



ArtTactic®

The online
art trade
2013

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A. Introduction

Hiscox, as an insurer of galleries, auctioneers, collectors and museums worldwide, often has a bird's eye view on what is being collected, from where and by whom and of the market's international ebb and flow. In a world where all kinds of markets are being transformed by technology and online trading, the art market is no exception.

Of course, key to our business is confidentiality and no individual client's information has been used in this report. Instead, Hiscox has worked with ArtTactic to survey a broad cross section of international collectors and galleries to test our view. These findings validate and further expand upon our own observations and highlight the opportunities and risks facing the art market as it embraces a more digitalised and internationalised world. By the necessity of focus and brevity, we have chosen to concentrate this report on the contemporary end of the market.

The art market sometimes seems to change only very slowly and given its discretion, some would say opacity, new developments are sometimes indiscernible until they have already taken root and become a new norm. In the 1980s Sotheby's chairman and owner Alfred Taubman brought his theory of 'threshold resistance' out of the shopping malls and into the fine art auctioneers, manifesting itself in colourful, illustrated catalogues rich with narrative and context. A whole new market of private collectors found the auctioneers suddenly more approachable and more accessible; an historic market barrier had been broken down. Dealers too have driven their global brands and promoted their accessibility, notably through fairs starting with Maastricht in the 1970s and now seemingly multiplying exponentially each year across the world.

The internet is the next natural stage of this evolution, and it is on the internet and e-trading that this report

focuses. In recent years, technology has disrupted businesses in the music, film and book industry, and it is likely to have a significant impact on the art market too. While several of these industries have seen dramatic change as a result of the digitisation of the content, the art market transaction will still predominantly be based on the exchange of the physical object. Hence the challenge is not that art as we know it today will suddenly change its nature (like we have seen with music, books and films). The real challenge is how the traditional art market engages both with their existing client base and a potential new audience that increasingly wants the option to conduct their business online.

We wanted to look more closely at the risks and opportunities that this poses to the idea of 'traditional' relationships between the trade and collectors. Galleries and auctioneers now have far greater reach than before, and with that, the number of direct relationships with any one collector is multiplying. In this report, we look to debunk some prejudices associated with the online art market and throw light on emerging trends, providing some idea of how the future might look for the sector.

We hope this report will be of interest, perhaps spark debate and that it will further support our clients, whether in 'the trade' or as private collectors, in protecting and developing their collections and businesses.

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B. Key findings

Art buyers

- **Art collectors and art buyers are already buying art directly online.** 64% of collectors surveyed have bought art (sight unseen)¹ through a website with little or no interaction with the seller.
- **Buying art based on a digital image has become the norm rather than the exception.** 71% of art collectors have bought art online sight unseen. This is supported by the fact that 89% of the galleries surveyed regularly sell art to clients on the basis of a digital image only. This suggests that art buyers are generally confident in buying art without first seeing the actual work, which opens up significant opportunities for an online art trading and e-commerce market.
- **Reputation and trust remain critical in the online market and provide existing galleries with a potential advantage.** As you might expect, the main barrier to collectors buying art online is related to issues of provenance and authenticity (80%) and the reputation of the seller (65%). The offline art world seems to have a significant advantage in capitalising on their reputation and their expertise. Traditional galleries are waking up to these opportunities with 59% of the galleries surveyed planning to implement an e-commerce strategy in the coming 12 months.
- **Price is not the barrier one might assume.** 26% of the art collectors surveyed have spent £50,000 or more buying art online (includes buying from a jpeg, but also from online auctions and gallery websites), and 25% of these collectors would be willing to spend £50,000 or more on a single artwork in the future.
- **Art buyers seek to buy unique works online.** Although limited edition prints and photography have been seen as the most suitable mediums to sell through online channels, 45% of the art buyers surveyed have bought unique works of art sight unseen (such as paintings) online. This result is also reflected among the galleries surveyed, where sales of original artworks accounted for 53% of online sales, against 59% accounted for by limited edition prints and photography.
- **Younger buyers increase the potential of the lower end of the online art market.** Currently, 43% of the 25-29 year olds surveyed have bought art online (sight unseen). Furthermore, 67% of this age group said they were very likely to buy art online in the next year. This suggests that there is a new generation of art buyers emerging that are willing to use online channels when buying art.
- **Don't forget the older buyers.** The perception about generational differences in online buying behaviour is much less evident in the art market. In fact, 55% of respondents in the 65 year plus age group said they had bought art directly online, and 82% said they had bought an artwork based on a digital image only. This group are also significant spenders, with 20% saying they have spent more than £50,000 on buying art online so far, and 18% said they would be willing to spend more than £50,000 on a single artwork.
- **Gender differences in the online art market.** It also appears that gender plays a role when it comes to behavioural patterns in buying art online. Among the art buyers surveyed, 70% of the men vs. 55% of the women have bought art online sight unseen. Women prefer buying from gallery websites (52%) and online galleries (31%), against men answering 48% and 22% respectively. On the other hand, men seem to be more inclined to buy through online auctions, with 56% using this method, whereas only 26% of their female counterparts preferred this buying channel.

¹For the purpose of this report, buying art 'sight unseen' means means acquiring a work of art without seeing the physical object. The purchase is based on a digital image only.

B. Key findings

Galleries

- **Galleries are attracting new clients through online channels.** Among the galleries surveyed, 72% said their online direct and indirect sales² via website are from new collectors. This signals a significant opportunity for traditional galleries to engage and build new audiences online.
- **Traditional galleries have resisted the move to e-commerce.** The majority (78%) of the galleries surveyed said they didn't provide their clients with the option of transacting online with little or no engagement with the gallery. Part of this resistance has to do with the importance placed on close and personal relationships with the clients, and the role of the client in the traditional endorsement process of art. A sale of art is not just a sale, the value and importance attached to the transaction depends on who buys the art (validation) and can have a profound impact on both the career and future prices of the artist's work.
- **Galleries are realising that the online art market can provide new opportunities to diversify their income and broaden their collector base.** These businesses should adapt to changes in art buying behaviour and seize the opportunities that the new online channels can provide. It is evident from this survey that galleries are already preparing for the transition to more trade taking place online. 59% of the galleries surveyed plan to implement an e-commerce option on their website, as well as actively use new online platforms such as Artspace, Artsy, Artfinder, Paddle8 and others.
- **Online sales account for a small share of gallery sales today, but are expected to grow in the next three years.** 49% of the galleries surveyed stated that the percentage of online sales, as part of their overall sales, currently accounted for less than 10%. However, galleries expect the share of online sales to increase in the next three years, with 38% saying they expect their online sales to account for between 10-30% of total sales (up from 29% of the galleries today), 25% said they would expect online transactions to account for between 30-50% of the sales total and a further 13% expect above half of their gallery sales to take place online in the next three years, both up from 11% of the galleries today.
- **The relationship with clients is changing.** 40% of the galleries surveyed said that 30% or more of their sales took place with little or no interaction with the buyer, which could suggest that the traditional buyer-gallery relationship is changing, as new art buyers want to buy art with little or no contact with the intermediary.

²An online sale is considered 'direct' when the gallery has an e-commerce option on their website, enabling the buyer to purchase a work of art with little or no interaction with the gallery. An 'indirect' sale occurs when a buyer sees a JPEG image on a website or email and contacts the gallery to make the purchase, without having seen the physical work.

C. Recent trends in the online market

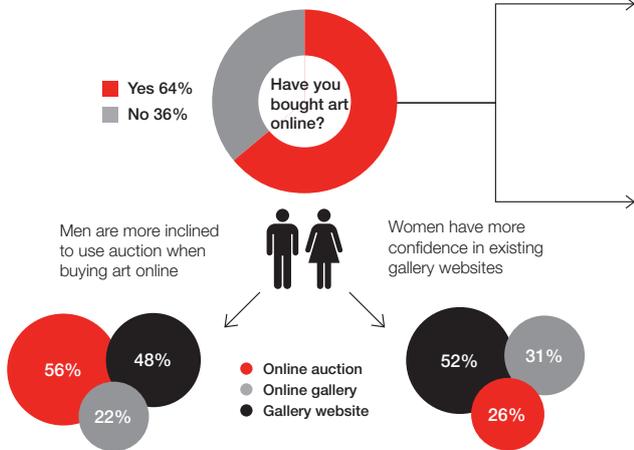
- **Investors bet on growth in online art sales.** In recent years investors have channelled millions of pounds into fledgling websites that help galleries and collectors buy and sell art. Financial backers range from successful venture capitalists such as Jack Dorsey, a founder of Twitter, and Peter Thiel, a former PayPal executive, both of whom have invested in Artsy. According to recent media reports, Artsy has raised a further US\$5.6m from the internet entrepreneur Sky Dayton, founder of wi-fi services company Boingo. Another online company, Artspace, has reportedly raised US\$8.5m from investors including Canaan Partners, as well as bringing in the Russian collector Maria Baibakova as strategic director. Artfinder counts on the support of angel investor Reid Hoffman, LinkedIn co-founder, and has also had two rounds of Venture Capital investments, backed by VC firms Wellington, Northzone, and Greylock.
- **Artists sell directly to their fan base without intermediaries.** The re-launch of Saatchi Online in 2011 allowed artists to sell directly to art buyers. The website organises payment, as well as shipping of the work to the buyer and offers the buyer a seven day money back guarantee. The site already had more than 100,000 artists as of 2010 available in their online market place. In 2012, Rebecca Wilson, director of the Saatchi Gallery in London and board member of Saatchi Online put together an impressive group of curators from the world's leading arts institutions, including MoMA, LACMA, Palais de Tokyo, Kunsthalle Vienna, the Hirshhorn Museum, Pace/MacGill Gallery and Manifesta 8, to name only a few. Each curator was asked to select ten artists from more than 100,000 exhibited on Saatchi Online at the time. The initiative shows that the traditional channels of validation through curators and museums also can be transferred into the online world, and we expect these platforms to become important incubators for new, upcoming talent.
- **Online primary market platforms flourish and promise to generate new audiences for artists, galleries and museums.** A number of recent online ventures such as Artsy, VIP, Artspace, Artfinder and Exhibition A are providing new online sales channels for buying and selling art in the primary market. Although they target different buyers, price segments and mediums, the common denominator is that they act as the online platform/intermediary between the suppliers of artwork (individual artists, galleries and museums) and potential buyers. With Artspace reportedly attracting over 100,000 users, it is clear that these platforms can provide galleries and artists with a much larger potential target audience than they could otherwise create themselves.
- **Online auctions increase in popularity among traditional auction houses.** Since Sotheby's launched an online auction platform in 1999 in partnership with Amazon, which was later discontinued, the traditional auction houses have increasingly realised the potential of the internet as a platform for the more modest end of the market. Christie's introduced online bidding in 2006 and has invested in its digital assets, launching its iPhone and iPad apps in 2009 and 2010. According to Christie's, the participation of offline sales through their online bidding capacity Christie's LIVE has risen from 15% in 2007 to 25% by the end of 2012. Christie's also successfully launched its online-only sales last year, with a section of items from the Elizabeth Taylor collection that realised US\$9.5m against a US\$1m estimate. Since August 2012, it has been holding online-only wine sales and also staged an online-only sale of Matisse prints. In March 2013 it conducted online-only sales of items from the Andy Warhol Foundation. Sotheby's online platform BidNow enables buyers to follow the auction live as well as to place bids online. The auction house also developed iPhone and iPad apps in 2010.
- **Online-only auctions step up the pace.** At the same time as traditional auctions are increasing their online presence, a number of new entrants into the online-only auction market have appeared in recent years, such as Artnet Auctions, Artprice and Paddle8. Most of these target the lower to middle price range of the art market, and operate at lower transaction costs than traditional auctions.
- **Peer-to-peer markets launch in 2012.** With transaction costs in auctions remaining high, a number of new peer-to-peer platforms have been launched. Two of the most recent ones are ArtViatic (Monaco) aimed at collectors and Artbanc (London) aimed at both estates/collectors and the art dealer community.

D. Online art sales

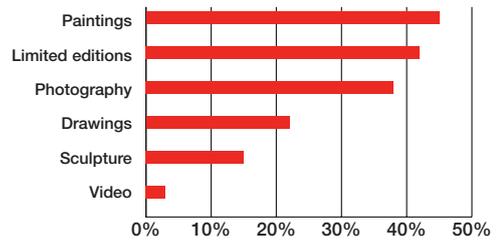
The online art buyer

Threshold resistance

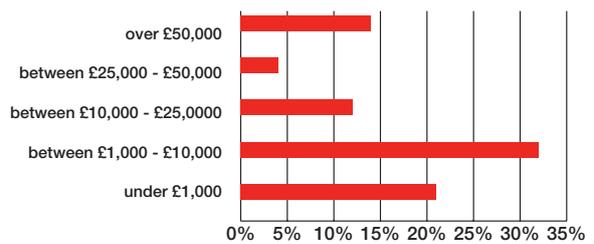
is coming down, the percentage of people having bought art online without physically seeing the work



Buyers have strong preference for unique works



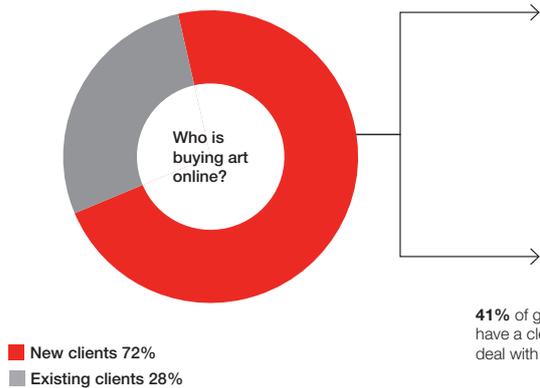
Increasing art buyer confidence for higher price segments



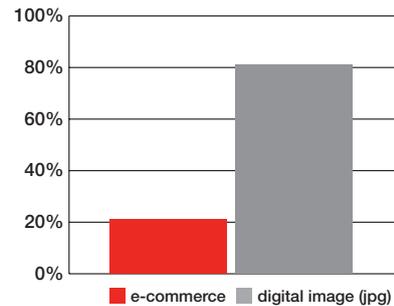
The online art seller

New client acquisition tool

among the galleries surveyed 72% said that online art buyers were new clients

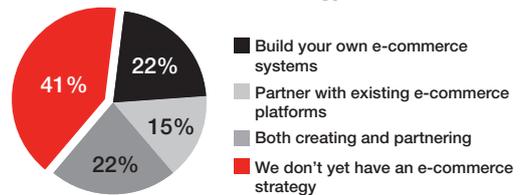


Are you selling art online? Either through e-commerce or selling via digital image only

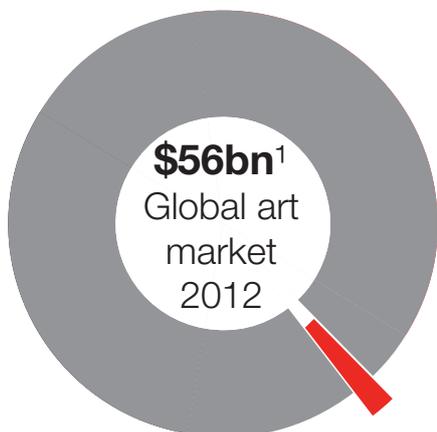


What is your future e-commerce strategy?

41% of galleries are yet to have a clear idea of how to deal with online art sales



The online art market



(1) Source: Size of the global art market TEFAF Report 2013, March 2013

(2) The market share of online art sales are estimated using the overall finding from IBIS World 'Online Art Sales in the US: Market Research Report' 2011, which estimated the market to be \$287 million in 2011. If we combine this with the overall market size (\$17.4 billion) of the US art market in 2011 according to the TEFAF report, then online art sales accounts for 1.6% of the overall US art market. Although there will be regional differences, to provide an estimate for the global online art sales online we have used the same percentage (1.6%), which gives us a global online sales estimate of \$870 million (based on global art market size of \$56 billion in 2012 according to the recently published TEFAF report).

(3) In terms of estimated annual growth rate of the online art market, we have used 19% to arrive at an estimated online art market sales figure for 2016. This is the same growth rate used in rapidly growing online luxury goods market, according to the latest report by McKinsey Altagama 'Digital Luxury Experience' 2012. They estimate the overall online luxury goods market to grow from \$4.9 billion in 2010 to \$15 billion in 2016, representing 5.3% of the overall luxury good market estimate of \$287 billion.



E. Online art buying survey 2013

The online market for selling art has come a long way since the first online art businesses emerged in the late 1990s. As technology is improving and the resistance towards buying goods online is fading, the art market is following, albeit at a slower pace, the evolution in other industries such as music, publishing and film, as well as the growing online luxury goods market.

The online art market is presenting its participants with new opportunities and challenges, and although the online art market is unlikely to replace the traditional art market, it offers significant potential for galleries to build new audiences and diversify their current revenue streams. At the same time it poses a threat to those who fail to embrace these changes.

The following survey findings are based on the responses from 101 art buyers surveyed through ArtTactic's client database, Twitter and Facebook, and a further 130 established art collectors³ as well as 58 international art galleries. The purpose of the survey was to try to get a better understanding of the behaviour, perception and concerns facing buyers and sellers when they make a transaction of artwork (without having seen the physical work); do people actually buy art online? How much are they spending? How are the galleries dealing with

changing online behaviour among art buyers?

The boundaries between offline and online buying are getting increasingly blurred with both channels being used interchangeably. As we can see from the findings, buying art solely based on a digital image is already a common and accepted way of buying art in an increasingly global art world. The majority (71% of collectors and 89% of the galleries) buy and sell art regularly on the basis of a digital image (sight unseen). Direct e-commerce is less common, with 22% of the galleries offering their clients the possibility to buy artworks through the website.

The trends in online art buying and the growth of the online art market suggest that we will see more transactions taking place online in the next two to three years. Initially this will have a higher impact on the lower end of the market, (artworks valued less than £10,000), which accounts for 81% of worldwide auction transactions⁴, although with a significant number of collectors surveyed (25%) feeling confident about spending more than £50,000 on individual artworks online, the middle-market could soon start to see an impact.

³For the purpose of this survey, we have divided those who enjoy buying art and those art buyers who spend over £75,000 per year on art. We wanted to explore whether the bigger spending collectors' familiarity with the artists and the galleries would make them more or less inclined to buy art online. As one would expect, these collectors are willing to spend more on buying art online, but besides the monetary aspect, there are great similarities between the two samples.

⁴Source: "Third Part of the Exclusive Interview of Thierry Ehrmann, Founder of Artprice.com." Interview by Boursica. Artprice. N.p., 7 Mar. 2012.

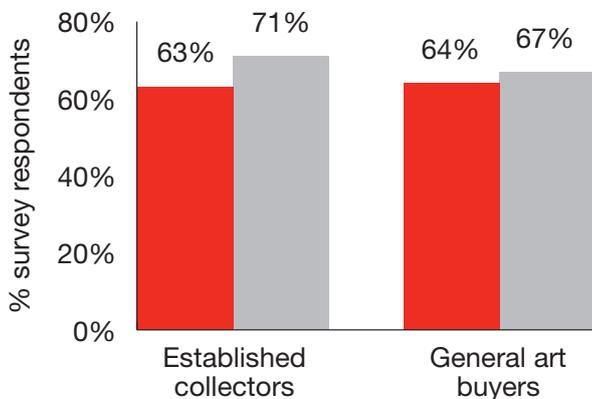
E. Online art buying survey 2013

Part one - the art buyer

1. Are people buying art online and who are they?

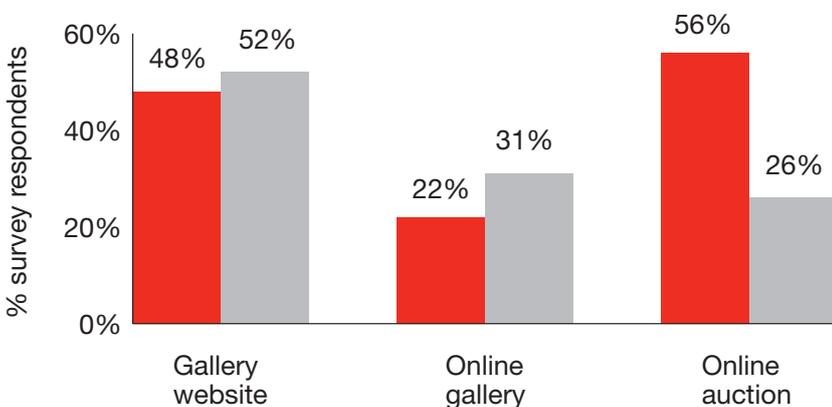
Established collectors⁵ are already buying online. 63% of established collectors have bought art directly online through a website (sight unseen), and 72% have bought art based on a jpeg image (again sight unseen), which shows that a large majority of existing art collectors are already transacting based on digital images only, without having seen the physical work. This is confirmed by the fact that 89% of the galleries surveyed regularly sell works to clients based on a digital image only. The survey among general art buyers shows similar trends, with 64% of the respondents having bought art directly online at least once, and with 67% having bought art based on a digital image (sight unseen).

Fig 1. Have you bought art online based on a jpeg image or directly through a website? ■ directly online ■ jpeg



Men and women have different online art buying habits. 70% of men vs. 55% of women have bought art online (sight unseen). Women prefer buying from gallery websites and online galleries (52% and 31% respectively, where men answered 48% and 22%). On the other hand, men seem to be more interested in online auctions, with 56% using this method, where only 26% of their female counterparts did.

Fig 2. Preferred online buying channels: men vs. women ■ men ■ women

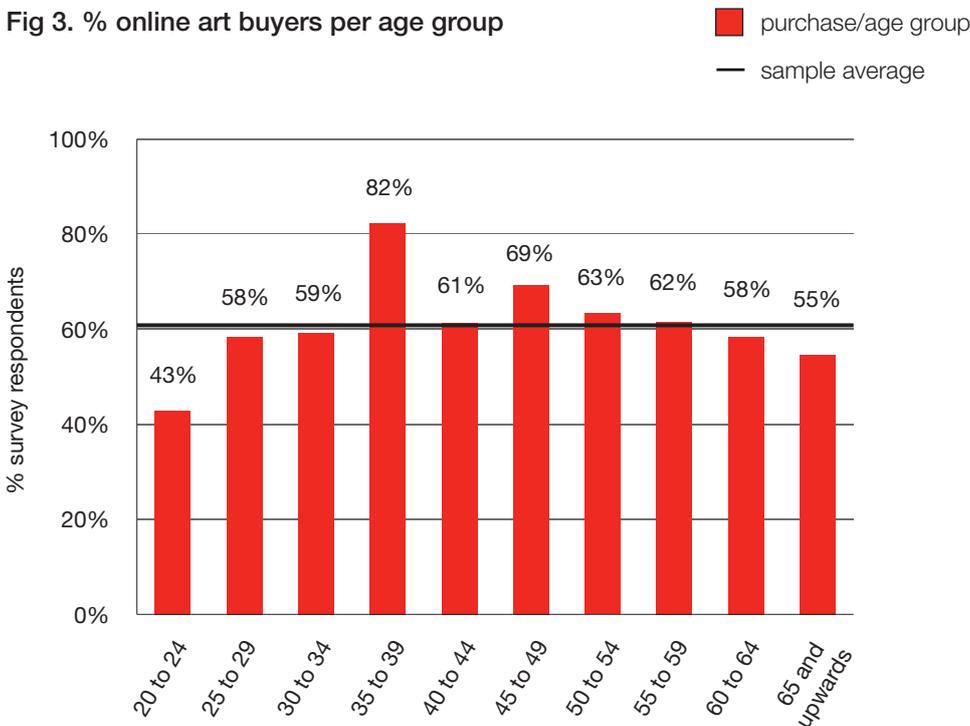


⁵Established collector is here defined as someone who spends more than £75,000 on buying art per year.

E. Online art buying survey 2013

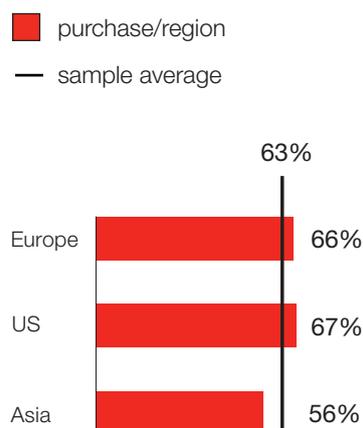
The older generation of collectors are among the most active online buyers. The percentage of people that buy art online varies depending on their age. It increases gradually from 20 to 40, where it reaches a peak (81% of those in the age group 35-39 have bought art online). It is interesting to note that more than 50% of the older age groups surveyed (60 years and upwards) are online buyers. This suggests that new technologies and buying based on digital images are broad based across all age groups.

Fig 3. % online art buyers per age group



European and US art buyers place more trust in the online art buying experience, but Asian art buyers are willing to spend higher amounts. The majority of US nationals (67%) and Europeans (66%) have bought art directly through a website (sight unseen), against 56% of buyers from Asia. However, Asian collectors are more likely to spend higher amounts; 38% would be happy to spend £50,000 or more on a single artwork online (most likely in auction), against 20% of US nationals and 15% of Europeans.

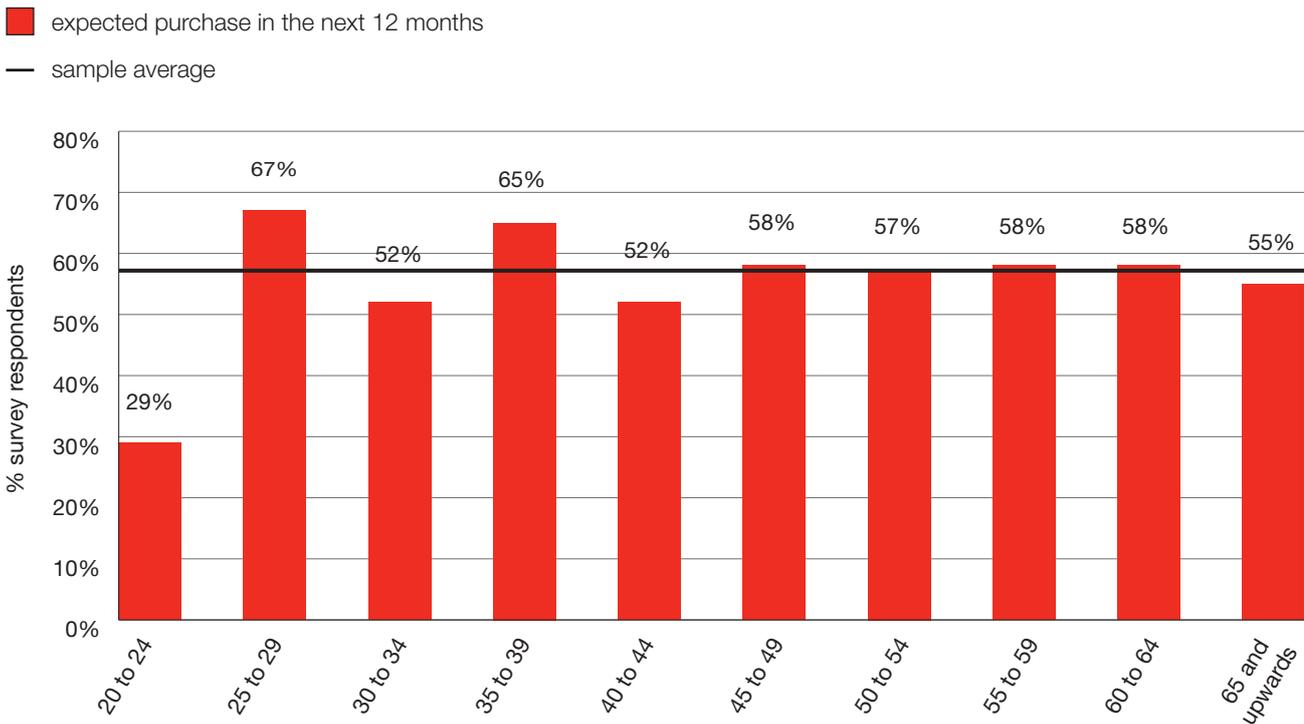
Fig 4. % online art buyers by region



E. Online art buying survey 2013

More online buying activity from younger buyers expected in the next 12 months. 57% of the survey respondents said they will buy art online in the next 12 months. In terms of age group, 67% of the 25-29 year olds said they were either very likely or likely to buy art online in the next year followed by 65% of 35-39 year olds and 58% of 60-64 year olds. This suggests that online art buying is going to continue to be broad-based across different age groups in the coming year, and also that the younger generation of art buyers are more likely to use online channels for buying art.

Fig 5. Age group: expected purchase in the next year



E. Online art buying survey 2013

2. How much have you spent online so far?

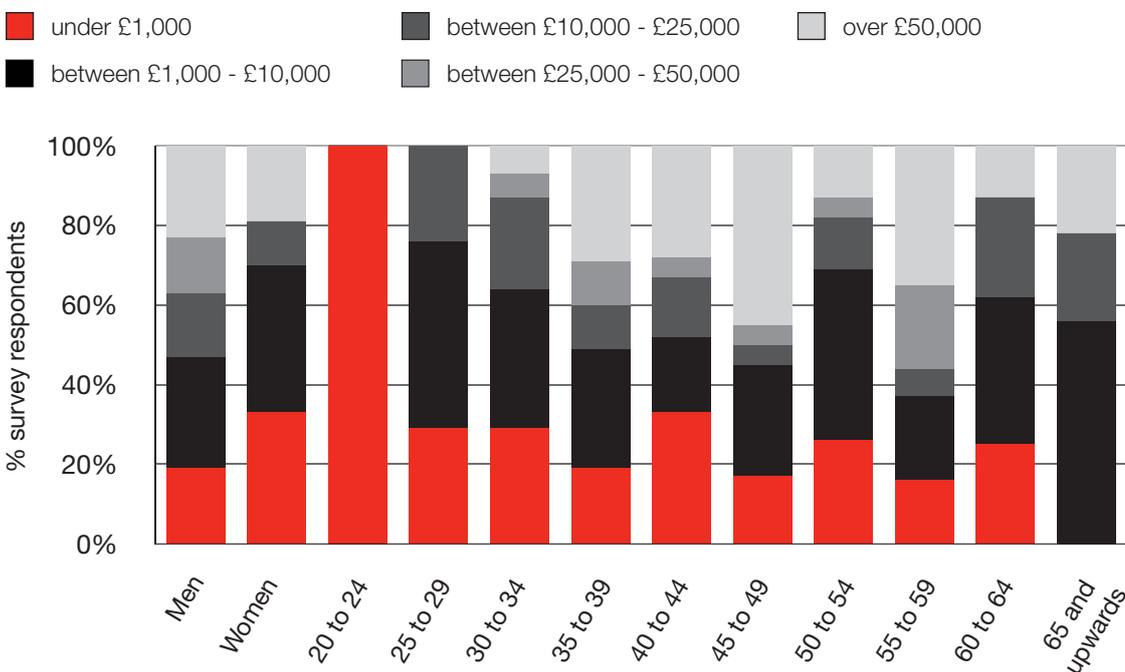
22% of art buyers said they have spent over £50,000 on buying art online. A further 30% have spent between £1,000 and £10,000 and a 23% said they had kept their expenditure below £1,000 when buying art without physically seeing it.

Men are spending more on buying art online. 23% of men have spent more than £50,000 on art online so far, compared to 19% of women.

Asian art buyers spend over £50,000. In total 38% of the Asians surveyed said they had spent over £50,000 on buying art without physically seeing it. The preferred buying channels for Asians are online auctions (59%), gallery websites (56%) and online galleries (29%).

45-49 year olds are the biggest spenders. 45% of the art buyers in this age group have spent more than £50,000 buying art online so far.

Fig 6. Gender and age: how much have you spent on buying art online so far?



3. How much are you willing to spend on a single artwork?

25% of established collectors surveyed would buy a work of art online (sight unseen) valued at £50,000 or above. Although buyer confidence is currently higher at lower price segments, 17% of the collectors said they would only be willing to pay £1,000 or less, and a further 40% would be willing to spend between £1,000 to £10,000 on a single artwork bought online, a small minority (13%) of the art buyers stated that they would be confident spending more than £50,000 on a single

artwork online, without having seen the artwork in real life. For established collectors, this was even higher, with 25% saying they would be confident spending this amount or more. This signals that the accepted price level associated with buying art online is already high, particularly among established art buyers, and that the difference between online and offline buying among this group, is not as big as might be the perception in the market at the moment.

E. Online art buying survey 2013

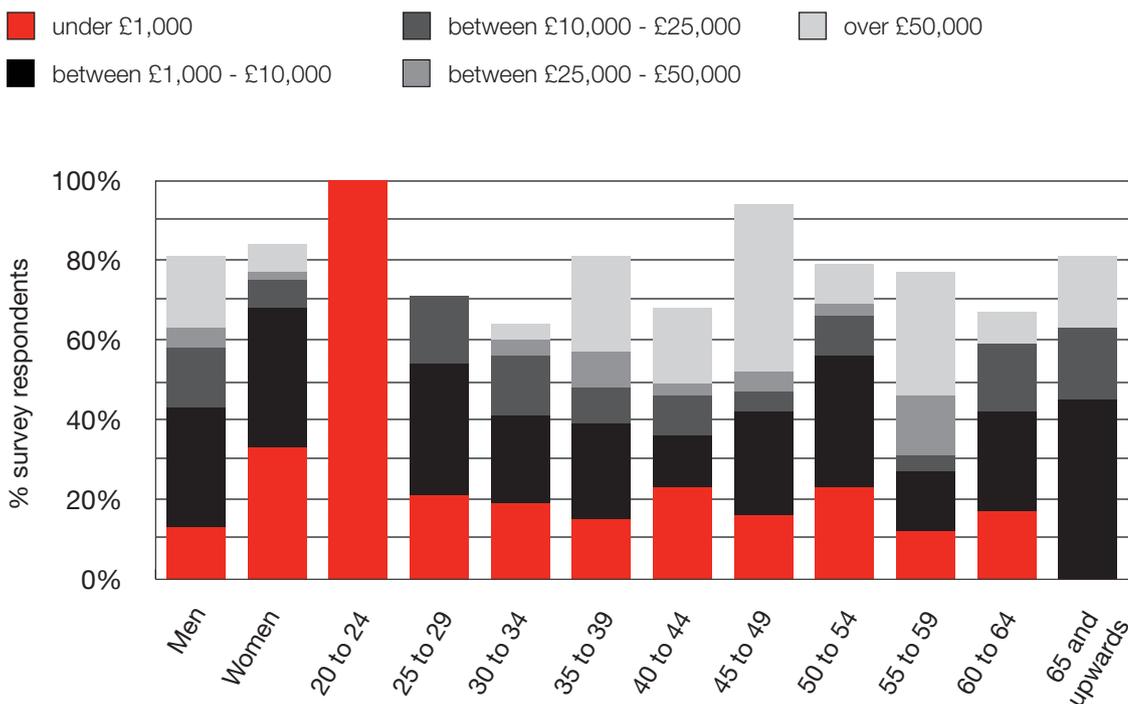
Fig 7. How much are you willing to spend on a single artwork?



Men are willing to spend more than women on individual works of art. 23% of men would be willing to spend more than £25,000 on single work of art online (sight unseen), compared to 8% of the women surveyed. 33% of women would spend maximum £1,000 on art online, compared to 13% of men.

The older generation are frequent buyers of art online, and are important for the middle to lower end of the online art market. Only 8% of 60-64 year olds and 18% of 65 years and older would spend more than £50,000 on a single artwork online, but 45% of 65-year olds would spend below £10,000. This stands in contrast to 31% of 55-59 year olds and 24% of 35-39 year olds, who said they would buy a work of art priced above £50,000 online sight unseen.

Fig 8. Gender and age: how much are you willing to spend on a single artwork bought online (sight unseen)?



E. Online art buying survey 2013

4. How many times have you bought art online?

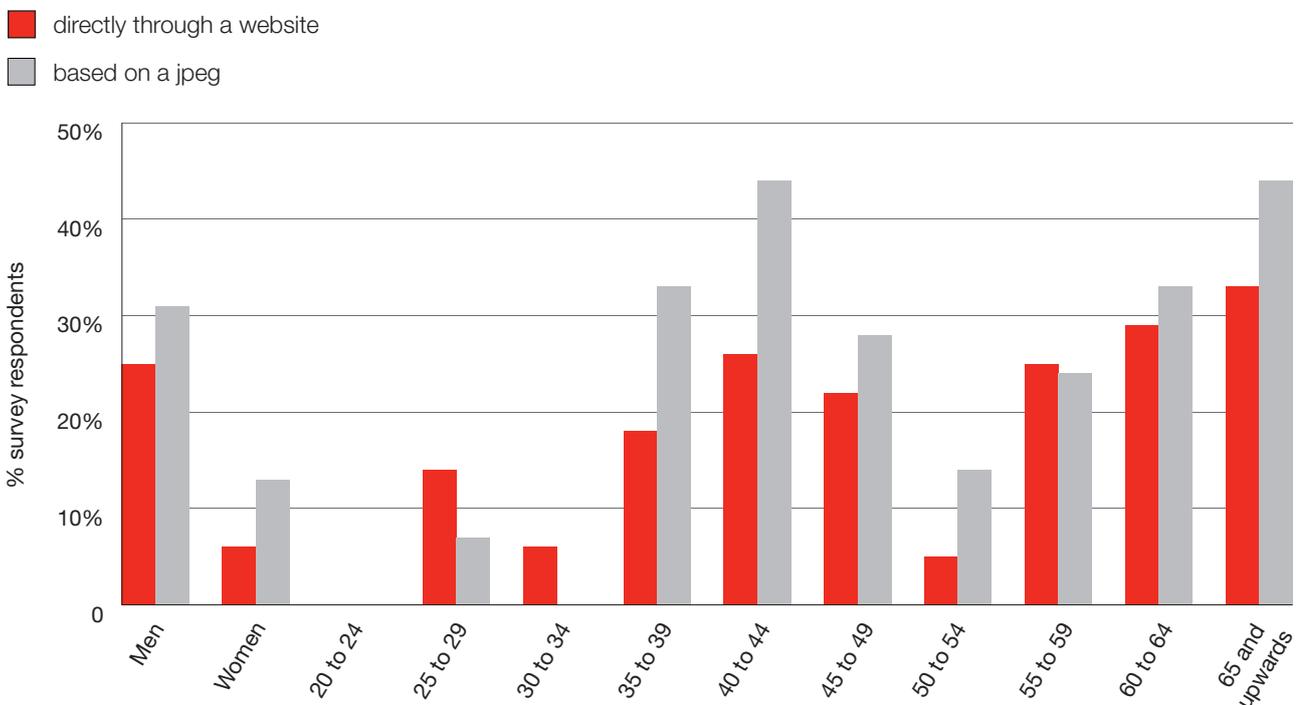
A quarter of the buyers are frequent online buyers. 25% of buyers surveyed have bought art based on a jpeg image more than ten times in total, and a further 18% had done it directly through a website. 10% of art buyers have bought art without physically seeing the work more than ten times in the last 12 months. The majority, 60% of those surveyed, have bought art directly through a website five times or less in total.

Men are currently more frequent online buyers. As can be seen from the graph below men buy online more

often than women, with 25% of them having bought directly online more than ten times compared to only a 6% of women.

There are also different behaviours between age groups. In particular, the age group over 65 years old is the one that buys art without physically seeing it more frequently. 44% of the members of this group stated that they had bought art based on a jpeg more than ten times, and 33% said they had purchased art directly through a website over ten times.

Fig 9. Gender and age: how you bought art online more than ten times



5. What do you buy?

There is strong demand for unique art in the online art market. Although the general perception is that the online art market is ideally suited for limited edition works (prints and photography), clients are still seeking to buy unique works of art. In general, the preferred works for online purchase are paintings (45%), and limited edition prints (43%) followed by photography (37%).

The main differences between established collectors and general buyers are that the former buy more drawings (26% vs. 22%) and the latter are keener on limited edition prints (43% of general buyers had bought prints, while 32% of collectors had).

If we look at the online purchase of paintings, which is the preferred medium, there is virtually no difference in the share of general buyers (45%) and established collectors (47%) that purchase paintings, as it seems

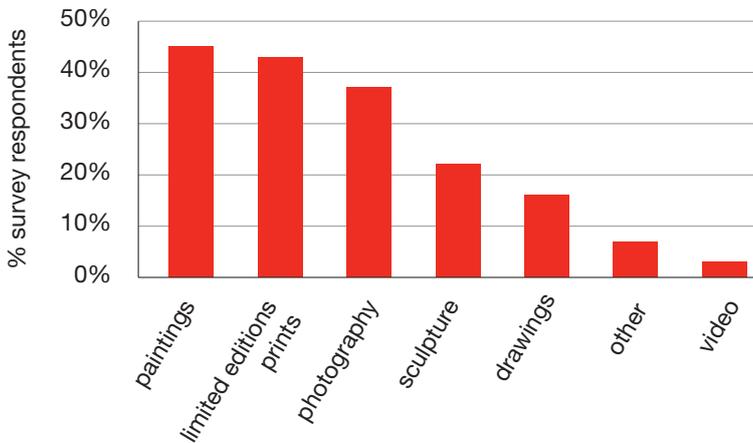
that both categories of buyers are looking for unique works. The difference comes instead in terms of price range, with 53% of established collectors spending more than £50,000 and 45% of general buyers staying in the £1,000-£10,000 price range.

Differences in gender are also evident when looking at the kind of works purchased. Men's top three choices are paintings (46%), photography (44%) and prints (36%) whereas women prefer limited edition prints (55%), paintings (44%) and photography (24%).

As for the differences in age groups, over 50% of those aged 25 to 34 had bought limited edition prints, whereas the rest of the groups stayed under the 50%. Paintings were highly sought after by the middle-aged groups (35-59 year olds).

E. Online art buying survey 2013

Fig 10. Type of art bought online



6. Where do you buy art online?

The top two places to buy art are gallery websites, with 49% of those surveyed having used this method, and 45% said that online auctions were their preferred choice. 26% of the respondents had bought art through online-only galleries, which suggests that although the majority of the transactions seem to happen through traditional gallery channels, online-only galleries represent a force to be reckoned with.

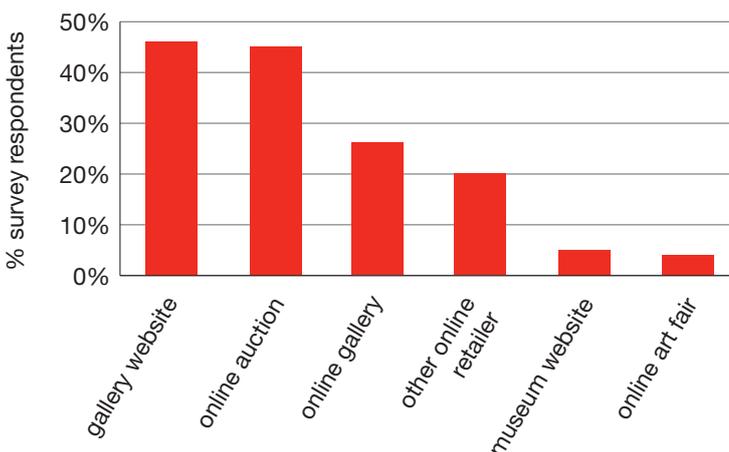
Online auctions are broadly preferred by men, with 57% of them using this platform, compared to 26% of women. As for the difference between general buyers and collectors, the latter seem more comfortable with the online auction system, with 51% having used it compared to 45% of general buyers.

Museums are yet to fully explore the online market for selling limited-edition prints. Only 5% of the buyers we spoke to said they had bought a work online through

a museum, which highlights that there is an opportunity for museums to develop an e-commerce/online gallery platform, particularly of limited edition prints, or to partner with already existing online art selling platforms. Public galleries such as the Whitechapel Gallery sell their prints both through their website as well as through Artfinder.com.

In terms of differences between age groups, those aged over 65 years are the ones that are more used to making their purchases from museum websites (20%), though they still prefer auctions (60%) and gallery websites (30%). The highest buying group (aged 35-39) favour gallery websites (60%), closely followed by online auctions (57%) and online galleries (27%). The remaining age groups tend to stick to online auctions and galleries or gallery websites over the rest of the online selling channels.

Fig 11. Through which online channel did you buy?



E. Online art buying survey 2013

7. What factors are important to you before you decide to buy art online?

Information and visual experience are very important. Unsurprisingly, 92% of the art buyers said that the visuals and the information presented on the website are seen as the most important factor when buying art online (sight unseen).

Seller's reputation is the key factor in creating an online sale. A large majority, (86%) of the art buyers said that the reputation of the auction house or gallery is one the most important aspects buyers take into account when transacting online. This suggests that the traditional galleries and auction houses, with an already established reputation, have a great advantage versus many of the new online-only players.

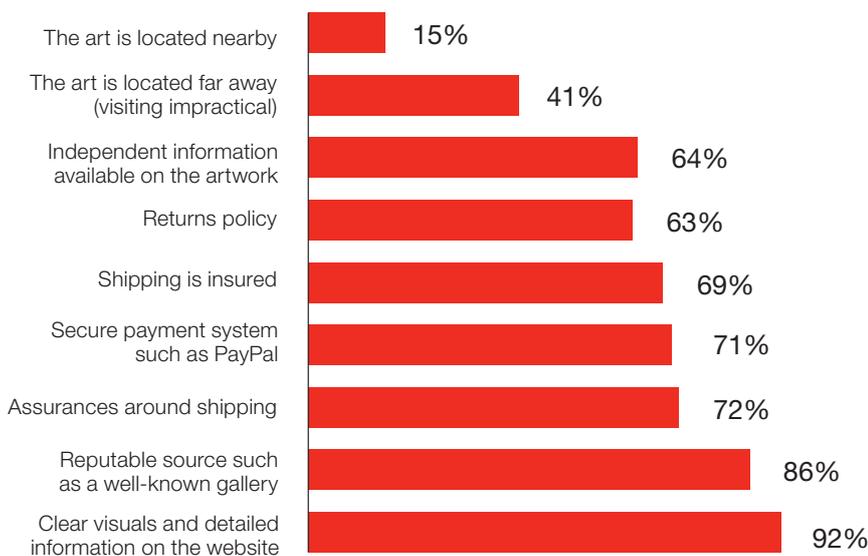
Payment, shipping and insurance. The more practical aspects of buying art are also very important for art buyers 71% considered the secure payment system very important, 72% felt that assurances around shipping

was critical and 69% wanted to make sure that the right insurance was in place when shipping the work.

Returns policy will become standard in the online art market. It's not a common practice in the art market to be able to return a work of art if you don't happen to like it. However, with art transactions being carried out online, without the ability to view the physical work before hand, returns policies will become the norm in the online art market. 63% of the art buyers felt this was a very important consideration when deciding to buy art online.

More independent information and research will help create confidence. 64% of the art buyers said that the access to independent opinions, research and information are important tools to consider when buying art online.

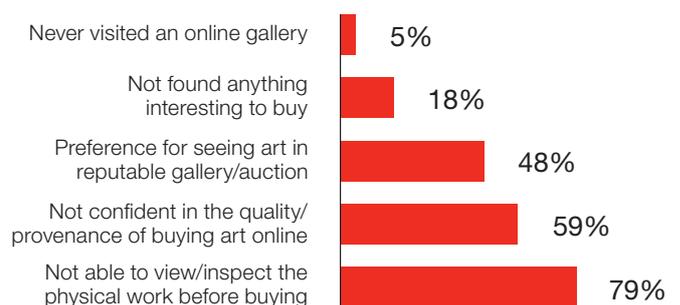
Fig 12. Aspects considered important when buying art online



8. If you haven't bought art online, what are the main reasons?

Trust is the main component in any online transaction, but with buying art online sight unseen it is even more important due to the value of the goods and the usually high prices. The main drawback to buying art online is, of course, the inability to view the actual work (79% of the surveyed mentioned this as a reason for not buying art online) followed by the lack of confidence in the quality or provenance (59%).

Fig 13. Main hurdles to buying art online



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Part two - the gallery

1. Do galleries sell art online?

Traditional galleries have resisted the move to e-commerce. A minority (22%) of the galleries surveyed, said they provided their clients with the option of completing a transaction online (e-commerce) with little or no engagement with the gallery. However, 89% of the galleries said they regularly sell art to clients on the basis of a digital image only. This suggests that the art buyers are generally confident about buying art without first seeing the actual work, but still value personal contact and the relationship with the gallery.

59% of the galleries surveyed plan to implement an online sales strategy in the next 12 months. 22% of the galleries plan to build their own e-commerce platform, and 15% intend to partner with an existing e-commerce platform such as Artspace, Artsy or Artfinder. A further 22% aim to combine both the above strategies. More concerning, however, is the fact that 41% of the galleries surveyed do not have an e-commerce strategy yet.

Fig 14. Online sales method: direct (e-commerce) vs. indirect (digital image)

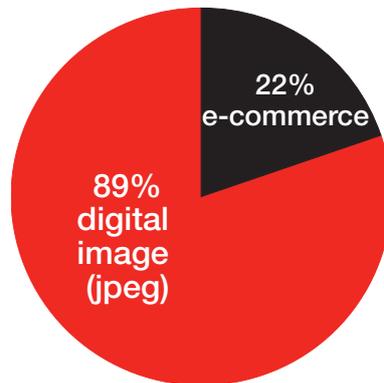


Fig 15. Galleries: what is your future e-commerce strategy?



2. What type of buyers are they selling to?

Galleries are attracting new clients through online channels. Among the galleries surveyed, 72% said their online sales (sight unseen) are from new collectors. This signals a significant opportunity for traditional galleries to engage and build new audiences online.

Galleries need to recognise the power of the older buyer. When asked to which group the majority of their clients belonged to, only 2% of the galleries said that the clients buying online were aged over 60. 49% of the galleries said that most of their clients belonged to the 30-40 age group and the other 49% said they were in the 40-60 age group. The art buyers' survey showed that 58% of those aged 60-65 and 55% of those over 65 years had bought art online. This suggests that the older age groups are buying art online, but are not being targeted by the galleries surveyed.

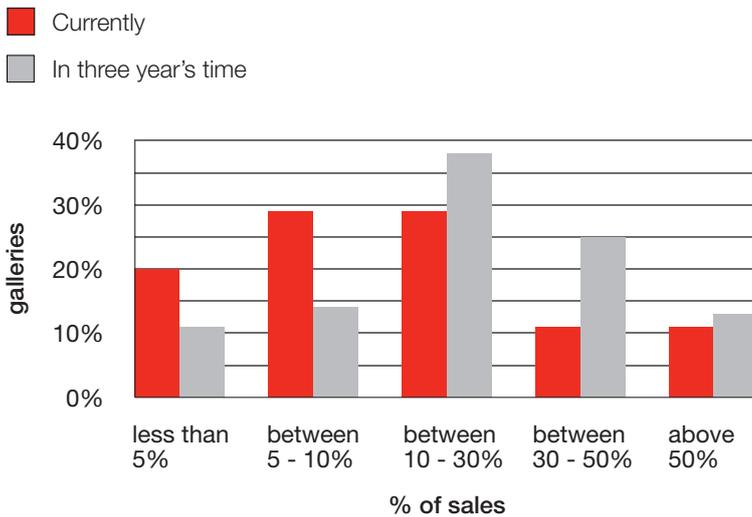
E. Online art buying survey 2013

3. How important are online sales for the galleries?

Online sales are still a small share of gallery sales, but they are expected to grow in the next three years. 49% of the galleries surveyed stated that the percentage of their overall sale made up by online sales currently accounted for less than 10%. However, galleries expect the share of online sales to increase in the next three years, with 38% saying they expect their online sales to account for 10-30% of the total sales (up from 29% of the galleries today), and 25% said they would expect online transactions to account for 30-50% of the sales total (up from 11% of the galleries today).

The relationship with clients is changing. 37% of the galleries surveyed said that direct online purchases with no personal interaction accounted for less than 10% of their sales, which implies that for many galleries the personal relationship with the client is still seen as very important when selling art. 49% of the galleries surveyed said that the lack of relationship with a gallery is a major obstacle for clients buying online. However, another 40% of the galleries surveyed said that 30% or more of their sales took place with little or no interaction with the buyer, which could suggest that the traditional buyer-gallery relationship is changing, as new art buyers want to buy art with little or no contact with the intermediary.

Fig 16. What percentage of your gallery sales is/will be made directly or indirectly online?

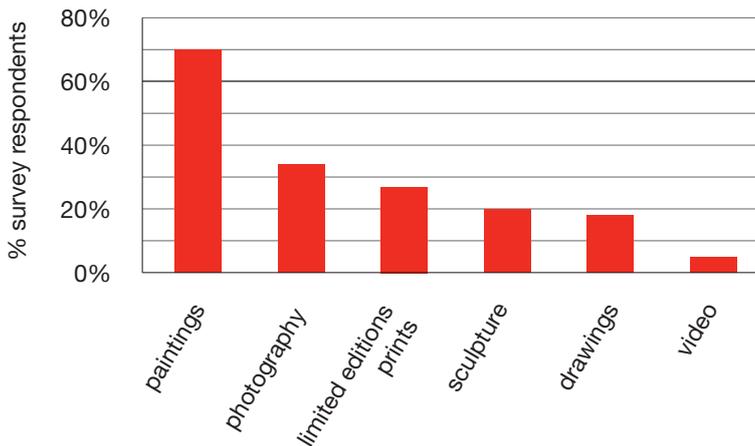


E. Online art buying survey 2013

4. What do clients buy and for how much?

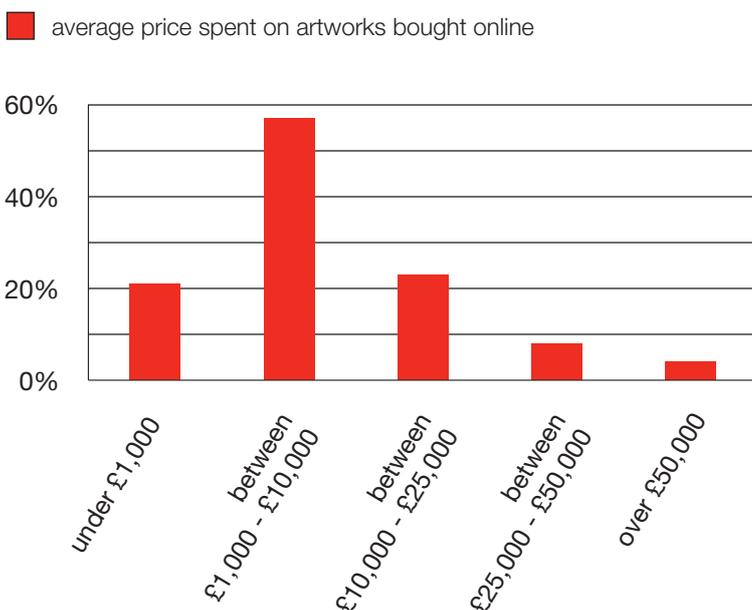
Clients prefer buying unique works of art. In terms of the preferred medium by clients, paintings are the most purchased work (almost 70%), followed by photography (34%) and limited edition prints (27%). This confirms the results from the buyers' survey, that unique works of art are very much the preferred medium in the online sphere.

Fig 17. What type of art are gallery clients mostly buying online?



A large majority (78%) of the online transactions, are below £10,000. The majority of the works sold online or through a digital image (sight unseen) are at the more affordable end of the market, with 21% under £1,000 and 57% of the transactions between £1,000 and £10,000. Only 4% of the works sold were priced over £50,000⁶. The buyers' survey shows that 25% of collectors are willing to spend over £50,000 on a single item purchase. This shows that there is an opportunity for the online art market to also expand into higher-priced segments.

Fig 18. What is the average price spent on works bought directly and indirectly online?



⁶This could reflect the nature of the gallery sample, which largely represents the middle-market.

E. Online art buying survey 2013

5. Where are the buyers located?

Chinese buyers constitute an important target group for online sales, however the market is still dominated by North American and European buyers.

Chinese clients were considered very important by 14% of galleries; Indians amounted to 6% and buyers from the rest of Asia were said to be very important for 11% of surveyed galleries. The majority of the buyers are drawn from North Americans (58% of galleries said that this was the nationality of many or the majority of buyers) and European (57% of galleries).

Fig 19. Which of these geographic areas are the majority of online art buyers coming from?

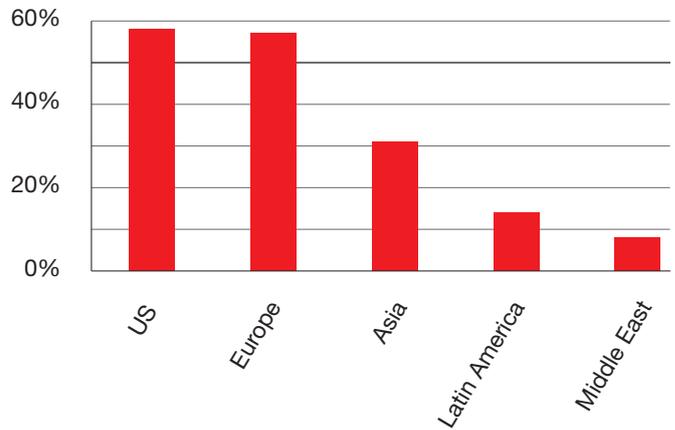


Fig 20. Where do most online clients from European galleries come from?

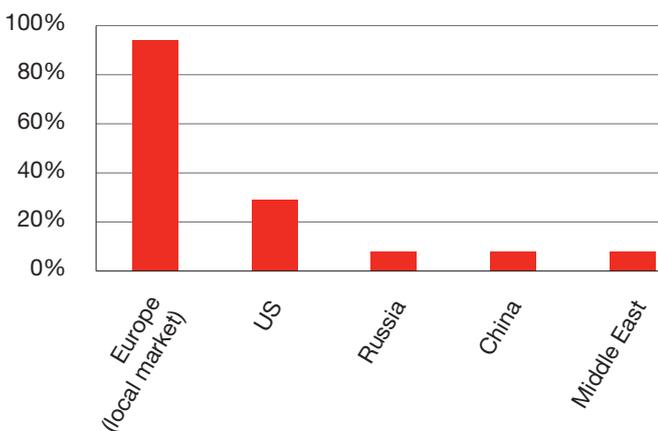
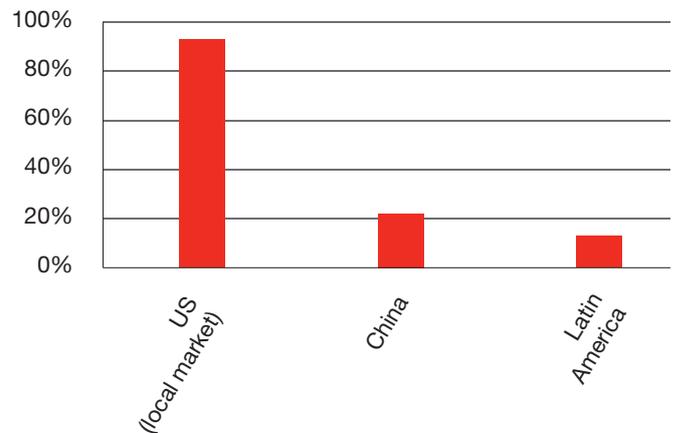


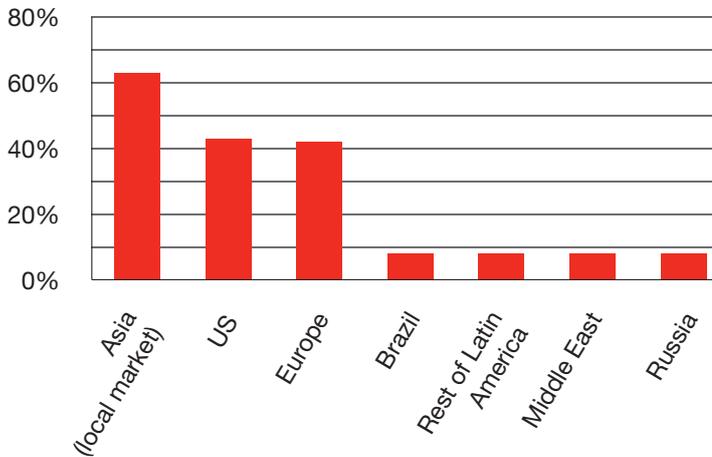
Fig 21. Where do most online clients from North American galleries come from?



Despite the global nature of the internet, online buyers remain local or regional. Most of the galleries who said that the majority of their clients were North American were based in the US (73%) and a few in Asia (14%). 61% of the galleries that gave the highest importance to European collectors were based in Europe. Again, some galleries that gave a fairly high importance to these collectors (but not the highest) were Asian (42%). Chinese collectors represent a majority of buyers to 22% of American galleries and 17% of Asian galleries. Indian and other Asian collectors are only relevant to local Asian galleries.

E. Online art buying survey 2013

Fig 22. Where do most online clients from Asian galleries come from?



However, for many Asian galleries the internet offers an opportunity to attract US and European collectors. Above 40% of the Asian galleries say that these US and European buyers are important/very important. This suggests that Asian galleries are using their online presence to attract international buyers, more so than their US and European counterparts.

6. Do galleries buy art online?

59% of art dealers had either bought online from other dealers or from auction houses. This is below the 64% of general buyers who said that they had bought art online. Furthermore, European dealers are the most reluctant to purchase art online; with only 40% of them having done so. The two main reasons given for buying online is that they find it more convenient than visiting a gallery or auction house and they find it gives them an advantage over others looking to purchase the work as they were able to act more quickly and efficiently. The fact that 41% of the galleries surveyed have not used the internet/online platforms for buying art themselves suggests that scepticism towards buying online could also be holding them back from developing an online presence for their own gallery.

Methodology

The survey findings are based on the responses from 101 international art buyers surveyed through ArtTactic's client mailing list, Twitter and Facebook, as well as 130 established international art collectors⁷ and 58 international art galleries operating in the contemporary art market. As the online art market is still in its infancy, we believe that the galleries representing the middle-market provides a better representation of what is happening in the online art market at the moment, compared to galleries operating at the very top end of the contemporary art market.



⁷For the purpose of this survey, we have divided those who enjoy buying art and those art buyers who spend over £75,000 per year on art. We wanted to explore whether the bigger spending collectors' familiarity with the artists and the galleries would make them more, or less inclined to buy art online. As one would expect, these collectors are willing to spend more on buying art online, but besides the monetary aspect, there are great similarities between the two samples.

Appendix I: The evolution of the online art buying market

Phase one 1999 - 2005: first generation of online art platforms is established		
Artprice.com	1997 - present	In 2000 Artprice.com bought Xylogic, a company which created algorithms and price indices for the art market since 1985.
Artnet.com	1998 - present	Artnet started as an online listing for galleries: Artnet Galleries, designed to build and host websites for art dealers and galleries.
Eyestorm.com	1999 - present	Eyestorm started offering editions by some of the most famous artists at an affordable price in 1999. Today they mostly sell unique works by young and emerging artists.
Heffel.com	1999 - present	Heffel is a Canadian auction house which started offering live online auctions in 1999.
Saffronart.com	2000 - present	Saffronart started as an auction platform for Indian art, with the purpose of making it accessible worldwide and they have now extended their auctions to jewels, watches and properties in India, as well as non-Indian art.
Phase two 2005 - 2010: evolution of existing platforms as well as new social platforms for artists		
Saatchi Online	2006 - present	The website provided a space for artists to upload their work, becoming a social network for everyone that wanted to show their art.
Artnet Auctions	2008 - present	C2C (consumer-to-consumer) platform features online auctions of modern and contemporary fine art, prints and photographs by important artists.
Phase three 2010-2012: evolution of new primary market platforms		
Artsy	2009 - present	This site connects collectors to galleries, dealers and museums. When the buyer has found something he or she likes, Artsy links them directly with the seller. Artsy offers advice and has experts that help buyers curate their collections.
Artfinder	2010 - present	Sells limited edition and unique works of art online. They work with galleries, museums and artists directly to offer limited editions as well as contemporary unique artworks.
1stdibs.com	2010 - present	Expanded in to fine art in 2010, it has become the leading online destination for interior designers and wealthy consumers to find antiques, design, estate jewellery, vintage fashion and art.
Exhibition A	2010 - present	Working directly with the artists, this platform offers limited editions at accessible prices.
Saatchi online (new platform)	2010 - present	An art market place which launched in 2010, enabling art buyers to buy art directly online through an e-commerce platform.
Blacklots	2011 - 2013	Blacklots is an auction platform which links collectors (C2C). Blacklots is now part of Paddle8.
Artprice Standardised Marketplace	2011 - present	Artprice provides an auction platform similar to e-bay, where sellers can put up their works and set the price and time of the auction. This platform is called the 'standardised market place'.
Artspace	2011 - present	Artspace offers limited edition prints by emerging and established artists that can be purchased directly with a shopping cart system.
s[edition]	2011 - present	This market place sells limited editions of digital art.
Paddle8	2011 - present	This online auction platform offers bi-weekly themed auctions as well as online support for art fairs such as the Armory Show or ARCO.
The Spotlist	2011 - present	This C2C platform operates in a similar way to ArtViatic but membership is free and a small fee is applied to buyers and sellers once a transaction is completed.
Phase four 2012: the evolution of an online secondary market		
ArtViatic	2012 - present	ArtViatic connects collectors who want to sell to potential buyers directly in the higher end of the market (artworks valued higher than €150,000). It is a member's only market place where members pay €3,500 per year for access to Art Viatic's full catalogue, and put works up for sale.
Artbanc	To be launched soon	Apart from providing valuation services, they are currently setting up a platform that will be a market place for dealers, where they can inquire and make acquisitions on behalf of collectors.

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About ArtTactic

ArtTactic is a London-based art market research and analysis firm that offers dynamic and responsive research and commentary on the fast-paced and ever-changing art market. ArtTactic was founded in 2001 by Anders Petterson. ArtTactic has developed methodologies and analytical frameworks for the art market often used by economists and people in the financial markets. ArtTactic provides a new dimension to art market analysis by combining both qualitative and quantitative research tools with an in-depth knowledge of how the art market works. ArtTactic's weekly art market research and analysis can be accessed via www.arttactic.com.

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