

A ART MARKET GURU

HOW AUCTION HOUSES CAN BENEFIT
FROM DIGITAL TRANSFORMATION

TABLE OF CONTENTS

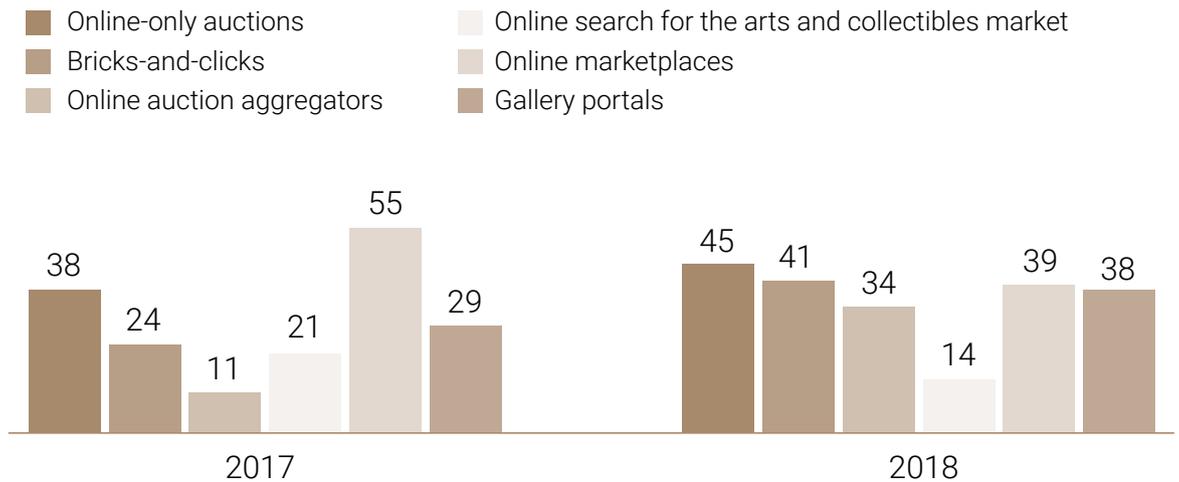
SUMMARY	4
AUCTION HOUSES GOING DIGITAL	6
▶ Auction houses that do not offer any online catalogue - paper only	6
▶ Online catalogues	6
▶ Online bidding	6
▶ Live online bidding (to support traditional auctions)	7
▶ Online bidding via third party plugins or websites	7
▶ Online-Only sales separate from brick-and-mortar transactions	8
CASE STUDY: THE IMPACT OF DIGITAL TRANSFORMATION ON BOOK SELLERS	9-11
STRATEGIES FOR PROFITING FROM DIGITAL TRANSFORMATION; BOOKSELLER LESSONS FOR THE ART MARKET	12
▶ Specialization	12
▶ Social Media	12
▶ Community Focus	13
▶ Moving to Online Sales	13
▶ Introduce Pricing Transparency	13-14
NEW TECHNOLOGIES EMERGING ONTO THE AUCTION BLOCK	15
▶ Artificial Intelligence	15
▶ Blockchain	16
▶ Virtual Reality (VR)/Augmented Reality (AR)	16
PRACTICAL TECHNOLOGY SOLUTIONS FOR COMMON AUCTION HOUSE ISSUES	17-19
LAST WORD: HOW TO MEET THE DIGITAL TRANSFORMATION CHALLENGE	20
OUR DIGITAL TRANSFORMATION SERVICE	20

SUMMARY

The announcement in October 2018 that Christie’s is the first traditional auction house to record transactions of a sale of a major collection augurs tectonic changes in the art market. Christie’s is collaborating with tech startup Artory to apply emerging technology to a centuries-old issue, how to track the authenticity and provenance of art and collectibles (A&C). Artory offers the art market a digital registry based on blockchain technology. While the move is not Christie’s first foray into the digital world, it is proving that tradition and technology do make for a formidable combination that can shake the international marketplace.

Online auctions are the most popular way for people to buy art on the internet. According to Hiscox, the insurer, online auction aggregators saw a huge increase in sales year-on-year (y-o-y) in 2018. In 2017 the channel saw a 20 percent increase. However, online-only auctions saw increases of 45 percent and brick-and-mortar Houses with online auction platforms saw an increase of more than 40 percent.¹

What types of plattforms have you bought from? (%)



Hiscox Report

Traditional auction houses, no matter the size, all have more to be concerned about than the forays of traditional powerhouses into new technology. Christie’s and Sotheby’s are merely standard bearers of Digital Transformation of the art markets. The impact the new and emerging technologies will have on the A&C marketplace will have dramatic implications for the business for decades to come.

The report How Auction Houses Can Benefit from Digital Transformation looks at how auction houses are currently applying technology to grow their businesses. The analysis examines the new technologies already making inroads into the A&C marketplace and makes recommendations on how auction houses of every size and scope can adapt to and profit from the inevitable disruption already underway.

¹ <https://www.hiscox.co.uk/sites/uk/files/documents/2018-04/Hiscox-online-art-trade-report-2018.pdf>, Page 16

The report focuses on established brick-and-mortar auction houses at global, regional, country, and city levels. The analysis considers six levels of technology integration that the operations of auction houses may be experiencing singly or in combination.

The analysis draws heavily on parallels of disruption in the bookseller industry over the past 20 years. Bookstores suffered massive changes from “The Amazon Effect”, which brought a dramatic Digital Transformation to the industry.

Within the scope of this discussion, Digital Transformation means the transfer of sales and support services from face-to-face, hand-to-hand, brick-and-mortar places of commerce to internet-based e-commerce platforms. In the case of books, the content has remained both physical and, in many instances, has also been digitized.

The analysis draws the conclusion that the art market will experience the same level of disruption as the market for books. The report will offer conjecture on just what changes brick-and-mortar auction houses can expect in the near- and medium-term. And will offer suggestions on how traditional auction houses can adapt to the market shifts and ride the Digital Transformation wave to greater stability and increased revenues.