can send inquiries;
- Online transactions should be made possible, but galleries must be able to control which artworks can be sold through the OAP, and;
- For online transactions, the ownership of the customer should remain with the gallery.

Longlist of important factors for art advisors

7.6.2

The longlist of important factors for art advisors is presented below:

- Consider partnering with art advisors to increase revenue and add value, and;
- Develop features that facilitate informed purchase decisions.

7.6.3

Longlist of important factors for art buyers

The longlist of important factors for art buyers is presented below:

- Publicly available pricing;
- Increased discoverability and easier browsing;
- Less intimidating;
- Facilitate reselling;
- Display price developments;
- Flexible payment options, and;

7.6.4

- Story behind the artworks.

Longlist of important factors based on existing online art platforms

The longlist of important factors for OAPs, based on features found in existing OAPs, is presented below:

- Advanced searching, browsing and filtering functionality;

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- Large representation of sellers;
- Editorial content;
- Mobile apps for iOS and Android;
- Raise capital to finance operations and expansion, and;
- Online transactions.

7.7 Theoretical Lens

By evaluating the longlists of important factors presented in section 7.6 through, what we call, a theoretical lens, potential CSFs and user groups to target to increase adoption can be determined.

As mentioned in section *2.3 Data Analysis*, the theoretical lens should be viewed as an optical lens through which the important factors pass through to filter out the less important ones. Subsequently, the researchers acted as knowledgeable agents to further reduce the lists of important factors to only include the CSFs and derive a recommendation of user groups to target for increased adoption.

7.7.1   Rate of adoption

The rate at which an innovation, in this case an OAP, is adopted by users is affected by five attributes that it holds, as described in section 3.2.1. It is of great importance that these five aspects are taken into consideration when designing and launching an OAP.

Relative advantage is a critical attribute for an OAP. If it does not have a relative advantage compared to existing alternatives, such as gallery exhibitions and art fairs, or existing OAPs, such as Artsy or artnet, what is the point in using it? The platform should achieve some level of improvement in comparison to competitors, e.g. by providing a new, easier way of selling artworks or by choosing a lower-fee model for galleries. To successfully compete with existing OAPs, an OAP needs to do things differently or do the same, but better. However, seeing how Artsy and artnet are both established companies with more than 100 employees, 10-20 years of experience, and are backed by plenty of venture capital from solid investors, they are arguably very hard to compete with if nothing new is brought to the table. Therefore, it is proposed that a new OAP should differentiate its services by

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providing new forms of value, rather than trying to outperform existing OAPs in their own game.

Another important attribute is *compatibility*. It would be advantageous to be both compatible with existing systems, like the galleries' CMSs, social media or existing OAPs, and with the needs of today's gallerists and buyers.

The *complexity* of the platform should be reduced to make way for simplicity. Gallerists are swamped by attending fairs, creating exhibitions, and tending to clients. Their organizations consist of a small number of employees, which leaves little room for managing content on complex platforms. This is an area where existing platforms may be challenged.

Concerning *trialability*, giving the paying sides of an OAP a chance to try the service for free for a limited time is a good idea. Additionally, finding good ways to demonstrate the simplicity and advantage of the platform would further improve trialability.

The case of *observability* regards the visibility of the advantage the OAP brings. If greater observability can be achieved, then late adopters can more easily see the early adopters using the service. Furthermore, the platform itself can publish enticing numbers, e.g. how many extra sales the OAP generates for the average gallery, to attract potential clients.

The five attributes affect many aspects of the design of an OAP and are important for increasing the rate of adoption. To conclude, the OAP should bring new value by providing differentiated services compared to existing alternatives, be easy to use and compatible with galleries' existing systems. Moreover, it should be possible for potential sellers to try the service for free and it is important for the OAP to find ways to illustrate the value the platform brings to users on both sides of the platform. From the longlist of important factors for galleries, the following factors can be related to increasing the rate of adoption for galleries and should thus be considered more important:

- Ease of management;
- Integration with existing OAPs and social media, and;
- Clear communication of the results that participating galleries can expect.

7.7.2

Adopter categories

Decision-making units, such as individual art collectors (buyers) or directors of galleries (sellers), do not adopt innovations simultaneously. Instead, the

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adoption of innovations occurs gradually across the population, granted that the innovation is adopted in the first place. This phenomenon is known as the diffusion of innovations.

Due to how innovations are diffused, OAPs need to identify and categorize different adopter groups based on their innovativeness to create targeting strategies.

Seeing that an OAP incorporates at least two sides: galleries (sellers) and art buyers, adopter categories can be identified on both sides of the platform. Let us start by identifying adopter categories for galleries.

It can be argued that innovators, the first to adopt innovations, are found among those galleries who currently participate in one or more OAPs and have done so for the past 10-20 years. Alternatively, these galleries developed their websites at the turn of the millennium, years ahead of their competitors. Relative to other galleries, these galleries are tech-savvy.

Among the early adopters, we find galleries with a large following in the art world. Because of their status on the art scene, they are highly influential and other galleries look to copy their success, meaning that they demonstrate strong opinion leadership. Similar to innovators, these galleries have already participated in one or more OAPs and have done so for several years. Compared to innovators, they are slightly less tech-savvy and more risk-averse.

Once the early adopters are on board, the early majority follows slowly, but deliberately. These galleries may or may not participate in OAPs, but they have their own websites. Moreover, they are likely to have one staff member dedicated to maintaining their digital presence across different platforms. The early majority follow the developments of innovators and early adopters closely and they start to slowly adapt ideas once they see satisfying results for the former adopter categories. They adopt new ideas to stick with the herd and to not get left behind. Adoption for the early majority can also stem from peer pressure.

The remaining 50 percent of galleries, who belong to either the late majority or laggards, is characterized by a great skepticism towards OAPs, digital viewing of art and social media. They do not participate in OAPs and their websites and IG accounts are best seen as hygiene factors. They sell art in physical spaces and they have not considered employing someone to handle their online presence. Hypothetically speaking, if they were to participate in OAPs, it would be in an attempt to combat financial struggles.

Having discussed the adopter categories for sellers, let us review the buy-side.

The buyers who are likely to adopt an innovation first, the innovators, are likely to be found among existing users of OAPs. What is more, these are the individuals who purchased art online years before the technology had matured and years before online shopping, in general, reached the masses. These individuals were happy to accept the increased risks associated with online buying in their pursuit to be the first to adopt OAPs and buy art online.

The early adopters share several traits with innovators, such as their willingness to purchase art online in an immature market. Their risk appetite, however, is lower than that of innovators. Two additional traits of early adopters are their strong influence and opinion leadership. In the art scene, it is argued by the authors that the most influential buyers belong to one of the following groups: (1) HNW collectors; (2) collectors with impressive collections, and; (3) collectors known to have an acquired taste. It is thus believed that these three groups of buyers are found in this category.

Moving on to the early majority, these are art buyers who make most of their purchases online, including the purchasing of groceries, clothes, electronics, and furniture. In other words, these people are no strangers to buying things online and they are happy to give OAPs a shot. As a result of this category's preference for online shopping, this adopter category is predominately existing of millennials and Generation X.

As opposed to the early majority, the late majority and laggards display an offline-dominated shopping behavior. They might have purchased books and other low-value items online, but they prefer to do their shopping in-store and in-person. This is especially true for their occasional art purchases. Owing to this, these two adopter categories are predominately baby boomers.

7.7.3

Crossing the chasm

For disruptive or discontinuous innovations, Moore's theory of a chasm that needs to be crossed to bridge the gap between the early market and the mainstream market is applicable.

In this thesis, it is argued that an OAP is a disruptive innovation, given that it questions the role of traditional gallery exhibitions and art fairs.

For an MSP, there is potentially one chasm for each side of the platform, meaning that an OAP with galleries as sellers and art collectors as buyers have two chasms to bridge to reach the mainstream market.

Let us start by reviewing the chasm for galleries.

For galleries, a chasm is likely to arise when visionary galleries (i.e. those with a large following who were among the first to participate in OAPs) and pragmatists (i.e. those who have adopted existing OAPs to stick with the herd) see no compelling reason to adopt the platform. In this delicate situation, the pragmatists are hard to convince because they have no references to look at and visionaries see few benefits of adopting the idea at this relatively late stage.

To cross this chasm, it is suggested that the OAP targets one segment of pragmatists and addresses their needs and wants to 100 percent. That way, their barrier of adoption decreases, and they are more likely to adopt the OAP. Ultimately, this will create reference cases for other pragmatists, which helps fuel the adoption of the critical early majority. It is proposed that struggling pragmatists are selected as the primary target segment. In particular, galleries that struggle financially and believe that costs associated with physical sales via gallery exhibitions and art fairs are too high, should be targeted. This group could also consist of galleries who have seen mediocre or poor returns from their participation in existing OAPs.

Let us now look at the chasm for buyers.

On the buyer's side, the chasm appears when visionary buyers (i.e. HNW collectors and reputable collectors who use existing OAPs) and pragmatist buyers (i.e. millennial/generation X online-shoppers) see few compelling arguments for adoption. Analogous to the seller's side, it is suggested that the OAP should first target a segment of pragmatists who experience "pain" in their status quo, such as those of who cannot frequent art fairs or visit galleries or those who are not satisfied with existing OAPs.

To conclude, the solution to crossing the chasm on each side of the platform is to target pragmatists in pain and to develop their whole product so that they see a compelling reason to adopt the innovation. In other words, it is important for an OAP to fulfill the wish-lists of one segment of pragmatists in pain to 100 percent.

Once pragmatists in pain have adopted the OAP, the remaining pragmatists will follow with greater confidence, using their predecessors as reference.

Subsequently, when all pragmatists have adopted the innovation, half of the population have done so and the chasm has been crossed.

Multi-sided platforms

7.7.4 The OAP in question will involve at least two sides, galleries and art buyers. Thus, it can and should be analyzed in the context of an MSP. As mentioned in section 3.3, there are several strategic decisions to be made regarding an MSP.

When considering which sides to take on at the start, the complexity of the MSP can be reduced by choosing to only include the necessary ones, i.e. galleries and buyers. After some time, when the platform has gained traction, other sides can be included as well. These might be art advisors, other art institutions, or art fairs.

When considering what features to include in the OAP, a cost-benefit analysis for each potential feature should be conducted and the features with a positive benefit-cost ratio should be implemented. Also, it would be beneficial to include some features that are not found in existing OAPs in order differentiate the platform.

The pricing structure decision can be resolved by answering the three questions stated in 3.3.3 regarding price sensitivity and relative benefits. For the two sides, galleries and art buyers, galleries are more likely to be willing to pay for the service. In terms of value, galleries get an enhanced reached, which leads to a potential increase in sales. For art buyers, the value comes from the convenience of viewing, inquiring and purchasing art from the comfort of their homes. While an OAP is beneficial to both sides, one could argue that galleries receive the most value.

Choosing the right level of governance rules can mitigate potential market failures of the platform. A common question to address regarding governance is "who can join?". In this case, it can be translated to "which galleries and buyers can use the platform?". Seeing how the interview and questionnaire results showed a demand for increased quality of participating galleries, stricter selection criteria and control over who can send inquiries, this is indeed an interesting question. It is argued that governance rules concerning the selection of galleries and restrictions on buyer inquiries could be beneficial to the success of the OAP. It does, however, present a trade-off: denying higher buyer and gallery numbers in the short run to hopefully increase the success of the OAP in the long run.

Lastly, to address the critical mass or chicken-and-egg problem, several launch strategies were defined in section 3.3.5. These can be used individually or in combination. The single target group strategy can be utilized by targeting one specific group of eligible galleries or buyers in the beginning to attain an adequate base of users. Choosing to subsidize subscription fees in some form is one way to attract the early adopters, which, in turn, can bring in more users. The platform envelopment strategy – to partner up with existing platforms and grow together with them – is another option to consider. Which platforms to partner up with and why to do so are two critical, though difficult, questions to answer. Side-switching, making one participant group fill up two sides of the platform first, temporarily reduces the number of user groups and can be one way to attract that side in the first place. Either galleries or buyers could be brought to the platform at the start by providing social elements, community features, or other functionality to the group in question.

Of the important factors from the longlist, the following factors can be considered more important by considering the application of MSP theories:

- Stricter selection criteria for participating galleries, and;
- Galleries should be able to control who can send inquiries.

7.8 Critical Success Factors

Below, the CSFs for starting an OAP are presented. The longlists of important factors have been filtered and shortened by applying the theoretical frameworks to the analysis of the results that were gathered through the market analysis, interviews, and questionnaires. Finally, by allowing the researchers to act as knowledgeable agents, the longlists can be reduced to shortlists containing the CSFs. Moreover, some important factors are disregarded since they are too closely associated with a specific feature of the OAP and therefore not applicable to the general case. The important factors for art advisors were considered in their entirety and disregarded since they are not intended to be one of the initial sides of the platform.

Important factors from the longlists found in section 7.6 that were discarded are struck through.

Critical success factors for gallery adoption

The five CSFs for gallery adoption of a new OAP are presented below:

7.8.1

- Clear communication of expected results;
- Stricter selection criteria for participating galleries;
- Ease of management;
- Integration with existing OAPs and social media, and;
- Galleries should be able to control who can send inquiries.
- ~~Personal relationships and trust should not be overlooked~~
- ~~Integration of social elements and community-building features~~
- ~~Online transactions should be made possible, but galleries must be able to control which artworks can be sold through the OAP~~
- ~~For online transactions, the ownership of the customer should remain with the gallery~~

Clear communication of expected results is the first CSF. It is important to consider when looking to improve the observability, as mentioned in 7.6.1. Unless galleries can clearly understand the results that they can expect from participating in the platform, they will not have any incentives to join.

The second CSF for gallery adoption, stricter selection criteria for participating galleries, comes with the trade-off between higher gallery and buyer numbers in the short run versus more probable long-term success of the platform. It is argued that this trade-off is worthwhile in the long run, especially if the goal is to host established and prominent galleries.

The third and fourth CSFs for galleries are ease of management and integration with existing OAPs and social media. The demand for easier management stems from the galleries lack of time and resources as well as the perception of existing platforms being time-consuming to administrate. Furthermore, to integrate a new platform with existing OAPs and social media, greatly reduces the amount of duplicated work.

The last CSF for galleries concerns the OAP's ability to control which buyers can send them inquiries. They want to ensure that those who contact them have a sincere interest in the artwork and are prospective customers.

Looking at the important factors that were disregarded as CSFs, personal connections and the integration of social elements were ruled out to ensure the platform's simplicity. The Buy Now-related important factors were also discounted since that feature were not seen as fundamental for starting an OAP.

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Critical success factors for art buyer adoption

Below are the identified CSFs for starting an OAP from the perspective of art buyers:

7.8.2
- Publicly available pricing;
- Increased discoverability and easier browsing;
- Less intimidating, and;
- Display price developments.
- ~~Story behind the artworks~~
- ~~Facilitate reselling~~
- ~~Flexible payment options~~

Publicly available pricing is seen as a CSF since it is viewed by art collectors as the biggest hindrance to buying art online. This is especially true for wealthier and more seasoned art collectors, suggesting that this concern ought not to be ignored.

Seeing how increased discoverability and easier browsing of artworks is a strong driver for online transactions among art buyers, it is identified as a CSF. For less experienced buyers, increased discoverability means that it is easier for them to find artworks and for more experienced buyers, easier browsing of artworks reduces friction and time required to purchase art.

The third CSF is to be less intimidating than the traditional art market to appeal to less experienced and less knowledgeable (but not necessarily less wealthy) buyers.

By displaying price developments of artists' artworks over time, an OAP can help customers predict an artwork's future value and help them purchase art with greater confidence. This is viewed as a CSF because it boosts sales.

To highlight the story of artworks, facilitate the reselling of artworks and provide flexible payment options are regarded as less important and thus disregarded as CSFs. As previously mentioned, the reselling of artworks on a liquid secondary market is only possible for the works of a few thousand artists globally, meaning that it is not feasible to do for a large majority of artworks. Flexible payment options are ruled out as a CSF based on online transactions not being viewed as a fundamental feature in the initial phase of an OAP.

Critical success factors for general adoption

7.8.3 This section presents the mutual CSFs for the adoption of galleries and art buyers (i.e. general adoption) of a new OAP and are based on the features found in existing OAPs. The three CSFs are presented below:

- Advanced searching, browsing, and filtering;
- Large representation of sellers, and;
- Editorial content.
- ~~Mobile apps for iOS and Android~~
- ~~Raise capital to finance operations and expansion~~
- ~~Online transactions~~

Advanced searching, browsing, and filtering is identified as a CSF because it increases the OAP's usability and user experience, which leads to more sales. For instance, for users looking to purchase an artwork that meets a specific set of criteria, such as a 1950s painting that is at least two meters wide, advanced filtering is crucial. In contrast, for users looking to purchase an artwork based on its appearance, recommendation engines are important to show the user with relevant artworks.

A large representation of sellers is identified as another CSF for two reasons. Firstly, an OAP's revenues are proportional to the number of galleries (given that a membership fee is paid by participating galleries), meaning that more galleries lead to a higher revenue. Secondly, a large representation of galleries is essential to attracting buyers to the platform.

The third identified CSF, editorial content, is found across all analyzed OAPs (Artsy Editorial, artnet News, and Saatchi Art's Canvas). Editorial content is deemed critical when starting a new OAP because it drives traffic from search engines, engages the users, and creates a reason for art enthusiasts to visit the site.

To develop a mobile app for the two leading mobile operating systems (Android and iOS), to raise capital to finance operations and to support online transactions through the OAP were also viewed as important factors for an OAP. However, they were not deemed as crucial to the initial phase of the OAP, meaning that they are not CSFs for starting an OAP. It is thus argued that mobile apps and support for online transactions should be implemented at a later stage and that capital should be raised when necessary.
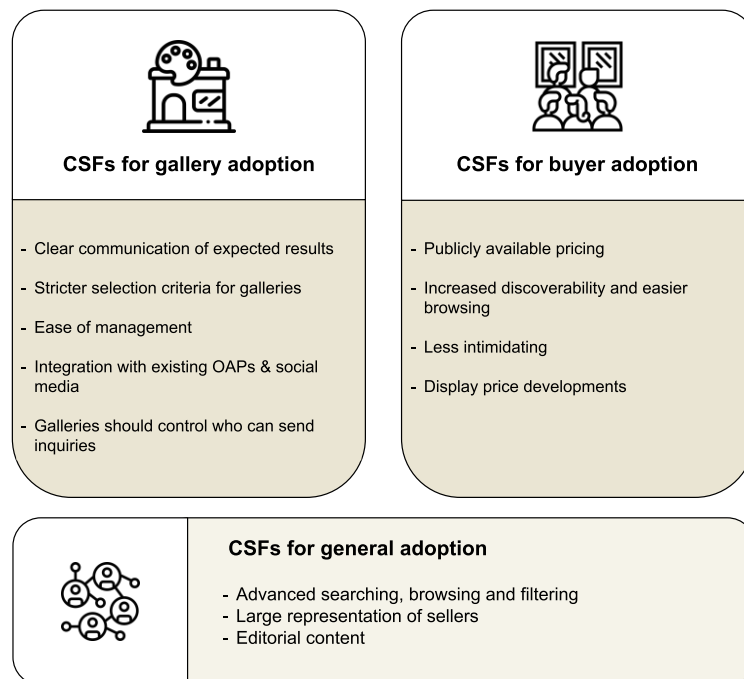
8 Conclusion

The final chapter answers the research questions proposed in the introduction. Furthermore, the thesis' contribution to theory and suggestions for further research are discussed. Lastly, the thesis' limitations are reviewed.

8.1 Answers to Research Questions

8.1.1 Which are the critical success factors for starting an online art platform?

The CSFs for starting an OAP are presented in Figure 8.1 below.

CSFs for gallery adoption

- Clear communication of expected results
- Stricter selection criteria for galleries
- Ease of management
- Integration with existing OAPs & social media
- Galleries should control who can send inquiries

CSFs for buyer adoption

- Publicly available pricing
- Increased discoverability and easier browsing
- Less intimidating
- Display price developments

CSFs for general adoption

- Advanced searching, browsing and filtering
- Large representation of sellers
- Editorial content

Figure 8.1 The CSFs for starting an OAP.

Five different CSFs were identified for gallery adoption and these are presented in the group to the left: (1) clear communication of expected results; (2) stricter selection criteria for participating galleries; (3) ease of management; (4) integration with existing OAPs and social media, and; (5) galleries should be able to control who can send inquiries.

The four CSFs for buyer adoption are presented in the group to the right: (1) publicly available pricing; (2) increased discoverability and easier browsing; (3) less intimidating, and; (4) display price developments.

The three general adoption factors are presented in the bottom group of CSFs: (1) advanced searching browsing and filtering; (2) large representation of sellers, and (3); editorial content.

8.1.1.1 How are existing online art platforms operating and what characterizes them?

Three prominent OAPs, Artsy, artnet, and Saatchi Art, were observed, explored and analyzed in this thesis. They operate and are characterized as follows.

Regarding sales, Artsy and artnet accommodate galleries and other art institutions as sellers, whereas Saatchi Art allows emerging artists to sell art directly to art buyers, circumventing galleries as intermediaries. The former two sell artworks on both the primary and secondary market, while Saatchi Art focuses solely on the primary market.

In terms of revenue streams, Artsy charges partnering galleries a monthly membership fee and earns commissions from sales through the platform. Similarly, artnet charges partnering galleries a monthly subscription fee. However, artnet's largest revenue stream is its subscription-based price database, followed by commissions from auctions. In contrast, Saatchi Art earns all its revenue by charging artists a commission on each sale.

Looking at characteristics that distinguish the three OAPs, it can be noted that Artsy has raised the most capital ($100.9M), is the most versatile and feature-rich platform, and has amassed the largest number of galleries (3,200 compared to artnet's 1,100). Distinguishing characteristics for artnet is that it is the oldest of the three, generates the most monthly visitors (three million) and has an explicit focus on auctions in addition to the primary market. In contrast, Saatchi Art distinguishes itself by catering to emerging artists looking to sell art directly to art buyers. Consequently, the average price tag is relatively lower on Saatchi Art. It is also a much smaller operation in terms of the number of employees.

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Regarding the main features of the three OAPs, Artsy's classification system (the Art Genome Project), its iOS app that incorporates virtual viewing (View in Room) and its support for direct transactions (Buy Now, Make Offer) are fundamental features of Artsy's product. For artnet, its differentiating features include its subscription-based price database for auction results and its auctions. Similar to Artsy, Saatchi Art uses a classification system to display artworks that share similarities, supports direct transactions and has an iOS app with virtual viewing (View In Your Room).

8.1.1.2 *Which factors of an online art platform are important to galleries, art advisors, and art buyers?*

The factors of an OAP that are important to galleries, art advisors, and art buyers are presented in Tables 8.1-8.3 below.

Table 8.1 Important factors for galleries.

Galleries
Personal relationships and trust should not be overlooked
Integration of social elements and community-building features
Clear communication of expected results
Stricter selection criteria for participating galleries
Ease of management
Integration with existing OAPs and social media
Galleries should be able to control who can send inquiries
Online transactions should be made possible, but galleries must be able to control which artworks can be sold through the OAP
For online transactions, the ownership of the customer should remain with the gallery

Table 8.2 Important factors for art advisors.

Art Advisors
Consider partnering with art advisors to increase revenue and add value
Develop features that facilitate informed purchase decisions

Table 8.3 Important factors for art buyers.

Art Buyers
Publicly available pricing
Increased discoverability and easier browsing
Less intimidating
Facilitate reselling
Display price developments
Flexible payment options
Story behind the artworks
Publicly available pricing
Increased discoverability and easier browsing

8.1.1.3 Which user groups should be targeted to increase the adoption of an OAP?

For a disruptive innovation, there is a chasm between the early market and the mainstream market that needs to be crossed to increase adoption. In the case of an OAP, there is a chasm on each side of the platform. However, before the chasms can be crossed, early market adoption must occur.

The first step to increase the adoption of an OAP is therefore to target the early market (techies and visionaries). Subsequently, the OAP's efforts should be channeled to reach the mainstream market. Most importantly, it is proposed that pragmatists in pain should be targeted, seeing how they are the most susceptible to challenging their status quo. Moreover, for these pragmatists to find a compelling reason to adopt an OAP, it is essential that their whole product is developed. If not, attempts to cross the chasm may be in vain.

Once pragmatists in pain have adopted the OAP, the remaining pragmatists will follow with greater confidence, using their predecessors as reference. Subsequently, when all pragmatists have adopted the innovation, half of the population have done so and the chasms have been crossed.

The characteristics of the user groups that should be targeted to increase the adoption of an OAP are presented in Figure 8.2 below. A solution to how the chasms on each side of the platform should be crossed and the pain points of pragmatists are also illustrated in the figure.

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	Galleries	**Buyers**
Techies	- The first to embrace online selling of art - Have participated in OAPs for 10-20 years - Sophisticated website - Tech-savvy	- Users of existing OAPs - Purchased art online years before the technology had matured - Tech-savvy
Visionaries	- Have participated in one or more OAPs for several years - Large following in the art world. - Others try to copy their success - Tech-savvy	- Open to purchasing art online in an immature market - Strong influence and opinion leadership - Wealthy or reputable collectors
Crossing the Chasms	**Solution** - Target pragmatists in pain - Develop the targeted pragmatists' whole product (i.e. fulfill their wish-list to 100 percent)	
Pragmatists (in pain)	- May or may not participate in OAPs - Likely to have an employee dedicated to maintaining their digital presence **Pain points:** Struggles financially. The cost of selling art physically is too high, and/or have seen poor results from existing OAPs.	- Preference for online shopping - Millennials and generation X **Pain points:** Unable to attend art fairs or visit galleries, and/or existing OAPs do not suffice.

Figure 8.2 User groups to target and their pain points.

8.2 Contribution to Theory

The research presented in this thesis has contributed to the relatively unexplored field of study regarding the digitalization of the art market. The categorization and analysis of existing OAPs and interviews revolving around the OAPs include some of the additions committed to this field.

A more specific contribution is the authors' CSF framework for starting an OAP. It presents a theoretical framework that can be applied by practitioners starting OAPs and, potentially, by those who are already operating one. Additionally, the results from interviews and the market analysis provide insights into how the actors in the art market are conducting business at this point in time.

Further, the thesis examines the application of MSP theories on multi-sided OAPs.

8.3 Suggestions for Further Research

The purpose of this thesis has been to determine the CSFs for an OAP used for selling and buying contemporary art. As such, a list of CSFs for an OAP has been presented. However, to further validate the findings, it would be interesting to conduct a similar study with a different representation of participating galleries and other industry stakeholders. Moreover, it would be interesting to apply the CSF framework for starting an OAP to a closely related industry to see its applicability to other online platforms and test its transferability.

Furthermore, the following questions are intended to inspire further research. They are not necessarily phrased as potential research questions, but rather as a way to spur ideas:

- How can the adoption of OAPs and the transition to online sales in the art market be sped up?
- How can visual technologies, such as VR and AR, be integrated into OAPs to bridge the gap between offline and online viewing of art?
- Which business model is the most suitable for an OAP?

8.4 Limitations

8.4.1

Data collection

The conclusions presented in this study are primarily based on data collected through a market analysis, interviews, and questionnaires.

For the market analyses, two reports were used as the backbone, The Art Market Report and The Online Art Collector Report. Although complemented by other sources, it cannot be ignored that this thesis is reliant on the findings from these two reports. Arguably, this constitutes a limitation.

Looking at the interviews, several limitations can be identified.

For one, when reaching out to prospective galleries, galleries were selected based on meeting one of two criteria: (1) prior participation at Art Basel's art fairs (Basel, Miami, or Hong Kong), or (2); active gallery partner at Artsy. This approach was chosen to screen galleries and to increase the quality of participating galleries. At the same time, this implies that the sample is not

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representative of the gallery market as a whole. Similarly, for the screening of art advisors, the APAA directory was used as selection criteria.

For two, 24 qualitative, semi-structured interviews were conducted. 17 with gallerists, six with art advisors, and one with an industry expert. However, no interviews were conducted with representatives from any OAPs. This was not a deliberate choice, but rather a consequence of our requests to interview representatives from OAPs being declined. What is more, apart from one interview, all interviews were conducted with art professionals based in Europe (19) and North America (5). Seeing that China alone accounts for roughly 40 percent of global art sales, it was unfortunate that no galleries from China (including Hong Kong) wanted to participate in the study. The same goes for Singaporean and Japanese galleries. Owing to this, it is reasonable to believe that the thesis' findings might be somewhat limited geographically to Europe and North America.

For three, the researchers had limited prior knowledge of the art market. As such, the researchers' understanding of the art market and its stakeholders increased gradually as the study paced along. Arguably, this constitutes a limitation to the study. However, on a positive note, seeing that the researchers had no preconception of the art market, the results are likely less colored by observer bias.

Regarding the questionnaires, relatively few responses were collected from the interviewees. For qualitative research, this is not necessarily a problem per se, but given that survey responses would have been used to map and group interviewees based on certain measures, such as revenue or the number of employees, it was seen as a problem. Since qualitative research is focused on *who says what*, rather than *how many say what*, it was unfortunate that the interviewees could not be mapped as intended.

8.4.2

Temporal factors

Considering temporal factors' effects on the study, the COVID-19 pandemic is, at the time of writing, holding a steady grip on the world. It is changing the landscape in which businesses operate and can thereby generate new CSFs for a limited time. For the art world, the pandemic has caused the halt of most fairs and art events, including gallery exhibitions. New digital ways of reaching viewers, buyers, collectors, and art enthusiasts are now complementing and replacing traditional, physical ways. Using OAPs are one way to address the challenges posed by the current situation in which

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travel, social gatherings and physical events are heavily restricted. Therefore, the usage of these platforms may be increasing in these times. On the contrary, this pandemic is likely to have far-reaching consequences, not least for the world economy, meaning that the future growth of the whole art market will presumably be affected negatively by this.

Moreover, the main part of the study was conducted before and during the beginning of the COVID-19 pandemic. As a result, the primary data might have been shaped by it. For instance, most study participants shared a view that the OAPs were not essential to their businesses. There is a possibility that view will change when the effects of the pandemic are clearer.

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Appendix A Interview Guides

The interview guides for the interviews with galleries and art advisors are presented below

A.1 Gallerist

Background

- How did you get into the art scene?
- How did your journey at your gallery begin?
- Can you describe your role at your gallery? What are your primary tasks?

Sales

- How do you sell your art?
- How do you acquire customers?
- Which are your most important sales channels?
- What makes your customers buy art from you? What is important to them?

Online Platforms

- What digital platforms do you use today?
- How do you use these?
- What do you like about them, what don't you like about them?
- What do you think is important when selling art online?
- Would you be open to one-click purchases online, meaning that customers can buy art directly from your website/Artsy, similar to how you buy a pair of sneakers today?
- What do you think is important when selling art online?
- Relatively speaking, is the art that you sell online cheaper or more expensive than the art that you sell in your gallery or at fairs?

Art Fairs

- How many art fairs do you attend? National? International?
- What purpose do they serve for you?
- What are your thoughts about a digital art fair?

A.2 Art Advisor

Background

- How did you get into the art scene?
- How did your journey as an art advisor begin?
- Can you describe your role at the art advisory? What are your primary tasks?

Channels

- Which channels do you use to find clients?
- How do you acquire clients? New, old?
- Which are your most important client channels?
- What makes your customers buy through you? What is important to them?
- How do you find artworks for your clients?

Digital platforms

- What digital platforms do you use today?
    - How do you use these?
    - What do you like about them, what don't you like about them?
- What do you think is important when selling/buying art online?
- Would you be open to one-click purchases online, meaning that you could buy art similar to how you buy a pair of sneakers today?

Art Fairs

- How many art fairs do you attend? National? International?
- What purpose do they serve for you?
- What are your thoughts about digital art fairs?

Appendix B Questionnaires

The questionnaire for gallerists and art advisors are presented below.

B.1 Gallerist

What is your name? Which gallery do you represent?

What is your yearly revenue?

- Up to $500k
- $500k-$1m
- $1m-$10m
- $10m-$30m
- Over $30m
- Prefer not to disclose

Which price range of artworks has the greatest contribution to your revenue?

- Less than $5k
- $5k-$50k
- $50k-$250k
- $250k-$1m
- Over $1m
- Prefer not to disclose

Number of employees, including yourself? *For galleries with several spaces, please specify the total number of employees.*

- 1
- 2
- 3-5
- 6-10
- 10-20
- 20+

Relative to other galleries, when does your gallery adopt new ideas and innovations? *Try to be as honest as possible.*

- Among the first
- Before the majority
- After the majority
- Among the last

Which are the most important factors for an online art platform? *Please rank which factors you consider to be the three most important for partnering with an online art platform. Examples of such platforms are Artsy, artnet, Saatchiart, and others.*

Table B.1 Important factors for partnering with an OAP.

Factor	1	2	3
High quality of participating galleries			
Strong and trusted brand			
Screening of customers (to increase the quality of inquiries)			
Easy-to-use admin panel/CMS			
Low effort required to upload artworks			
Low subscription fee and/or commission			
Editorial content			
In-platform purchasing (Buy Now functionality)			
Number of website visitors			
Transparency			

B.2 Art Advisor

What is your name? Which art advisory do you represent?

What is your revenue?

- Up to $50k
- $50k-$100k
- $100k-$200k
- $200k-$500k
- $500k-$1m
- Over $1m
- Prefer not to disclose

Which price range of artworks has the greatest contribution to your revenue? *Of total sales, which price range generates the most revenue?*

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- Less than $5k
- $5k-$50k
- $50k-$250k
- $250k-$1m
- Over $1m
- Prefer not to disclose

Number of employees, including yourself?

- 1
- 2
- 3-5
- 5+

Relative to other art advisors, when do you adopt new ideas and innovations? *Try to be as honest as possible.*

- Among the first
- Before the majority
- After the majority
- Among the last

Which are the most important factors for an online art platform? *Please rank which factors you consider to be the three most important for an online art platform to find and buy artworks for clients. Examples of such platforms are Artsy, artnet, and Saatchi Art.*

Table B.2 Important factors for buying art through an OAP.

Factor	*1*	*2*	*3*
Strong and trusted brand			
High quality of participating galleries			
High-resolution photos			
Transparency			
Editorial content			
In-platform purchasing (Buy Now functionality)			
Extensive info about artists and artworks			
Number of website visitors			
Documentation (CR, COA)			