

A ART MARKET GURU

**SECOND LIFE:
MEETING THE CHALLENGES OF ART
GALLERIES THROUGH TECHNOLOGY**

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MEETING THE CHALLENGES OF ART GALLERIES THROUGH TECHNOLOGY

Between the years 2012 and 2015, the art market counted about 12 notable art gallery closures. From 2015 through 2017, however, the market saw 46 prominent galleries shuttering their doors. More than 30 of the high-profile closures happened in 2017 alone.¹

Of course, the issue would not be so concerning if it was not for the fact that fewer new galleries are opening than ever before. In 2007, five galleries opened to every gallery closing, according to Artsy.² Artfacts.net counted a total of 275 galleries worldwide that opened in 2007; in 2017, less than 50 new galleries opened their doors.³

The last several years have also seen downward pressure on the sales of small- and medium-sized (SMG) art galleries. In 2016, establishments with less than US\$500,000 in revenues saw their sales slide by seven percent, while sales at galleries with between US\$500,000 and US\$1 million fell by five percent.⁴

However, those with the capital to withstand changes in buyer tastes and the ballooning number of High Net Worth Individuals actually saw their sales increase. Galleries that already had sales between US\$1 million and US\$10 million actually saw sales rise by seven percent. Businesses with sales between US\$10 million and US\$50 million had growth of about two percent. Meanwhile, galleries that were already making more than US\$50 million had sales increases of nearly 20 percent.

The report *Second Life: Meeting the Challenges of Art Galleries through Technology* addresses the issues besetting operations with sales of US\$50 million. All the tiers of businesses below this threshold are facing declining or stagnant sales growth. The Analysis considers how technology may be able to help SMGs stave off closure. Though by no means a silver bullet, strategic implementation of digital technology may provide businesses under pressure a way to morph into entities that may survive the coming decades. Smaller entities like The CRG Gallery, which closed mid-2017, provides a case in point.

Catching the digital technology wave may have given The CRG Gallery another lease on life. In existence for 25 years, the gallery caved under a set of stresses that any small-sized business would find difficult to thrive within.

¹ <http://www.artnews.com/2017/06/27/a-recent-history-of-small-and-mid-size-gallery-closures/>

² <https://www.artsy.net/article/artsy-editorial-art-market-hit-637-billion-2017-key-takeaways-art-basel-report>

³ <https://www.artsy.net/article/artsy-editorial-art-market-hit-637-billion-2017-key-takeaways-art-basel-report>

⁴ <https://www.nytimes.com/2017/06/25/arts/design/art-gallery-closures-grow-for-small-and-midsized-dealers.html>

THE DRIVERS OF CLOSURE

Glenn McMillan, one of the founders of CRG Gallery (New York), noted in an interview that the art market “has truly become an international business, it’s bringing to the art market an incredible volume of money, and it puts pressure on mom-and-pop operations like ours.”⁵

In other words, the new reality of the art markets is that the internet now permits anyone to purchase art from anywhere in the world. Further, the operating costs of galleries have increased while physical visits to brick-and-mortar establishments have plummeted.

McMillan added about the challenges besetting galleries that, “part of the problem is traffic; whereas Saturdays used to be the day when visitors poured into galleries, now crowds on that and other days have noticeably thinned.” He attributed the decline in footfall to the purchase of art through social media. He also felt the expense galleries invest in what he terms “an art fair every month” is weighing heavily on their operating models.⁶

A “perfect storm” of the convenience and sheer quantity of art fairs and social media marketing have contributed mightily to the demise of galleries. Instagram, the leading social media platform from which galleries and artists exhibit digital copies of their works on hand, has made art far more accessible to average consumers. There is less opportunity for the gallerist to establish a rapport with potential buyers or continue discussions with current customers.⁷

Clare McAndrew cites additional factors accelerating the decline in the number of galleries in her report, “The Art Market | 2018”. McAndrew notes that high rents for gallery spaces, expensive fees to participate in art fairs, as well as the shift to viewing and purchasing art online have contributed hugely to the loss of SMGs in the art market. She adds that another major factor, little discussed, is the increasing degree to which well-capitalized galleries poach staff from smaller establishments. The dearth of experienced staff in less well-endowed galleries gives larger businesses an even greater advantage in making sales.

Founder of ArtMarketGuru, Frédéric de Senarclens has some clarity on this subject as he has managed bricks and mortar galleries in Geneva and Singapore. In a contribution to a publication project entitled “The Future of the Art Market and the Role of Galleries,” he stated, “Despite our physical engagements and connection with the local art scene, more than 50% of our sales were initiated thanks to a first online interaction from the buyer. Whereas collectors physically visiting the gallery were representing only a small proportion of our clientele.”⁸

Technology may provide galleries at least a partial answer to how to deal with some of the issues confronting the industry.

⁵ <http://www.nytimes.com/2017/06/25/arts/design/art-gallery-closures-grow-for-small-and-midsize-dealers.html>

⁶ <https://www.nytimes.com/2017/06/25/arts/design/art-gallery-closures-grow-for-small-and-midsize-dealers.html>

⁷ <https://www.nytimes.com/2017/06/25/arts/design/art-gallery-closures-grow-for-small-and-midsize-dealers.html>

⁸ “The Future of the Art Market and the Role of Galleries” is a collaborative project with the mission to foresee how the art market will evolve in the next decade, open a space of debate and reveal the major challenges within the art gallery sector. The release date is schedule for mid-2019.