

Digitalization of the art market as explained by London Trade Art

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Last month, Withers' Giulia Cipollini and Roberto Bonomi welcomed Francesca Casiraghi and Jessica Tanghetti of [London Trade Art](#) to speak in our Los Angeles office at a session titled *New Technologies and Trends in the Art Market*. London Trade Art is an online platform specializing in prints, multiples and contemporary art that aims to create an art exchange, and is very much at the center of recent technological developments in the art market.

Background

Francesca and Jessica started their presentation with some background, saying “the art market isn’t ready to accept technological innovation.” While this may sound contradictory to the topic of the presentation, Francesca stated, “it is not; the art market still needs to be educated about online tools and online art investments.” The art market has historically proven to be reluctant to adopt new technologies in comparison with other markets, particularly the financial sector. The technological and methodological gap between the art market and financial market has continued to increase in the last 20 years. This began when the financial market adopted an electronic trading system in the late eighties, while the art market continued to use traditional tools such as a private sales and live auctions.”

Regardless of this reluctance to utilize new technologies, the art market reached US\$63.7 billion in global sales in 2017, increasing 12% with respect to 2016.¹ In addition, rough data comparing the performance of the art and financial markets, in this case, the S&P 500 Index, shows that the art market has proven to be more stable and less volatile compared to the financial market. This means that collectors are investing in art because “they see it as an alternative asset to diversify their investment portfolio,” according to Francesca, “but also as a counter-trend asset. This is quite clear if you analyze its performance during the period of the financial crisis in 2008, where the art market didn’t suffer the negative trend of many other industries.”²

The digitalization of art

“The art market only recently gave signals of change that really demonstrate positive trends of online art booming,” Francesca said. Online art sales increased by 10% year-on-year since 2013, totaling US\$5.4 billion in 2017, a figure that is expected to reach up to US\$8.37 billion by 2023.³ 43% of art buyers bought art online during the last 12 months, and amongst them, 35% were new buyers.⁴ The results show that a new generation of collectors is emerging and leading the trend of digitalization: there has been a growth in collectors that are younger and more high-tech, the type of person that “for sure wouldn’t have bought art in a private gallery or an auction.” Online channels make it easier to purchase and allow them to get closer to art investments.

The main online players include major auction houses. Christie’s, for instance, collaborated in 2018 with a Blockchain-based platform, Artory, to register the information of the B. A. Ebsworth Collection Auction. Portion also opened a fully-online auction house in the same year, entirely based on Blockchain. Finally, Sotheby’s removed the buyer’s premium from online sales in 2017, and the result was that it invoiced US\$180 million in online bids.⁵

There are also new players such as e-commerce and marketplace platforms entering the online art investment space. E-commerce systems use software applications to allow any kind of business to manage its services online, while marketplaces are online commercial brokerage platforms that bring together buyers and sellers. In the art sector, the main players are private galleries that open galleries online, such as Gagolian and White Cube, using either an e-commerce system or a third party online marketplace to send artwork to. The biggest art marketplaces are Artsy and Saatchi, which get 4 million visitors per month, with thousands of galleries subscribed to their platforms. It is also estimated that 75% of galleries in 2018 used a third-party marketplace to sell art online, up from 59% in 2017, and in 2018 the sales volume of the online sector will total a figure between \$0.5 to 2 billion.⁶ Even the largest online marketplaces are entering the art space. Amazon opened an art-dedicated

marketplace, Amazon Art, and eBay also started a collaboration with Sotheby's in 2014 to host a live streaming auction on its platform.

Using London Trade Art as a case study, Francesca explained that, "online platforms are bringing more transparency, not only in information but also in the transactions." In the case of London Trade Art, a three-step process has been used to make online art investments easier and more accessible. First, an online marketplace was set up to purchase contemporary works, prints or multiples. The next step will be pooling investments; where a selection of high-value artwork will be split into percentages, so users can become co-owners by buying a piece, or share, of art once a predetermined threshold is reached. The third step will be the creation of an art exchange, a digital platform where users can constantly buy and sell shares of high-value artwork that were previously acquired, creating a democratic and transparent market. Overall, online platforms are changing the art market through the democratization of purchases, making information more accessible, creating transparency in transactions and offering liquidity and frictionless exchanges.

The future of digitalization

Blockchain technology is probably the most common word associated with the digitalization of art because it could potentially create a public digital platform that records any kind of transaction, allowing the verification, authentication, and tracking of any previous transaction. Applied to art, Blockchain could start solving the biggest issues of the industry and create more information on the provenance of artwork, as well as on current or even previous ownership, in addition to collecting sensitive documentation about the authenticity of specific artwork.

There are several projects using Blockchain-based platforms, and Francesca selected Verisart, Artory and Artlery as examples. All are trying to create a public registry, allowing access to verify any kind of information related to a selected portfolio of artwork. The information is secure and locked, thus unchangeable. According to Francesca, the future of the digitalization process in the art industry could be defined as "the creation of an art exchange, a digital platform that recreates certain characteristics of the financial trading model, allowing everyone to buy and sell shares of high-value artwork online in a continuous and simultaneous way. This platform would not only renovate art investments and methods of purchasing art, but it would also start to fill the gap between the art and financial market, or at least to reduce it." This could potentially open and expand the art market to new niche audiences who want to invest in art through a more familiar way, such as a trading system, or transform a passion into an investment.

Francesca concluded by saying, "despite the importance and necessity of new digital purchasing methods, art will always remain an emotional asset and there won't be any kind of technology able to substitute the unique feeling of emotional and physical fruition." This is why London Trade Art is committed to getting as much artwork into circulation as possible, offering new services including temporary holdings, international leases and offline services such as the management of private and corporate collections, and the organization of temporary exhibitions such as *Lisa Ponti in dialogue with Gio Ponti and Francesco Vezzoli*, hosted in Withers' Milan offices. On another occasion, London Trade Art held an exhibition in London (*What Goes Around Comes to Art* in November 2018), where users had the chance to purchase the displayed artwork from their own device by the click of a button, demonstrating that "online purchasing is already a reality in the art market and also that the audience is getting ready for it."

FOOTNOTES

- [1] The Art market 2018, Art ART & TECH Basel & UBS Report
- [2] The Contemporary Art market Report ART & TECH 2018, ArtPrice
- [3] The Art market 2018, Art ART & TECH Basel & UBS Report
- [4] Hiscox Online Art Trade Report 2018 and 2017, ArtTactic – Hiscox
- [5] Art Basel & UBS Art ART & TECH Market Report, 2018
- [6] Hiscox Online Art Trade Report 2018, ArtTactic – Hiscox

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