

# Daniel Chazen

## THE ELECTRONIC ART MARKET: BUYING AND SELLING ART OVER THE WEB



### Introduction:

The buying and selling of art typically makes one think of an auction house, a gallery, or some other traditional brick and mortar means of transacting business. Those means still do dominate the art market in terms of transacting an enormous amount of business. Despite the recession, worldwide sales of art almost amounted to a staggering \$80 billion in 2011 (Skates 3). Of this amount, \$10 billion is sold by way of auction - three times the amount sold in 2000 (Artpace 7). Needless to say, in terms of dollars, the art market is big - very big. But even bigger, is the total sales of all goods made over the Internet. The United States Commerce Department reported that in 2010 alone, online shoppers electronically purchased over \$160 billion worth of goods. While there is no specific published data on the amount of money spent buying art online, it comes as no surprise that a lot of people are buying and selling art by "point and click" over the internet. While transacting art online has had its ups and downs, and is not without concerns, such as authenticity, it nonetheless remains a major dynamic of the art market. In this wiki page, I will detail and analyze the business of buying and selling art online and its major players. I will also discuss the concern over authenticity (fakes / forgeries) that is an issue in the art world, particularly when it comes to buying artwork over the internet. An analysis of the tangible aspect of art and its effect on internet purchases will also be made. Finally, I will conclude this wiki by discussing and offering an answer as to whether the auction houses and galleries are doomed because of the Internet.

### I. Shopping For Art on The Internet:

As long as you can afford the item, there is nothing easier than sitting down at your computer and buying something online, either by paying a set price or through an auction. And artwork is no exception. As the New York Times reported in June of 2011, online sales of art ("given up for dead not long ago") are now becoming "an increasingly important part of the future of the [art business]" (Kennedy 1). As Hans Neuendorf, CEO of Artnet.com says, more important than the increase in comfort with online commerce, is the "increase in the last decade in the number of people who spend money on contemporary art as a pastime or as an investment. They tend to see online art sales as more accessible and transparent than sales in the gallery world" (Kennedy 3). Michael Moriarty, Chairman of Skate's Art Market research, says that Internet technology "has reached a point [where the online art] business is really gaining traction (Kennedy 3). The nature of online art sales was the subject of a 2007 Harvard Case Study of Saffronart.com, an online auction site for Indian artwork. Professor Khaire was quoted by the New York Observer:

**The Harvard study, she says, shows that the online sales model works in industries where items are resold multiple times, such as automobiles; where research can create transparency; and where the buyer can get a full sense of the object they're contemplating purchasing. "It's unlikely you would buy something online from a Brazilian clothing company because the sizing is unfamiliar," says Ms. Khaire. "But you just might buy a piece of Brazilian art."**

Brady, New York Observer, 6/16/10.

### II. The Major Online Players:

Artnet and eBay are the most significant companies in the online market for buying and selling art. On any given day, there are at least 50 pieces of art selling for \$1 million or more on eBay.com. Just last month Artnet.com reported what it says may be the most expensive piece of art ever purchased on the Internet - a Warhol (*Flowers*) that sold in an online auction for \$1.3 million. Each site spends a considerable amount of time and money developing the art aspect of its ecommerce business - a category that is eBay's fourth largest (Skates 7). A search I did just this morning reveals that there are approximately one and a half million items classified as "art" being offered for sale on ebay alone. They categorize their art offerings into three major groups: **1) Art from Dealers & Resellers** (1,262,189 items); **2) Direct from the Artist** (176,896 items); and **3) Wholesale Lots** (19,719 items). While artnet.com does not list the number of works being offered, it does appear to number in the several thousand. What it does interestingly list on its site is the most notable sales in each category, for example a "contemporary" work by Louise Bourgeois, *Ode à l'Oubli*, which sold in 2009 for \$209,000 on its online auction. Although the recent Skate's report finds that eBay is the best infrastructure for online art sales (Skates 7), I think Artnet's user interface is a lot more straightforward and provides a better breakdown of the different categories of art being auctioned.

Skate's Art Market Research reports that as of December 23, 2011, the following companies lead in the online art market.

Rank	Name	Skate's Rating (0-10)	Note
1		9.975	The firm's size is comparable to that of the entire art industry, and it has best in class e-commerce skills and long experience servicing the arts and collectibles market. It must reposition itself in the art space and implement on strategy to move itself upwards in value chain. This will happen either organically or through an acquisition.
2		8.375	A listed company with an excellent product offering, including both e-commerce and content, it has a stellar track record with no reported fakes or wrongly attributed works. artnet's disappointing volumes are largely explained by a lack of modern e-commerce skills and need for a revamped business model and/or the introduction of professional e-commerce management talent.
3		7.750	A clear market leader after eBay with strong technological leadership, including those for mobile applications and the world's largest inventory sourcing and vetting ability, the company needs to introduce a B2C unit to build professional retail offering on top of successfully executed B2B solution for its venders.
4		7.250	The most aggressive and successful art auction that has consciously focused on an online strategy. The company's business model will remain handicapped until HA.com repositions itself as an art retail business and adopts focus on proper merchandising, more efficient product assortment and best in class e-commerce CRM. It should also aim to bridge the traffic gap with Liveauctioneers.com quickly, as this gap remains too wide.
5		6.775	A firm backed by venture capital that initially made the right move to aggregate various value-adding content but has somehow failed to reap benefits from full trading and content functionality integration. It has lost significantly to Liveauctioneers.com on traffic and HA.com on consumer focus.

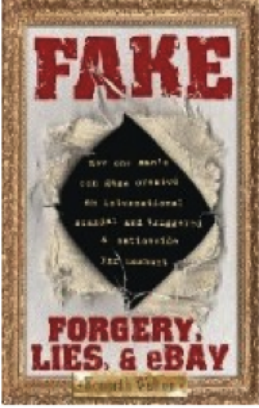
(Skates 9-10)

### **III. Christie's and Sotheby's Online Auctions:**

The major auction houses have an online presence (Christie's Live and Sotheby's BidNow) which allows registered users to bid online. While internet sales have significantly increased at both houses (ArtPrice 17), live bidding at their auctions is still the focus of their business model (Montage 3). Even with as much as 28% of Christie's buyers bidding online, the average price of an online sale is "only \$8,123" - compared to the global lot average of \$48,900 (Montage 3). It seems that the two major auction houses, perhaps because of the Sotheby's online failure about 10 years ago, are reluctant to go full force into an online business model. I think the reason is twofold: First, the fact is that their traditional model is successful and still growing. Second, the notoriety and sensationalism of their auctions is a basic part of their branded status in the art world. Major sales from a live auction are reported on the network news – which is great (and free) publicity. Internet sales, however, don't even have close to the same powerful media dynamic. And while some may compare an online bid to a bid placed on the telephone, the electronic bid loses an element of reality, and possibly has some skepticism as to its validity. For instance, is the electronic bidder someone who has no intentions of buying and is only bidding to manipulate the system – kind of like a spam email that you've won a million dollars? The strategy of the auction houses with regard to online bidding simply seems to be that they'll take an online bid from a qualified buyer, but they are not significantly promoting it as a means of developing their business. In other words, if their existing business model works, they're not going to do much to change it. Michael O'Neal, Senior V.P at Christie's, says that "Christie's and Sotheby's are not in direct competition with the Art Market's dot com startup ventures – they are above them" (Montage 3). So for the time being, it appears that the two major auction houses are pursuing their traditional means of live sales in the auction house, while not excluding those that want to bid online.

### **IV. Authenticity – Fakes and Forgeries:**


As much as the Internet has positively transformed the market place for buying and selling most anything, it has come at the price of numerous scams. With buying art online, the concern is with fakes and forgeries -- basically not knowing if what is being purchased is real or not, and what, if any, guarantee come with the purchase. Probably the most notorious case of fake art being sold on eBay is that of Ken Walton, an attorney who turned into an Internet con man. He came to the attention of the FBI when he made the front page of the New York Times after he sold a Richard Diebenkorn painting for \$135,858 on ebay. The problem was that he forged the painter's signature. He wrote a book about his scam titled: *Fake: Forgery, Lies, and Ebay*. Here is a photo of the first page of his website, [www.kennethwalton.com](http://www.kennethwalton.com).



In May 2000, I auctioned a painting on eBay  
for \$135,858.

There was only one problem.

It was **fake.**



Here is an interesting YouTube interview with Walton about his sale of fake artwork on eBay.

The reality is that fraud in one form or another has and always will exist in the art world. Even the major auction houses have been tricked by scammers. It was not very long ago, that Christie's sold a fake Basquiat for over \$200,000. (Artlyst 1/5/10). If a major auction house can get scammed, it can definitely happen to anyone, especially over the internet. The case of Michael Zabrin of Chicago is very telling in terms of the problems with buying and selling art online. Even though he was previously convicted of criminal theft in the past, he still was able to sell fake Picassos, Lichtensteins, and Chagalls on eBay. What was reported about the nature of his business leads me to believe that there will always be vulnerable buyers online: "When some customers realized they had bought fakes, they returned them. Zabrin acknowledged that he then waited a few months and resold them to someone else" (Artdaily.org). It's almost unbelievable how easily people can get scammed online.

eBay definitely needs to do whatever is possible to insure the authenticity of any artwork being sold, especially any expensive pieces. They should require some sort of authentication before a major item is listed, for example, a background check on the seller, the item and maybe even require an official provenance be provided before the item is listed for auction. Ebay and other online sellers of art need to instill confidence in the buyer, by most importantly, I think, offering full refunds in the case of a fake. All this of course is easier said than done given the nature of the Internet. There is no perfect fix for the problem of fraud in the art world, whether it takes place online or at the auction house. Sellers, Internet companies, dealers, etc. simply need to stand behind the authenticity of what is being sold online. And buyers need to educate themselves as much as possible and proceed with caution when it comes to buying art – especially on the internet. History has shown that a seller's positive feedback on eBay alone is not enough. Buyers need to look beyond what the website or seller says when it comes to something as complex as purchasing expensive artwork.

## **V. The Tangible Nature of Art and the Internet:**

The senses are an important part of any purchase. Yet, when you buy something in cyberspace, you can't touch or feel it, or see it in person, like you would in a store. Unless you are buying something that you have already experienced holding, like an iPod, it's hard to assess the subtleties like color and texture. Yet, "fashion," which is almost always has a touch and feel aspect about it, is a major category of eBay sales (Skates 7). With art, its tangible nature is key; the buyer needs a sense of what is being offered, which in some part I think explains the popularity of the preview / inspection for any major auction. But the remarkable thing is that despite the difficulty in assessing the tangible nature of artwork online, the fact is that the internet is still a significant means of buying and selling in the art market. I think one can say that the telephone bidder from China or Russia who doesn't, for example, attend the inspection of a Warhol or Hirst piece being auctioned off, is really not much different than the internet buyer bidding on the same item. While it may not replace the senses involved in viewing something in person, a printed or online catalogue seems to work just fine – at least for those in the art world willing to buy without inspection. If the auction houses can sell multi-million dollar pieces of art sight unseen (or only seen in a catalogue,) then the internet should not be handicapped by an inability of the buyer to fully assess the tangible aspects of a piece of art. This is why I believe that the more advanced a web site is in terms of presenting artwork, for example, videos, high pixel digital images from different angles, etc., the less important an in-person inspection is for the buyer. Artnet's web site, with its multiple photos from different angles and zoom feature, is a good example of how the buyer can ascertain the tangible aspects of art being sold online without seeing it in person.

## **VI. Technology in Reverse - Online Auction Sites Go Brick and Mortar:**

In what is probably the best indication that the electronic art market will probably never replace the traditional means of transacting art, both Artnet and Saffronart have recently taken physical exhibition spaces. As was written in Art Radar, "this paradox reminds us that the marketing of art is still much more about human relationships than the pixels of a pretty picture." While I don't think this signals that the Internet model of buying and selling art will decline, it does reflect that a live presence in the art market is always a good thing. A few months ago, The New York Times wrote that there will always be art buyers who still need a "little live reassurance from human beings that what they are seeing and reading about on the screen is what it appears to be" (Kennedy 3).

## **Conclusion:**

An eBay auction in cyberspace is like a football game without a live audience. The essence of the live auction is not participation by everyone in attendance; instead it is the sensationalism and marketing dynamic it gives the art market. That is not to say that online art auctions are a dying aspect of the art market. To the contrary, I think the future for the electronic art market is bright as it has been able to survive despite major obstacles and failures of some companies. The issues of authenticity and the tangible nature of art, which while important, do not seem to have significantly deterred the buying of art online.

While I agree with Professor Finley that the internet has taken out some of the "fan fare of the auction experience" (wiki comment), I believe the auction houses and the galleries (especially those affiliated with branded dealers), will continue to be the standard for buying and selling art, particularly any significant works. The power of the branded auction houses and their media coverage is a key component of the success of the art market. For those that can attend the preview, it may be just as important as the auction (if not more so) in terms of being seen amongst the art market players - something that can't be done over the internet. And while going to the inspection may make bidding on line more comfortable, it cannot replace the live auction. Yes, art can be bought and sold without a Christie's or Sotheby's. But the people in art world (and probably most all people) love the sensationalism associated with a major auction – it fuels the art market in a way that neither eBay nor any online art auction can. They also like how the star-power of a branded dealer increases prices and notoriety of artists, which in turn I think helps grow the market. So while I believe that internet art sales will expand, I don't see it significantly changing the dominance of the auction houses and galleries in the art market.

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