

**The art gallery in the digital age:
How can galleries sustain their businesses in times of
digital business transformation?**

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Master's Thesis

June 2020

ABSTRACT

Various art market participants – and especially art galleries – have long been reluctant to embrace digital channels for selling art. Previous research has repeatedly stressed that the art market follows its own rules, as the value of art cannot be determined objectively. It is formed in the social context through the interaction of various actors and gatekeepers, including galleries. Due to the rapid digitisation, which affects all business areas and thus also the art market, the question arises how galleries can maintain their business in times of digital business transformation. Despite the increasing relevance of digital channels in the gallery business, there has been little research on online sales and their impact on the gallery business. This thesis therefore addresses this gap and explores how galleries can sustain their business in times of digital business transformation. The following four sub-aspects are addressed: (1) the tension between the traditional business model and innovation; (2) the extent to which galleries have already integrated digital channels into their business model; (3) how digital channels can best be integrated into the gallery business model; and (4) the consequences of implementing digital sales channels.

Thirteen expert interviews with gallery owners and managers in Vienna were conducted. They were asked about the innovation through digital channels and impact of these channels on their business. The interviews were analysed using the qualitative research method of thematic analysis. The analysis resulted in four major themes: First, it revealed that several factors that characterise the gallery business, such as personal relationships, the need for the physical experience of art, and lack of transparency for maintaining organisational legitimacy, inhibit openness to innovation. Second, it was found that despite these factors, several galleries are already successful in selling art online, with those in the lower price segment more likely to run online shops, while those in the higher price segment are more likely to sell art on the basis of their digital footprint and online presence. Third, since experts agree that online sales are most likely to happen when customers are familiar with the gallery and have already established trust, a multi- and omni-channel approach was found to be the most appropriate way to integrate online sales channels. Fourth, the analysis revealed that customers and galleries are becoming more open to the consumption and sales of art through digital channels, so there is potential for the business model to expand into the digital sphere. The role of the gallery as gatekeeper will continue to play an important role in this process. The results suggest that art galleries with an international focus should focus on the integration of online channels into their overall business model. Concurrently, galleries active in the national market seem not yet to be ready for the digital experience and sale of art.

KEYWORDS: *art market, online art sales, multi-channel, art galleries, business model innovation*

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1. Introduction

1.1 Research context

Companies in many business areas have experienced a major change in their business models since the advent and proliferation of the Internet and communication technology (Teece, 2010; Verhoef, Kannan & Inman, 2015). Younger generations, the “digital natives”, who have grown up with digital technology have high expectations regarding the immediacy and convenience through digital channels. Consequently, companies have realised the need to capitalise on digital channels in order to interact with their various stakeholders and to preserve their visibility and market relevance (Ozler & Thomas, 2012).

While many markets for consumer goods have now strongly expanded their business model into the electronic commerce sector, the gallery business is still regarded as relatively traditional and based on analogue channels. The art market is characterised as being relatively exclusive and opaque, which means that information such as prices and the entire sales process is usually treated as private and confidential (Adam, 2014). For this reason, much of the research to date has focused on why the art market is not easily comparable with other markets. It is argued that artworks are unique and thus non-reproducible goods that have a symbolic rather than purely a material value. Consequently, the economic and symbolic value of art has to be created in the social world, with art market intermediaries such as art galleries playing an important role and providing credibility, security and quality standards (Adam, 2014; Beckert & Rössel, 2004, 2013; Bourdieu, 1993; Janssen & Verboord, 2015; Knebel, 2007; Velthuis, 2007, 2011b, 2014). As a consequence, the gallery business has so far been strongly based on personal contact and social interaction between gallery and buyer, and has been mainly focused on physical locations such as the gallery space and art fairs (Arora & Vermeylen, 2013; Smith, Discenza & Baker, 2006).

In recent years, the art market has undergone major changes through the Internet and new communication technologies, that also have an impact on the gallery business model. First, the Internet has facilitated global visibility of art market participants, making it easier for buyers and collectors to access a broader range of offerings with a global reach. Second, it enables galleries to reach new markets and to connect these markets more effectively (Adam, 2014; Arora & Vermeylen, 2013; Khaire, 2015). And third, these new digital channels have also contributed to greater transparency on a market that has long been characterised as opaque and secretive in terms of prices and information, enabling collectors and buyers to make more informed buying decisions (Arora & Vermeylen, 2013; McAndrew, 2015; Samdanis, 2016).

As digital channels facilitate worldwide networking and communication, they also enable transactions and acquisitions at distance and thereby provide the basis for new business opportunities on the art market (Samdanis, 2016). Several online platforms have

emerged that enable various art market stakeholders to obtain market information. For example, Artfacts¹ and the price database Artnet² provide information about market development of artists (Bayer, 2018; Sidorova, 2019; Velthuis, 2014). In addition, there are now numerous intermediary sales platforms, such as Artsy³ and Saatchi Art⁴, where art galleries or artists can offer their artworks for sale and buyers can purchase them with a click-to-buy function (Sidorova, 2019). Likewise, auction houses are offering online auctions, where people can bid from home and art galleries have recently started to create virtual showrooms where artworks are displayed and offered for sale (Sidorova, 2019).

These developments were further accelerated in recent months due to the global outbreak of COVID-19, which had a tremendous impact on the art market, as mobility was restricted for all art market participants and events and art fairs had to be cancelled worldwide. As a result, art galleries, as well as other art market players, had to consider alternatives to reach people during this period of restrictions (Gerlis, 2020). In recent months, several online initiatives and new online formats have emerged. For example, art fairs like the Frieze and Art Basel fair have created online alternatives designed as digital viewing rooms and there have been smaller event series such as Not Cancelled⁵, where galleries in various cities were able to exhibit and sell art. Notably, many galleries have been working on their digital visibility and presentation.

Despite the increasing relevance of online channels for marketing, visibility and sales for the art market, previous research has emphasised that art galleries are relatively reluctant to sell art online when compared to normal consumer markets. Instead, they use the Internet mainly to promote their artists and the gallery programme (Arora & Vermeylen, 2013; Kohle, 2014; Samdanis, 2016; Sidorova, 2019). It follows that digital channels have so far been regarded as additional channels that do not (yet) fundamentally change the business models and that galleries have limited interest in online art sales (Adam, 2014; McAndrew, 2015; Pownall, 2017; Samdanis, 2016; Van Miegroet, Alexander & Leunissen, 2019).

1.2 Research question

Previous research has so far intensively investigated the role of the art gallery in the context of the art market. A large part of the research is therefore influenced by the assumption that art cannot be compared with other consumer goods markets. It has been repeatedly stated that artworks are unique and experiential goods, whose economic and artistic value is created in the context of interactions and processes on the art market and

¹ <https://artfacts.net>.

² <http://www.artnet.com>.

³ <https://www.artsy.net>.

⁴ <https://www.saatchiart.com>.

⁵ <https://www.notcancelled.art>.

cannot be evaluated objectively (Bayer, 2018; Caves, 2000; Khaire, 2015; Knebel, 2007; Throsby, 1994; Velthuis, 2011b). Janssen and Verboord (2015) explain that galleries have the role of gatekeepers in the art market, in that they select from the supply and create a market for the artists and demand among collectors and buyers. Since the value of art is constructed in the social world, personal networks and contacts are necessary, as it provides security and credible references for buyers (Beckert & Rössel, 2004; Polleit-Riechert, 2010; Velthuis, 2011a, 2011b). In addition, some academic contributions have addressed the aspect that the art market is an uncertain market, which is why it does not follow the rules and logic of regular consumer good markets (Velthuis, 2007, 2011b; Yogev, 2009). It follows that the personal relationship and interaction between gallery and buyer is necessary, as this builds trust and gives a feeling of belonging to an exclusive community (Janssen & Verboord, 2015; Velthuis, 2014).

To date, however, there have been surprisingly few comprehensive studies on the subject of online art sales in the context of the gallery business. While there are several art market reports dedicated to the economic growth of online sales (e.g. McAndrew, 2019; Pownall, 2017), they do not address the topic from a social science perspective. Those researchers who addressed this topic from a scientific perspective have mostly examined it in the context of other research or only described general developments (e.g. Adam, 2014; Arora & Vermeylen, 2013; Kohle, 2014; Velthuis, 2014). It has been argued that galleries use the Internet primarily as a marketing channel but not for selling art and that online sales would only be compatible with the lower price segment, while art in the higher price segment cannot be sold online (Adam, 2014; Fassio, 2019; Khaire, 2015; Samdanis, 2016). In addition, some researchers suggest that the power and role of galleries could be threatened by developments in digitisation. On one hand, because the high level of transparency online implicates that everyone has access to information and the formation of opinions and trends is more democratic than ever before. On the other hand, because there is a fear that certain quality standards and the boundary between high- and low-quality art may become blurred (Arora & Vermeylen, 2013; Van Miegroet, Alexander & Leunissen, 2019). A more in-depth discussion on all these factors is still outstanding. While there are countless research contributions on electronic commerce in the field of consumer goods (e.g. Gefen, Karahanna & Straub, 2003; Kassim & Abdullah, 2008), it can be assumed that – due to the aforementioned characteristics of the art market and gallery business – these findings cannot easily be applied to the online sale of art.

Consequently, there is a significant gap in research on the topic of online sales in the gallery business. This thesis aims to provide comprehensive insights from the perspective of gallery directors and managers in how they perceive the current impact of digital tools on their business. More specifically, the goal is to provide a better understanding of the

complexity of the role of the art gallery and the related difficulties of integrating digital channels for marketing, communication and sales in the gallery business model. Moreover, this research aims to explore how galleries can best integrate digital channels into their business model. Based on the context outlined above, the overarching research question is:

RQ: How can art galleries sustain their businesses in times of digital business transformation?

In order to systematically explore various aspects related to this research question, four sub-questions have been formulated which are to be investigated in the course of this research.

SQ 1: What are the main conflicts between the traditional gallery business model and innovation through digital channels?

SQ 2: To what extent have galleries already integrated digital channels into their business model for marketing and communications as well as for sales?

SQ 3: How can digital channels best be integrated into the gallery business model?

SQ 4: What are the consequences for the implementation of digital channels in the gallery business model?

The first sub-question attempts to understand different factors that contribute to the fact that galleries are sticking to their traditional business model based on personal contact and physical experience while they are hesitant to embrace new digital channels. The second sub-question examines the extent to which galleries are now integrating digital channels into their business model, both for marketing and visibility and for online sales. The third sub-question examines how digital channels for marketing and sales can best be integrated into the gallery business model – with particular focus on the compatibility with the multi-channel and omni-channel approach, which are thought to be most suitable for the gallery business. The fourth sub-question aims to explore how galleries perceive the impact of integrating digital channels into their business model and whether the role of the gallery as gatekeeper could thereby be weakened.

1.3 Methodological overview

The research is focused on art galleries in Vienna. The reason for this geographical choice is qualified by the fact that Vienna, as the capital of Austria, is a recognised centre for art and culture both on a national and international level and has an established art scene (BMWFW, 2017). In addition, Vienna has a high density of art galleries, with a good combination of galleries with a more national focus and galleries with a strong international focus. This gives a comprehensive picture of the attitude of different kinds of galleries towards the topic of investigation.

As will be explained in more detail in the theoretical framework, Resch (2011) differentiates between four gallery types, that are distinguished in size, management structure and orientation, namely Alpha, Beta, Gamma and Delta galleries. This categorisation was used to differentiate between gallery types and identify patterns in the analysis.

Since this thesis covers the exploration of a topic on which there is relatively little pre-existing research, a qualitative approach based on in-depth interviews is most appropriate. In order to explore the research question and its sub-questions, thirteen owners and managers of art galleries were interviewed, as they are experts in their business area and are thus able to provide first-hand, in-depth insight. The resulting data set was processed through a thematic analysis, by coding the statements and identifying patterns and themes.

1.4 Scientific and societal relevance

Due to the developments outlined above, the hitherto slow trend of digitisation on the art market could be accelerated. Therefore, this thesis provides an up-to-date contribution to the scientific community in a research area that has so far received little attention. The findings provide new insights into the topic of art galleries as intermediaries between artists and customers and their role as gatekeepers in times of digital business innovation. The research is embedded within the business context of art galleries, with aspects such as organisational legitimacy and established rules and principles in the art market being central aspects that are addressed. At the same time, the insights are also of societal relevance, as they provide galleries with important insights about current developments that they might otherwise not be aware of. In the conclusion, practical suggestions based on the findings are made that can provide galleries with valuable input for innovating and adapting their business model to future market requirements. These results may also be relevant for artists and art collectors, who could be stimulated to embrace digital channels. Other stakeholders on the art market, such as curators or auction houses, can also benefit from the findings of this study, as they can gain insight into current developments and adapt their work accordingly.

1.5 Chapter outline

After presenting the focus of the thesis in this chapter, the next section (Chapter 2) introduces a theoretical discussion of the broader context of this research. This is followed by a presentation of the research design and methodology (Chapter 3) as a transition between the theoretical framework and the analysis. In Chapter 4, the results of the thematic analysis are presented and in the conclusion (Chapter 5), a summary is drawn and theoretical and societal implications as well as suggestions for future research are presented.

2. Theoretical framework

Previous research has not suitably covered the intersection of art galleries and the digital environment. In this chapter, the context and role of art galleries on the art market is presented. In addition, the most important art market developments are outlined in order to better understand the gallery business context. This is followed by a presentation of the influence of digital technology on art galleries and, finally, the possibilities for galleries to innovate their business model are discussed.

2.1 Art galleries in the context of the art market

2.1.1 The value of art

The art market is characterised by specific aspects that make it difficult to be compared to markets for conventional consumer goods. The reason for this is that the economic value of art is constituted by the artistic value which is constructed through interactions and processes within the art world (Bayer, 2018). Artworks are goods that have a predominantly symbolic rather than material value which means that their value is mostly based on artistic attributes that are constructed in the social world (Caves, 2000; Khaire, 2015). The valuation of art is thus based on the perceived significance of the audience and art professionals and is not inherent to the artwork itself (Samdanis, 2016). Consequently, rising prices for an artist are usually indicators that the artist's career is developing well and that he/she is recognised in the art world (Velthuis, 2003). Furthermore, artworks are extremely heterogeneous goods. This implies that the artist produces – apart from prints, photographs and other editions – unique artworks (Throsby, 1994). The supply of art is therefore mostly inflexible when compared to reproducible goods, meaning that a buyer may only be interested in one specific artwork that cannot easily be substituted by another one (Knebel, 2007; Velthuis, 2011b)⁶. Since the prices of artworks are indicators for the success of the artists that created them, it needs intermediaries such as galleries and auction houses that create and regulate demand and establish prices (McAndrew, 2010). In addition, artworks are durable goods that are usually not subject to degradation (Knebel, 2007), which is why they can increase in value over time and can thus become financial assets (Throsby, 1994). Art is also a luxury good, as its possession expresses prestige and is often a means of belonging to a cultural elite (Zorloni, 2013).

Hence, the value of artworks cannot be objectively determined. This is why various actors in the art world – both private and public – must interact in order to create its artistic, cultural and economic value. The art market can thus be described as a dynamic social

⁶ In reality, there is a certain flexibility, for example, when buyers are interested in other works by the same artist. Moreover, this applies less to rather unknown artists in the lower market segment (Velthuis, 2011b).

construct that can only function through the interaction and interdependence of its key stakeholders including artists, collectors and buyers as well as art dealers, galleries and auction houses (Noël, 2014). To better understand this complex system, the following part will focus on the structure of the art market.

2.1.2 The primary and secondary art market

The art market is usually divided into the primary and the secondary market. The primary market is where works of contemporary artists are sold for the first time. This can either be through direct sales from artists' studios or through intermediaries, which are usually contemporary art galleries (McAndrew, 2010; Velthuis, 2011b). On the primary market, prices tend to be lower than on the secondary market. Sellers have to put great effort into creating value and promoting the artists and artworks. This is necessary since little information is available about the works and there is great uncertainty regarding the value and career development of artists (McAndrew, 2010; Resch, 2011; Zorloni, 2013). On the secondary market, artworks are resold, usually by auction houses and art dealers (Velthuis, 2011b). In this market segment, there is significantly more certainty about the value of art and more transparency in terms of market information and prices (Resch, 2011; Zorloni, 2013). As artists are already more established on the market, prices are usually significantly higher than on the primary market and the acquisition bears less risk (McAndrew, 2010).

'Art gallery' is an umbrella term that encompasses both contemporary art galleries on the primary art market as well as art dealers on the secondary market. In both cases, galleries are the intermediaries between supply and demand (Velthuis, 2011a). Contemporary art galleries mediate between artists and buyers and usually keep the works of artists they represent on consignment for the duration of an exhibition. If an artwork is sold, they share the sales price at a fixed percentage (often 50:50 for each) with the artist (Velthuis, 2011a). Art dealers, on the other hand, buy artworks from collectors and thus do not act as intermediaries between artist and buyer, but between seller and buyer (Thompson, 2008). In practice, however, both types can overlap, for example in that an art dealer can also directly represent living artists or a contemporary art gallery may sell artworks that do not directly come from the artist's studio but from a collector.

2.1.3 Three different art market levels

According to Throsby (1994), the art market can be divided into three vertical levels in terms of dimension and scope. On the lowest level, small shops, local contemporary art galleries and art dealers sell art of little artistic and monetary value. Here, art predominantly has a decorative character and there is generally excess supply (Knebel, 2007; Throsby, 1994). On the middle level, more established art galleries, art dealers and artists sell art on a

regional or national level. Usually, they are located in more or less important art hotspots and sell to both private collectors and public institutions (e.g. museums). Due to higher quality standards, supply is more limited than on the first level, but concurrently there are also fewer potential buyers who can afford buying expensive art. Therefore, mediators such as galleries are needed to coordinate supply and demand (Knebel, 2007; Throsby, 1994). The top level is formed by the international market, where the most renowned artists are traded at high prices. The agents, for example, international auction houses, galleries and art dealers, are in the public eye. On this level, mainly wealthy private individuals but also companies, museums and speculators buy art (Knebel, 2007; Throsby, 1994).

2.1.4 Four types of galleries

Similar to the three vertical levels defined by Throsby (1994), Resch (2011) distinguishes between four different types of galleries.⁷ All four gallery types can operate on both the primary and secondary market. The *Alpha* galleries operate on the top level of the art market. They are known worldwide, have a professional management structure and have an exclusive group of the world's most important collectors as clients as well as partnerships with top museums. They sell art of the most important artists with a high investment character and participate in the most important art fairs like the TEFAF or the Art Basel. These include galleries such as the Gagosian Gallery or the David Zwirner Gallery. *Beta* galleries have a slightly less professional management structure, are usually nationally known and sell high quality art. There is slightly less potential for investment and the clients are typically national collectors and museums. They also participate in major international art fairs like the Art Basel, but with a small booth or in secondary fairs like the Art Cologne. The *Gamma* galleries have a rather intuitive, thus non-professional form of management and represent a combination of emerging and established artists that are not featured in the Alpha or Beta galleries. Unlike the Alpha and Beta galleries, they are not trendsetters and rather attend less renowned art fairs. They do not have a firm collector base but rather have occasional buyers and do not cooperate with museums. And finally, there are *Delta* galleries, which have no management structure and no specific artistic orientation. In these galleries, there is no collector base and there are mostly occasional or one-off buyers. They mainly participate in smaller and often local art fairs (Resch, 2011). While these four types of galleries are easy to distinguish from each other in theory, their categorisation is more ambiguous in practice. Therefore, in Chapter 3.3, each gallery was assigned to one or two gallery types and additional information regarding the size of the gallery, scope of the client

⁷ The categorisation is based on Robertson (2000) and Thompson (2008) and was found to be the most suitable for this research. There are other attempts to categorise different types of art galleries, e.g. Bystryn (1978) and Velthuis (2007) for a horizontal categorisation; Adam (2014) and Velthuis (2014) for a vertical categorisation; and Zorloni (2013).

base and price segment was given in order to get a better understanding of the characteristics of the gallery.

2.1.5 Different motives for buying art

Based on the categorisation of gallery types, there are also different motives for buying art. While in practice these motives may overlap, in theory four motives can be defined. The first motive is buying art for decorative purposes. Second, art may be bought in order to gain social attributes, to belong to a social elite and to distinguish oneself from others. Third, art can be bought for aesthetic pleasure and the passion for art, which is especially true for art collectors and connoisseurs. And fourth, there is the motive of financial investment, whereby economic criteria of artworks are central. This usually applies to the higher price segment (Schultheis, 2017; Velthuis, 2007, 2011b; Zorloni, 2013). As a general rule, galleries prefer to sell to art lovers and collectors, as the artworks usually remain in their possession for a long time. The reason for this is that when an artwork is owned by a renowned collector the value of the artist and artwork usually increases.⁸ In contrast, if art is sold to investors, who buy art for pure speculative reasons, art becomes a commodity. In this case, there is risk that the financial value of the artwork could increase or decrease in an unpredictable way when the buyer offers it for sale on the secondary market shortly after acquiring it. For the gallery and artists this means that the artist's reputation and value could either increase too fast in a short period of time or that the low prices achieved on the secondary market could lead to uncertainty whether the prices are justified (Adam, 2014; McAndrew, 2010; Polleit-Riechert, 2010; Zorloni, 2013).

2.1.6 The role of art galleries and their social context

The art market, and especially the primary market, is considered to be exclusive and opaque. Usually, price information and the sales process are regarded as something very private and confidential (Adam, 2014). Especially in the upper market segment, galleries maintain an exclusive image, price tags are rarely found, and they often disclose information only on request (Fillitz, 2014). Moreover, the business model of galleries strongly relies on close and personal contact with clients and artists (Smith, Discenza & Baker, 2006). This necessity can be explained by the role of art galleries on the art market.

Art galleries need to have a good sense for selecting the right artists and need to create and maintain a market for them. This is done by promoting the artist in their cultural network and creating demand among collectors (Janssen & Verboord, 2015). In this process, the role of so-called gatekeepers and tastemakers, such as reviewers, critics and academics are crucial, as they have a high status in the cultural field (Janssen & Verboord, 2015).

⁸ For example, one could then say that a famous collector is also supporting this artist.

Having a strong network in the art world is therefore an essential part of the gallery business (Velthuis, 2011a). Another important means to create demand is to host events such as studio visits, opening parties, vernissages, or dinners for a selected group of people (Velthuis, 2011a, 2014). Since the value of art is socially constructed, these activities are means to raise the economic and symbolic value of artists and artworks (Polleit-Riechert, 2010; Velthuis, 2011a, 2011b).

In addition, contemporary art galleries maintain close contact with the artists. They support their artistic development, operate as their agents and thereby manage their market presence and career development. They have the responsibility to set an appropriate price level and manage supply and demand (Caves, 2000; McAndrew, 2010; Velthuis, 2014). Usually, the partnership between the gallery and the artist is long-lasting, with the artist producing works for the gallery which then promotes him/her among collectors, critics, curators and other members of the cultural circle (Caves, 2003).

Furthermore, personal networks are necessary to build up trust in a fundamentally uncertain market (Velthuis, 2007, 2011b). Especially for contemporary artists, whose works are entering the market for the first time, there is a great deal of uncertainty regarding the financial and artistic value of their art (Yogev, 2009). Due to this uncertainty regarding the value of art, reputation of the artist and future market development, buyers need credible references that give them the prospect of positive market development (Beckert & Rössel, 2004). Consequently, galleries also function as art advisors, as they support collectors with their buying decision, inform them about new trends and emerging artists and connect them with curators, artists and other experts (Fillitz, 2014). By emphasising personal relationships with collectors, trust in the gallery and in the quality of the artworks can be generated, while it also creates a feeling of belonging to an exclusive community (Janssen & Verboord, 2015; Velthuis, 2014).

To conclude, art galleries are important gatekeepers responsible for creating the symbolic and economic value of art (Bourdieu, 1993; Velthuis, 2014). If they manage these processes well for multiple years, they are able to establish a good and trustworthy reputation and will be sought after by collectors and artists alike (Polleit-Riechert, 2010; Throsby, 1994).

2.2 Major art market developments

In broad terms, art galleries operate in a field of tension between art and commerce. On one hand, they are commercial enterprises, focusing on the sale of art. On the other hand, their role is to discover, promote and support artists (Resch, 2011; Resch, 2016). However, galleries often tend to deny monetisation and do not publicly recognise the

commercial side of their business (Beckert & Rössel, 2004; Resch, 2016).⁹ Against this background, art market developments in recent years pose a great challenge for galleries.

For a long time, the art market was dominated by wealthy collectors who acquired artworks out of passion and appreciation. In recent decades, however, the demand for art has strongly increased due to higher living standards, increasing educational levels and the growing demand for luxurious lifestyles (Codignola, 2003; Okonkwo, 2009). Therefore, collecting art has increasingly become popular among financial speculators (McAndrew, 2010). This trend leads to two consequences: on one hand, art has increasingly become a commodity; on the other, the consumption of art has become more superficial, meaning that easy-to-digest and iconic artworks are easier to sell (Velthuis, 2012).

Strongly linked to these developments is an art market that has become more globalised and interconnected. The physical distance between collectors, galleries and artists no longer seem to play a role. New markets have emerged and local galleries sell art across borders to distant collectors and collaborate with international artists (Samdanis, 2016; Velthuis, 2014; Velthuis & Curioni, 2015). Consequently, the major auction houses such as Sotheby's and Christie's today have numerous sales venues worldwide, high-end galleries have several branches in different countries, and successful galleries participate in multiple art fairs each year (Fillitz, 2014).

Another trend that has emerged in recent years is the stronger need for experience as well as the sense of belonging to a social elite. Young and wealthy generations of buyers in particular associate being part of the art world with social needs and expression of status (Resch, 2016). Considering all developments mentioned above, it is not surprising that art fairs have become the most important sales venue for art galleries (Velthuis, 2014). For galleries, art fairs are an efficient way to reach hundreds of potential national and international buyers and to gain international visibility and recognition (McAndrew, 2010; Schultheis, 2017; Velthuis, 2014). For visitors, in turn, art fairs enable the access to a broad range of art in one place as well as they offer an enjoyable social experience and entertainment (Velthuis, 2014). This growing popularity of art fairs could be interpreted as what Pine and Gilmore (1998) describe as the increasing societal demand for experience ("the experience economy"). This means that businesses try to satisfy the quest for more involvement and identity in an affluent society by building experiences around their products and services (Lorentzen, 2008; Pine & Gilmore, 1998). While these art fairs are facilitating visibility, they are also major drivers for the commercialisation of the art market: they attract people who express their wealth and success by means of a luxurious lifestyle; they drive the

⁹ It should be noted that this tension between commercial interests and artistic integrity seems to be a problem not only for art galleries, but also for the cultural industries as a whole (Caves, 2000; Klein, Meier & Powers, 2016).

production of art that is easy to comprehend (Fillitz, 2014; Velthuis, 2014), and as pure sales venues they reinforce the commodity character of art.

Finally, another major development changing the art market is the growing importance of the Internet. While the traditional gallery model emphasises personal contact and exclusivity, it is increasingly being challenged by new ways of trading, consuming and valuing art (Arora & Vermeulen, 2013; Smith, Discenza & Baker, 2006). As a result of the increasing use of the Internet, the art market as a whole has become more transparent. For instance, there are now websites providing information about artists' careers, auction results or other art market related information (Velthuis, 2011b; Velthuis & Curioni, 2015). Moreover, galleries have begun to capitalise on digital channels such as social media or their own website which are used for marketing and communication purposes in order to promote their artists and the gallery programme (Arora & Vermeulen, 2013). The increasing use of digital channels can help galleries to attain new clients that would either be hard to approach due to geographical distance or would be afraid to enter the gallery. Consequently, it is believed that greater transparency could lead to a more democratic art market, where not only an elite but everyone can get access to information (Adam, 2014; Arora & Vermeulen, 2013; Fassio, 2019; Khaire, 2015). Nevertheless, Van Miegroet, Alexander and Leunissen (2019) note that these developments do not always lead to an improvement in information transparency, as galleries are still reluctant to make more extensive use of digital channels that goes beyond marketing and communication. In other words, more sensitive information such as prices are still rather unlikely to be found on the Internet (Van Miegroet, Alexander & Leunissen, 2019).

2.3 The impact of digital technology on art galleries

Among the various factors that have influenced the competitive landscape of businesses in recent years, the emergence and proliferation of information and communication technology (ICT) is one of the most significant. This is why it is often referred to as disruptive technology (Cortimiglia, Rados & Danilevicz, 2013). Along with the introduction of digital media, a new generation, often referred to as "digital natives", has evolved. Digital natives were born after 1980, when digital technologies became widely available and grew up with the access to and use of new digital communication tools (Ozler & Thomas, 2012). They have high expectations when it comes to the availability of information and the authentic and personal involvement of companies. Moreover, the generation of digital natives is increasing in size, while the older generations are decreasing (Ozler & Thomas, 2012). These developments have a significant impact on businesses of any kind. First, with the digitisation and proliferation of digital channels, consumers have easy access to information and can compare prices more easily. Second, digital channels have changed the communication of businesses from a traditional unidirectional to a bi- or

multidirectional communication between customers and companies. Third, digital channels lead to lower entry barriers for competitors, which can pose a significant threat to traditional companies (Ozler & Thomas, 2012). These developments have contributed to an accelerated production, delivery and consumption of goods and services and substantially affect all economic sectors (Sidorova, 2019). Since the Internet is democratic in nature, it can be used by anyone and from anywhere (Hennigs, Wiedmann & Klarmann, 2012). Therefore, the pressure on companies to integrate digital channels into their business model is strongly increasing (Ozler & Thomas, 2012). With no business field being left untouched, in recent years also art galleries have become more involved with new digital channels and the question arises as to what extent this has an impact on the business model of art galleries.

As outlined in the previous sections, the business model of galleries is dependent on personal contact and the main sales venues are art fairs and the gallery space. While galleries have begun to capitalise on digital channels such as social media or the gallery website for promoting their artists and the gallery programme, they are reluctant to use them for selling their artworks (Arora & Vermeylen, 2013; Samdanis, 2016; Sidorova, 2019). From this, it can be concluded that digital channels have so far been regarded as additional channels but do not (yet) fundamentally change the business models (Van Miegroet, Alexander & Leunissen, 2019). Previous research on the business of galleries outline the reasons why galleries are rather sceptical when it comes to selling art online.

The first assumption is that art galleries could fear to lose their power in the valuation process of art and their role in the art market due to the democratic nature of the Internet. As explained above, galleries are important gatekeepers that help to select and promote artists of good quality (Van Miegroet, Alexander & Leunissen, 2019). This gives rise to the fear that the distinction between high and low quality could be blurred and that their powerful gatekeeping roles could be weakened (Arora & Vermeylen, 2013).¹⁰ Connected to this is the fact that galleries want to maintain an exclusive image by disclosing prices only upon request and granting access to information only through personal contact with the gallery staff (Fillitz, 2014; Velthuis, 2007). Furthermore, galleries could fear that they would be perceived as too commercial if they offered artworks for sale online which is related to the tension between art and commerce introduced above. This means, that galleries are afraid that online art sales could take on the character of supermarket shopping, thus that artworks turn into commodities and that the deeper artistic identity is lost (Kohle, 2014).

Another significant reason for art galleries to not integrate online sales into their business model is the social aspect and the importance of personal contact for the success

¹⁰ However, Arora and Vermeylen (2013) argue that gatekeepers will not be replaced but will become even more important as within this overflow of information people need trustworthy, professional sources to draw on. Moreover, Khaire (2015) argues that discourses by traditional gatekeepers that justify the value of artworks can also be mediated via the Internet.

of the gallery business. As was explained above, the value creation of art is primarily based on personal contacts and professional networks (Samdanis, 2016), which cannot be easily transferred to the online space. Still, the intensive discussions between experts, connoisseurs and gallery owners, the close support of artists and the physical gallery space are essential for gallery operations, because it is thought to be the only way for galleries to build trust and reputation in the market (Kohle, 2014; Smith, Discenza & Baker, 2006). Moreover, many customers actually enjoy and prefer the personal contact with artists, gallery owners and other art world members as well as the experience of events which is not reproducible online (Arora & Vermeulen, 2013). And finally, art galleries might be convinced that art needs to be experienced physically and that the Internet is not suitable for selling art. Art is an experiential good, which means the quality of artworks can best be assessed when seeing and experiencing it (Arora & Vermeulen, 2013; Bayer, 2018). This thought might also be prevalent among customers who take the risk of buying an artwork of poor quality if not being able to see it physically (Velthuis, 2014).

Another aspect that could contribute to why galleries are not engaging more in digital channels is the lack of entrepreneurial thinking. It has been found in previous research that organisational skills as well as financial knowledge and literacy are often lacking in the cultural industries (De Graaf et al., 2019). This could be equally applicable to galleries, as Smith, Discenza and Baker (2006) state that galleries are usually not inclined to hire someone with business-related professional experience. Moreover, as can be seen from the four gallery types defined by Resch (2011), most galleries are small enterprises, hence the lack of professional management could also explain why art galleries are not taking more advantage of online channels. And, especially smaller galleries are torn between keeping their traditional business alive while adapting to new trends (Smith, Discenza & Baker, 2006).

In spite of these assumptions based on the previous research on art galleries, more recent work has stated that online sales have most potential in the lower and medium price segment where transactions happen faster. The high-end market, however, is currently thought to be incompatible with online sales (Adam, 2014; Fassio, 2019; Khaire, 2015; Samdanis, 2016).

Despite these limitations, it is worth looking at the current developments on the online art market. In recent years, various new businesses focusing on online art sales have emerged. There are now several online marketplaces, art galleries and auction houses that try to facilitate the purchase of artworks (Sidorova, 2019). Artsy, for example, is a website that matches potential buyers with galleries, enables galleries to present themselves to a broad audience and provides customers suggestions based on the personal taste (Arora & Vermeulen, 2013). The platform Saatchi Art is a direct intermediary, meaning that – mostly young and less established – artists can directly offer their works for sale without the need to

be represented by a gallery. Prices are transparent and search filters allow customers to look for their desired artwork (Kohle, 2014; Polleit-Riechert, 2010). Several high-end galleries, including the David Zwirner Gallery, have recently started to offer private viewing rooms on their website, where visitors can find a high-quality presentation of exhibitions and often also provide information on prices. Other galleries have started offering artworks for sale in their own online shops. This is facilitated by the fact that today it is possible to easily create high-resolution images, virtual reality visualisations and an interactive experience online (Lee & Lee, 2019). Overall, the potential of new business opportunities through the implementation of the Internet should not be underestimated, especially if one considers that younger generations are familiar with using online channels for purchasing products and services of any kind (Blumenthal, 2013; Lee & Lee, 2019).

2.4 Business model innovation

A business model is highly dependent on environmental factors such as technology, competition and market developments. Therefore, it needs to be constantly reviewed and, if necessary, revised in order for the business to stay competitive (Cortimiglia, Rados & Danilevicz, 2013). The integration of digital channels into the business model of galleries could proceed in multiple ways: Ozler and Thomas (2012) propose three options for how companies can use digital channels for their business. The first option is to use digital technology to enhance the traditional business model. Here, for example, digital and automated services could be offered as an extension to existing services. The second option is to transform the existing business model into a digital one. This involves offering entirely new services that do not exist in the analogue form or offering existing services in digital form. The third option is to generate a completely new business model, offering new products and services and generating new revenue streams (Ozler & Thomas, 2012).

2.4.1 The case of luxury brands

Similar to art galleries, luxury brands have long been reluctant to sell their products online. Results from this research area can provide valuable insights as luxury products have several similarities with artworks: they are highly desired and expensive goods and symbolise exclusivity and wealth. The limited access of these products is one of the core elements for creating demand. In addition, the high quality and scarceness of these goods play an important role (Atwal & Williams, 2009; Hennigs, Wiedmann & Klarmann, 2012). Moreover, the possession of luxury goods is a symbolic expression of superiority over others and serves the need to be recognised, respected and admired by others and to belong to a social elite (Atwal & Williams, 2009; Nelissen & Meijers, 2011; Okonkwo, 2009).

Like art galleries, luxury brands have long been sceptical regarding the commercial use of the Internet. They also face the challenge of using a channel that is accessible to the worldwide public while concurrently wanting to maintain their exclusive character. Over-exposure is a major concern (Okonkwo, 2009, 2010) which also applies to galleries. But the biggest concerns are that the brand aura could be lost on the Internet and that the noble atmosphere of the stores could not be reproduced online (Okonkwo, 2007). Similar to artworks, luxury goods are sensory in nature and are thus thought to be difficult to sell online. Lastly, the personal interaction with experienced sales personnel as well as detailed product information are difficult to transfer to the online sphere (Kazumori & McMillan, 2005; Okonkwo, 2007). However, due to the increasing use of the Internet, consumer habits have changed, and many luxury brands are now using digital channels not only for marketing and communication but also for sales (Heine & Berghaus, 2014). Luxury shoppers nowadays appreciate the convenience of purchasing products from home without time and location restrictions (Brun, Liu, Burns & Hou, 2013). Other advantages, such as better product availability, more choice and comparison possibilities, no buying pressure, and not having to process the purchase with speed are further beneficial factors (Brun, Liu, Burns & Hou, 2013).

As a result, many luxury brands have recognised the Internet as successful sales channel (Okonkwo, 2007). They now see the Internet as an ideal opportunity to communicate their values and even accelerate desirability, enabling them to retain existing customers and attract new ones (Hennigs, Wiedmann & Klarmann, 2012). In addition, they are using media such as pictures, videos, music and three-dimensional product presentations to reproduce the brand experience in the online sphere (Hennigs, Wiedmann & Klarmann, 2012). However, as for all electronic commerce companies, online shopping has a major disadvantage: as shoppers have a wider choice, switching costs between brands and loyalty are lower (Okonkwo, 2007).

The research findings on luxury goods show that goods that are usually based on exclusivity, personal service and high quality can be sold over the Internet and art galleries could also benefit from reaching a broader audience when offering artworks for sale online. However, it should be noted that artworks cannot be fully compared with luxury goods simply because of their unique character.

2.4.2 The multi-channel and omni-channel approach

As previous research suggests, the business and social context of art galleries as well as the specific characteristics of the art market make it difficult to sell art online without maintaining the traditional gallery business model. Therefore, the use of digital channels as an additional component in order to enhance the business model, as proposed by Ozler and

Thomas (2012), seems to be most suitable for galleries. For this reason, insights from research on the multi-channel theory which focuses on the integration of multiple channels into one overarching system are considered (Ganesh, 2004; Neslin et al., 2006). In general, offering digital channels while keeping them siloed often result in inconsistencies between the physical and digital channels, for example if information is not synchronised (Ozler & Thomas, 2012). In order to increase customer value, the various sales and communication channels should therefore be coordinated and offer a consistent customer experience (Stone, Hobbs & Khaleeli, 2002). Customer should be able to interact, search for information, purchase products and handle returns on all channels and switch between those channels interchangeably (Kumar & Venkatesan, 2005). If information is successfully and consistently integrated on all channels, customers experience convenience (Kumar & Venkatesan, 2005). This seamlessness of use between channels plays a crucial role for customer loyalty, for example, when a product can be purchased online but picked up at a store (Bendoly, Blocher, Bretthauer, Krishnan & Venkataramanan, 2005; Neslin et al., 2006).

Each channel has its specific advantages. More intensive and personalised channels (for example, contact with a salesperson) are suitable for the acquisition of new customers, as it reduces perceived risk. To retain existing customers, cheaper and less personalised channels such as online shops could be a good alternative (Kumar & Venkatesan, 2005). Once customers trust the supplier, they migrate more easily to new channels such as the online channel, as perceived risk is reduced (Kumar & Venkatesan, 2005; Schoenbachler & Gordon, 2002).

A more advanced version of the multi-channel integration is the omni-channel concept. According to omni-channel theory, customers move freely between physical stores and online shops during a transaction process. In order to make the transition even more seamless and easy, this concept implies further possibilities of channel integration such as mobile phones, social media and sometimes even gaming (Piotrowicz & Cuthbertson, 2014). Piotrowicz and Cuthbertson (2014) suggest that although channels are integrated into an overarching system, the experience, feeling and seeing of certain products as well as the shop atmosphere itself are still important components for customers. With the convenience of shopping online, they suggest that stores in the future might have the character of show rooms which still offer the experience of entering a shop, getting advice and looking at the products. However, this scenario probably will still take some time since older generations often need the face-to-face interaction with sales personnel and buy the product in the shop (Piotrowicz & Cuthbertson, 2014).

2.5 Chapter summary

In this chapter, the most important academic contributions for the research context were presented. After explaining the peculiarities of the gallery business and the art market, differentiating between different gallery types, outlining important art market developments and elaborating on the impact of the Internet on the gallery business, the last sub-chapter presented a possible way for galleries to integrate digital channels into their business model. While there is no theoretical evidence for this, in the analysis it will be explored, to what extent the multi- and omni-channel approach can be applied to the gallery business.

3. Methodology

In this chapter, the chosen method for data collection and analysis is presented. First, it is argued why the method of in-depth interviews is most suitable for this research. Then, it is explained how the participants were selected and how the data has been collected and analysed. And finally, it described how the research question and the four sub-questions were operationalised.

3.1 Choice of method

The aim of this thesis is to find out how art galleries can sustain their businesses in times of digital business transformation, and to explore a general understanding of the context in which the gallery business is embedded. A qualitative approach was found to be the most suitable method for two reasons: First, there is limited research on this topic, which requires an in-depth understanding of the area of investigation, and second, the goal is to understand a specific phenomenon and the interpretation of the participants' social world (Bryman, 2012). Unlike quantitative research, a qualitative approach does not attempt to quantify and measure findings, but rather to capture the richness, diversity and complexity of the experiences, feelings, and perceptions of people of investigation (Kumar, 2019; Polkinghorne, 2005).

This research is both exploratory and explanatory in nature. Exploratory means that the main objective is trying to find out which topics the participants find relevant and important related to the research question, which is especially useful when previous research on the topic is limited (Kumar, 2019; Matthews & Ross, 2010). Explanatory research allows to explain why participants understand social phenomena in a specific way and to gain insight into their experiences, opinions and feelings regarding a certain topic (Kumar, 2019; Matthews & Ross, 2010). Applied to the research topic of the thesis, the aim is to first explore and identify which aspects are particularly relevant for gallery managers and owners when it comes to the changes brought about by the emergence of new online channels for marketing, communication and sales in order to then understand which opinions and experiences they associate with this topic.

Qualitative methods is an umbrella term that covers a variety of methods, with interviews being one of the most frequently used. For this research, the method of semi-structured in-depth interviews was selected. While the interviews are based on a topic guide with prepared questions (see Appendix B) in order to compare the statements, this method also allows specific individual topics to be addressed that fit the research topic (Bryman, 2012; Harrell & Bradley, 2009). Consequently, the topic guide is inspired by and based on the theoretical framework, but semi-structured interviews allow the participants to give personal insights from their own perspective, too. In-depth interviews focus on capturing the

social world by documenting and interpreting the perspective of its participants (Bryman, 2012). The interview questionnaires are open-ended and help the researcher to explore and capture the interviewees' experiences, perceptions and understanding in relation to the research topic (Matthews & Ross, 2010; Seidman, 2006).

Since the focus is not the interviewee's personal experience but the personal experience in an organisational and institutional context, this type of interview can be categorised as expert interviews (Meuser & Nagel, 1991). This research focuses on gallery owners, managers or gallery staff in a managerial position, most of whom have several years of expertise and professional experience and therefore the interviews can help to provide new insights into a hitherto under-researched topic.

For the analysis of the data, the method of thematic analysis was applied, as it helps to identify and analyse patterns of meanings in a data set and then report them. The process of a thematic analysis ranges from purely describing and summarising the data, then interpreting the data, to finally defining its broader meaning and detecting recurring patterns (Braun & Clarke, 2006). According to Clarke and Braun (2013), a thematic analysis is particularly useful for analysing people's understandings and experiences related to the research topic.

3.2 Selection of participants

Purposive sampling was selected as the sampling method, which, according to Matthews and Ross (2010), is often used for research where the focus is on in-depth insights and qualitative results, with participants being selected on the basis of predefined characteristics.

Various population criteria were defined for conducting the interviews. First, the galleries should be based in or around Vienna or, if they operate on an international level, should at least have one of their branches in Vienna. Vienna was selected for three reasons. First, as it is a both nationally and internationally renowned centre for art and culture. Second, as it has a well-established art scene with several renowned museums, art galleries and other art-related institutions (BMWFW, 2017). And third, because Vienna is the capital and biggest city of Austria. This suggests that the gallery scene in Vienna includes both galleries with a national and international focus, which in turn implies that the results of this research are more representative of a broader variety of gallery types than a study solely based on smaller galleries with a local or national focus. Second, the interview partners should either be owners of the gallery, gallery managers or have another managerial position. In addition, they should have a good understanding of and expertise in the current national and international art market developments. Third, it was decided to include both contemporary art galleries as well as art dealers in the analysis, as it was assumed that both

are equally affected by the increasing importance of digital channels related to their business. Contemporary art galleries are galleries that represent contemporary artists and usually have a contract with the artists. Art dealers are galleries that buy and resell art on the secondary market. It was decided to investigate the perspective of gallery owners and managers rather than the perceptions of buyers. This is qualified by the fact that they usually have many years of professional experience and thus have extensive knowledge of the complex processes of the art market as well as their specific business field. They are experts in their field and can provide valuable insights and background information that would otherwise not be possible to obtain.

Compared to quantitative research methods such as surveys, the sample size of interviews is limited to a narrow scope since the collection of qualitative data is relatively time-consuming and data is rich in detail. Moreover, it should be noted that since qualitative research focuses on the collection of in-depth insights, the results cannot be generalised to the entire population (Matthews & Ross, 2010).

3.3 Data collection and analysis

First, it should be noted that the area of investigation, i.e. the location Vienna, was purposefully selected due to the researcher's personal connection to this city. Since there is no general register of all art galleries in Vienna, a list of galleries was compiled based on several sources.¹¹ This resulted in a list of 89 galleries, consisting of both art dealers and contemporary art galleries. Of these, a total of 49 galleries were contacted between early and mid-March 2019 and informed about the research topic. It was carefully considered that a good mix of contemporary art galleries and art dealers as well as of Alpha, Beta, Gamma and Delta galleries (see Chapter 2.1.4) were included. Therefore, the sampling strategy can be described as purposeful, as the selection was not random but rather focused on ensuring a good variety in the sample (Bryman, 2012). Consequently, the results cannot be generalised to the entire population. Apart from this, three participants were selected by convenience sampling, i.e. they were selected based on the availability to the researcher (Bryman, 2012). In concrete terms, this means that three participants were recruited through personal contact. Overall, it should be noted that none of the interview partners that were

¹¹ These sources were used to create the list of galleries:

1. Google search for art galleries in Vienna.
2. <http://www.wien-kunst.at/galerien/index.html>: a long list of numerous contemporary galleries as well as art dealers. The list is not up to date, some galleries no longer exist.
3. <https://parallelvienna.com/exhibitor-list-2019/>: A list of participants of a contemporary art fair that focuses on young art.
4. https://www.viennacontemporary.at/wp-content/uploads/2019/09/vc_2019_AusstellerInnenliste_DE.pdf: A list of attendees of a major contemporary art fair in Vienna.

contacted knew the researcher beforehand, which makes a bias in this respect unlikely. A total of fifteen galleries volunteered for the interviews, of which thirteen then took place.

The final data set consists of a total of thirteen in-depth interviews, of which nine participants are the founders and directors of a gallery and four have a managerial role in a gallery. Table 3.3.1 presents a short overview of all interview participants, their gallery type as defined by Resch (2011), and additional information regarding their focus and size.

Table 3.3.1

List of Galleries and their Categorisation

Gallery	Gallery type
Gallery 1 Contemporary art gallery	Beta/Gamma gallery Mid-sized gallery International and national client base Mid-price segment
Gallery 2 Contemporary art gallery	Beta gallery Small-sized gallery Mostly national client base Mid-price segment to higher price segment
Gallery 3 Contemporary art gallery and art dealer	Beta gallery Mid-sized gallery Mostly national client base Mid-price segment to higher price segment
Gallery 4 Contemporary art gallery	Gamma gallery Small-sized gallery National and international client base Lower price segment to mid-price segment
Gallery 5 Contemporary art gallery	Alpha/Beta gallery Mid-sized gallery National and international client base Lower price segment and higher price segment
Gallery 6 Contemporary art gallery	Alpha/Beta gallery Mid-sized gallery International client base Mid-price segment to higher price segment
Gallery 7 Contemporary art gallery	Beta gallery Mid-sized gallery International client base

	Mid-price segment to higher price segment
Gallery 8 Contemporary art gallery	Gamma/Delta gallery Mid-sized gallery National and international client base Lower price segment to mid-price segment
Gallery 9 Art dealer	Beta/Gama gallery Mid-sized gallery National client base Lower price segment to higher price segment
Gallery 10 Art dealer	Beta/Gamma gallery Small-sized gallery National client base Mid-price segment
Gallery 11 Contemporary art gallery	Delta gallery Small-sized gallery National and international client base Lower price segment
Gallery 12 Contemporary art gallery	Delta gallery Small-sized gallery National and international client base Lower price segment
Gallery 13 Contemporary art gallery	Beta/Gamma gallery Small-sized gallery National client base Mid-price segment

For a more detailed overview of the galleries, a table with background information is outlined in Appendix A. Before conducting the interviews, the participants signed a consent form confirming that the interview will be audiotaped and used for the purpose of this research. All interviews were conducted in German and it was decided to keep all galleries and the names of participants anonymous. The interviews started with a short introduction of the researcher and the topic, after which the interview partners were informed that the conversation is being audiotaped. The duration of the interviews varied between 47 and 95 minutes, with a total duration of 879 minutes and an average duration of 67 minutes. The interviews were initially planned to be conducted in a face-to-face setting. This is the preferred method as it allows for a more synchronous and personalised interview setting (Opdenakker, 2006). Due to the restrictions of personal contact in the context of COVID-19,

the interviews had to be conducted via telephone or video calls. In total, ten interviews were conducted via telephone calls and the remaining three via video calls. All interviews were done over a period of three weeks, starting from April 7 and ending on April 23. The interviews were transcribed manually by the researcher and subsequently coded using the qualitative data analytic software ATLAS.ti¹². Three rounds of coding were performed, based on Corbin and Strauss (1990), namely open coding, axial coding and selective coding. First the initial open coding was carried out. Here, smaller sections that form a thematic unit and are relevant to the research question were assigned to a code describing the content or topic. The initial codes resulted in a long list of terms and concepts, which allowed the formulation of the topics covered in the interviews (see Appendix C). The second stage, axial coding, processed the codes that were related to each other and categories with corresponding sub-categories were created and tested. And in the third phase, selective coding, a central core category was defined around which the other codes, themes and categories were arranged. This resulted in the central focus of the research topic and in this case is labelled as “the influence of digital channels on the business of art galleries”.

It should be noted that the procedures of constant comparison, analytic induction and theoretical sensitivity for qualitative research as suggested by Boeije (2010) were essential in this research. First, the data collection and analysis are strongly interconnected with each other. This means that the data was collected and analysed in several stages and that intermediate results from one round were used to refine the next round of data collection (Boeije, 2010). Consequently, the interview questions were adjusted several times in order to refine the focus related to the research topic. Moreover, the process of analytical induction was necessary, which means that the preliminary theoretical framework was adjusted to the findings of the data analysis by omitting irrelevant and adding relevant parts. Finally, the data was examined through a lens formed by the theory, which means that the results derive from the data as well as the theory (Boeije, 2010).

3.4 Operationalisation

This section explains how the core concepts surrounding the research question and its sub-questions were translated into measurable results and how the core concepts introduced in the theoretical framework were operationalised as questions guiding through the interview (see Appendix B). Before describing the operationalisation of the main concepts in more detail, it should be mentioned that the interviews started with a short introduction to the study by the researcher. This was followed by introductory question of more general nature in order to better understand the context of galleries. Here, questions on the history and focus, the size, location, target group and type of gallery, as well as the main activities of

¹² <https://atlasti.com>.

the gallery were asked. This information was used to create the gallery profiles that can be useful for the reader if more information is required (see Appendix A). As stated in the introduction, four sub-questions related to the research question “*How can art galleries sustain their businesses in times of digital business transformation?*” were defined, which help to structure and guide the research and form the basis for the interview guide.

The first sub-question aims to explore the main conflicts between the traditional gallery business model and innovation through digital channels. Here, questions were asked about the social and business environment in order to understand which elements characterise the gallery business. The topic of transparency and exclusivity in the art world was addressed, by asking whether they think that exclusivity is necessary and how transparently price information is handled. Moreover, participants were asked how important personal networking is and how they normally maintain contact with clients. In order to understand whether there is a certain pressure from current developments on the art market that leads galleries to adhere to their traditions, questions related to the following topics were asked: How the art market has changed in recent years or decades (more international, commercial, democratic); how these developments affect the gallery; whether there is a tension between art and commerce; how they would describe the Austrian market context in terms of collectors, artists and galleries.

The second sub-question seeks to assess the extent to which galleries have already integrated digital channels into their business model, both for marketing and visibility as well as for sales. In order to find out how galleries feel about this topic, the following aspects were asked: Which channels are used for marketing and sales purposes; how important which digital channels are for communication and marketing; and whether anything has changed in recent times. In addition, more specific channel-related questions were asked such as how important their own website, social media, but also sales platforms for the gallery and three-dimensional visualisations are and how these new channels affect their business. And last, several questions were asked to explore the opinions on webshops and online sales of art and whether the gallery itself sells art via online channels.

The third sub-question tries to understand how digital channels can best be integrated into the gallery business model. This aspect resulted more from the analysis of the data itself, but questions about the integration of channels were also asked. For example: Whether digital channels were treated as additional channels or as an essential part of their business, whether online and offline channels are interconnected, and whether there are plans to change this in the future.

The fourth sub-question explores what the consequences for the implementation of digital channels in the gallery business model are. The interviewees were asked how they assess the future of online channels, whether they think that more online sales could take

place in the future and whether they have plans to put more emphasis on this area. Finally, they were also asked if they think that the role and business model of the gallery could change through digital channels.

In summary, all four sub-questions help to understand the overall business context of art galleries, how art galleries integrate digital channels into their business and how they perceive the impact of these channels on their business. It is important to note that semi-structured interviews develop in the conversation, hence the researcher asked interposed questions when certain aspects seemed relevant and participants could address research topic-related points they found important to mention (Longhurst, 2003).

4. Results and discussion

In this chapter, the findings from the thematic analysis are presented and discussed in the context of previous research. Guided by the research question and the four sub-questions as well as the data itself, four themes emerged from the analysis. The first theme discusses different conflicting areas between the traditional business model and innovation through online sales. The second theme addresses the extent to which art galleries are using digital channels for marketing, communication and sales and evaluates the most popular online channels. The third theme highlights the multi- and omni-channel approach for galleries, which is found to be the best solution, while the fourth theme looks at the consequences of implementing online sales for the gallery business model.

4.1 Online sales: A balancing act between traditional business model and innovation

The analysis results in five fields of tension that contribute to the fact that galleries are hesitant to implement digital channels in their business model. The various conflicting poles are presented and discussed in this section.

4.1.1 Physical versus digital experience of art

The first tension that limits the uptake of digital channels for sales is the need for a physical experience of art. All experts and thus galleries of all four types agree that experiencing art live cannot be replaced by any digital channel. This conviction is illustrated here:

You sell material goods that are unique. So we're talking about material goods that are not standard, that owe their high prices precisely and to a large extent to aesthetics. Thus, it is particularly this added value [of art] that needs to be experienced visually, because in the end you always enjoy a concrete, physically tangible artwork and not a digital image. (Gallery founder and manager, gallery 2)¹³

Because of this, four galleries that have been relatively inactive online firmly believe that online channels can only be used for marketing and information purposes but are not suitable for selling art. But even those experts, whose galleries are successfully selling art online or who even run their own online shop confirm that viewing and experiencing art is an important factor for making a buying decision. For example, the owner of gallery 8, a Gamma/Delta gallery with an online shop, admits that online sales are challenging.

¹³ All quotes presented in the results section were translated from German to English by the researcher.

Consequently, both the experts of innovative and traditional galleries agree that the physical experience cannot easily be transferred to the digital realm.

The results suggest that many experts believe that trust in the quality of an artwork can only be created by physical observation. Several interviewees mention that they themselves would not buy art in the higher price segment via a digital channel if they had not seen it before, as it involves substantial risk. This is illustrated by the statement of the founder of gallery 13: “I don’t think that someone who has never seen the artist, has no information, finds the artwork online, especially at a higher price level, and then simply says: ‘Yes, I’ll buy that one, I’ll order the painting’.”

However, the results indicate that the age of the gallery’s client base seems to play an important role, which is why many galleries are not yet inclined to innovate their business model. While two experts mention that also younger buyers value the possibility of viewing artworks live, it seems that the older client base is the reason why galleries are not fully embracing online sales. Six experts explain that for many galleries the most important clients are older collectors, who are not familiar with digital channels and firmly believe that art needs to be experienced physically before buying it.

The analysis shows that cultural factors are another reason why galleries are not yet using the Internet as sales channels. Four experts mention that the Austrian and European market is not yet open to buying art online, whereas galleries operating on the Asian and American market are already successfully selling art online. The manager of gallery 8 illustrates this: “The international market is quite diverse. [...] If you look towards the West, to the United States or towards the East, to Asia – Asia is totally online, for example. There, sales often happen via Instagram and so on.” Consequently, for those galleries that operate more on a national level, the online sector is not yet an attractive market.

Overall, some galleries are optimistic about the technical improvement of digital presentation possibilities and believe that people are also becoming more accustomed to viewing and buying art through digital channels. This is supported by previous research (Ozler & Thomas, 2012): younger generations have a fundamentally different approach to digital media and high expectations towards companies, which means that galleries are more and more under pressure to become innovative and open towards online sales.

The findings are therefore consistent with previous research, where it has been emphasised that art is an experiential good, meaning that it can best be assessed when viewed and experienced physically (Arora & Vermeylen, 2013; Bayer, 2018). However, the analysis also shows that the current market context in Austria and Europe – as well as its predominantly older group of buyers – is not promoting innovation and online sales.

4.1.2 Personal contact in the gallery versus impersonal contact on digital channels

Another tension that inhibits innovation and the implementation of online sales in the gallery business model is the value delivery to the customers, which is usually through very personal support and customer care. Almost all participants of all four gallery types (11 out of 13) emphasise that they actively maintain personal contact with their clients and take measures to strengthen these relationships. This is illustrated by the founder of a Beta/Gamma gallery that sells art in the mid- and higher price segment:

Around 90 percent [of my clients] come from personal contacts or contact of artists or collectors or friends of collectors [...]. Hence, they are all intentionally visiting the gallery. And there are very, very few people who walk by, look through the shop window and think: 'Ah, I'm going to have a look at the gallery now'. (Gallery founder and director, gallery 13)

This statement indicates that only through the personal relationship between customers and a gallery trust and confidence in the quality of art can be established and that positive references are essential for the gallery business to attract new clients. This is related to the role of galleries: as gatekeepers, they need to actively promote their artists in the cultural network and generate demand among collectors in order to build the symbolic and economic value of art in the social world (Janssen & Verboord, 2015; Polleit-Riechert, 2010; Velthuis, 2011a, 2011b). Consequently, it is only through the active maintenance of relationships with customers that the gallery is successful, as is confirmed by eleven experts. The owner of gallery 10, a small-sized Beta/Gamma gallery explains: "It always comes down to the same thing. We have a very personal service, and not only we, but others in the industry have that as well. And to be honest: without this, it wouldn't work at all."

In this context, the analysis results in deeper insights that had not been addressed in previous research: the maintenance of personal contact not only serves to build trust, but is also needed to emotionally engage with and attract clients to art. On one hand, this means that buyers like to receive background information about the artists and personal details and stories about the artworks. On the other hand, it means that the relationships are usually very personal and that conversation topics are often not related to art. An art dealer explains:

You have a nice conversation, you are interested in the customer, [...] in why he or she buys, why he or she is interested, you also listen to his or her life story. Often people tell things that usually wouldn't be subject in a sales conversation [...]. And if you are an attentive listener and an interested and interesting questioner, then you start a conversation and create trust. (Gallery founder and director, gallery 9)

Nevertheless, it should be noted that from the statements of the interview partners it can be deduced that Gamma and Delta galleries in the lower market segment tend to have more walk-in customers and occasional buyers than Alpha and Beta galleries that sell more expensive artworks. This is probably related to the fact that lower-priced art involves less risk and tends to be bought rather for decorative reasons (Velthuis, 2011a). From these insights the conclusion emerges that the personal relationship between gallery and client is essential, especially in the higher price segment. The typical customers of these galleries usually have a long-term connection and are not spontaneous buyers. This impedes the conditions for art galleries to sell art on the Internet, as the form of communication is rather impersonal, and the creation of trust is difficult. However, the results suggest that for internationally known galleries the factor of trust could not so much be an issue. For instance, the director of gallery 6, an Alpha/Beta gallery, explains that they frequently receive requests for artworks by people who were not known to the gallery before and who sometimes eventually buy the artwork.

Another essential element of the gallery business model that is strongly linked to the personal relationships is the importance of events and experience, which poses another obstacle for galleries to sell art online. Several experts state that gallery events such as vernissages, lectures, talks with artists and curators as well as more exclusive events such as private dinners are very important for the success of their business. The director of gallery 12 explains that the experience and entertainment associated with events are very important for attracting people to the gallery and generating interest in the artists. This is confirmed by another gallery owner (gallery 8) in the lower market segment. He recounts that he recently had an event for the service organisation Rotary Club and invited the artists so they could have conversations with them: "You could talk to the artists. And it was really great, we sold four paintings that night." This indicates that regardless of the price level, the feeling of experience and emotional involvement plays a very important role in order to create interest in art.

The results confirm the theory outlined by Velthuis (2014): buyers are increasingly demanding experience and emotional involvement, as is reflected by the ever-increasing popularity of art fairs on both a national and international level. Lorentzen (2008) and Pine and Gilmore (1998) state that companies must meet these demands by creating experiences around their products and services. Several experts, whose galleries participate in art fairs confirm that fairs are so important and successful because they offer an experience, a social event that is often combined with a cultural trip or holidays. To illustrate this, the director of gallery 6 explains: "Well, I think it's very important for many people, this personal contact, this

feeling of a fair. To travel there, to see many people, maybe even to talk to the gallery owner, to talk to the artists.”

The findings suggest that the personal component is an essential element of the gallery business model that delivers value to the customer. The results add to previous research by demonstrating that personal contact is necessary not only for building trust but also for increasing emotional engagement and fulfilling the need for experience and belonging. Online sales, on the contrary, are characterised by anonymity and an impersonality, which is a problematic factor for the integration of online sales in the business model.

4.1.3 Exclusivity offline versus transparency online

A third field of tension that emerges from the analysis is that the gallery business model is to a large extent based on an image of exclusivity while the extensive use of online channels implies greater transparency.

An aspect that is found to be significant is that galleries are hesitant to make prices public. This can be seen, for example, in the way prices are handled in the gallery. Only one gallery, a Delta gallery in the lower price segment, claims to actually put price tags next to artworks; four galleries have price lists; and four galleries claim to disclose prices only on request. This demonstrates the common practice that both in the gallery and at art fairs prices are not easily publicly accessible and that galleries want to be contacted personally by potential buyers. A manager of a Beta gallery justifies this with the following statement:

In our gallery, we do not display prices next to the artworks and we do not have a price list. You only get it [the price] if you ask. On one hand, because the picture should have an effect, meaning it should not only be great because it costs 100.000 euros, but also because it is a painting and it should not matter how much it costs. (Gallery manager, gallery 3)

In contrast, those five galleries that run their own webshop have a much more transparent pricing policy. Four of them advocate that the art market should become more transparent and that this evolution away from opaqueness would not harm the gallery business.

Overall, none of the interviewees could give a clear answer as to why exclusivity and price transparency is necessary. However, it turns out that several experts think that the art scene is exclusive because it follows certain established rules that have always been like that. The statement by the director of gallery 6, for example, illustrates this: “I don’t know exactly, but I think it’s like saying: ‘It has always been like that’. And it’s somehow considered

good and elegant to not show the prices so obviously.” This points to the organisational legitimacy which, according to Dowling and Pfeffer (1975), is the alignment between social values in businesses and those of the larger social system which they are part of. From this, it can be concluded that galleries follow the traditions and social norms in their business field in order to achieve legitimacy.

The analysis also reveals that the age of gallery owners and directors in Vienna could to some extent be a reason why the institutional legitimacy is constituted by exclusivity. Several experts mention that many gallery owners in Vienna are relatively old (60 years and older) and hence have limited interest in innovation and in implementing online channels into their business model. The owner of an innovative gallery (gallery 8) with an online shop recalls: “Once a gallery owner in Vienna told me that what I was doing was useless. ‘Nobody needs that, all this digital stuff, because art has to be sold analogue anyway’.”

Another reason that makes exclusivity and opacity of prices necessary is that the value of art is created in a social context. An art dealer (gallery 9) confirms: “The value is not measured by the object itself; the value is measured by who comes in, the value is measured by the customer.” Further, he explains: “And because calculations [for art] are so artificial and arbitrary, of course many people who are involved in this system want to keep it as opaque as possible.”

For the two Alpha/Beta galleries in the higher price segment it is found that an exclusive image can help maintaining a selected client base as well as to preserve the good reputation and status of the gallery and their artists. It also helps galleries to have control over who the buyer of the artwork is. The gallery director of an Alpha/Beta gallery with a strong international focus says:

What you want to avoid, of course, is that it [the artwork] goes to someone who actually just flips it, who buys an artwork from an artist and thinks that the price will strongly increase in the next year or two and then puts it up for an auction. (Gallery director, gallery 6)

From this, it can be deduced that greater transparency and openness that would accompany the online sale of art carries certain risks, especially for Alpha and Beta galleries. First, the reputation of the gallery and the artist could be damaged if it became public that certain artworks have not been sold, because the value could decrease. Second, the gallery has less control and could risk selling artworks to someone who buys art for speculation and then resells on the secondary market shortly afterwards. If the value then fluctuates rapidly both the gallery and the artist might be harmed financially. Third, several experts mention that exclusivity is necessary because customers value discretion. Two managers of

Alpha/Beta galleries indicate that many collectors and buyers do not want the prices to be easily accessible, as this would allow others to find out how much they paid for an artwork. A gallery owner (gallery 9) remarks the consequences for the higher price segment: “Of course, this brings a certain arrogance to the whole business, that one is tempted to concentrate only on the big names and the prestigious painters and the expensive prices and to omit everything else.”

This suggests that galleries in the higher price segment are generally less interested in becoming more transparent and present on the Internet, as it does not seem necessary anyway. The findings suggest that for Alpha and Beta galleries there is a tension between becoming more visible online and offering sales options on one hand and preserving their exclusive image on the other hand. Several factors, such as the need for discretion, organisational legitimacy and the risk of value fluctuations make it even more challenging.

This tendency does not seem to be valid for Gamma and Delta galleries, which handle information and prices more transparently and want to make their art accessible to everyone. An art dealer (gallery 9) explains this by the fact that those galleries selling expensive art are usually supported by only a small clientele, whereas galleries in the lower price segment strive to sell to as many people as possible and therefore need to be more open.

Several aspects mentioned in this section correlate with the findings of previous research. Fillitz (2014) states that especially in the higher price segment galleries maintain an exclusive image. The role of the gallery as a gatekeeper that establishes the value of artists and artworks in the social context and manages the supply and demand has also been mentioned in several academic publications, such as Caves, 2000; Janssen & Verboord, 2015; McAndrew, 2010 and Velthuis, 2014. The findings, however, place these aspects in the context of business model innovation and show that the biggest obstacle is the fear of losing power and reputation through the increased transparency that online sales might be accompanied by.

4.1.4 Limited resources and lack of professional management

The interviews allow the conclusion that the resources available to galleries to invest in a regularly updated and professional online representation are limited. The results show that galleries are often small enterprises with only a few employees and without the staffing to maintain a professional online presence. A gallery owner contrasts this with the financial situation of luxury companies. He explains:

I don't know what a big company like Louis Vuitton spends on a website but it's probably an insane amount of money and they have employed several agencies to convey this

brand image. And I think that this is, financially speaking, just not possible for most of the galleries, except the big ones. (Gallery founder and director, gallery 13)

The analysis of the interviews shows that galleries with larger teams tend to have a more professional and regularly updated online presence. On the contrary, the smaller galleries struggle with financial restrictions. The founder of a small-sized gallery (gallery 10) explains: "That makes it a bit difficult for us as a smaller gallery, [...], because you need to be present on both analogue and digital channels as well as being present [in the gallery] yourself." Further, the findings reveal that smaller galleries face major challenges in competing against the bigger galleries with professional management structures. An expert (gallery 13) explains that many galleries today are becoming larger and more professional, while small galleries are struggling with keeping up with new standards and often only survive if they find a niche market.

All in all, even those galleries that regularly update their website and social media emphasise that each additional channel or new means of presentation is associated with an increased workload and additional costs. For example, several experts mention that three-dimensional visualisations are useful but need to be updated for each new exhibition, causing a substantial financial burden. Three others stress that a profile on a platform needs to be regularly updated and should have a concept, which is time-consuming.

These findings are thematically related to previous research, which suggests that cultural industries often lack organisational skills and financial knowledge (De Graaf et al., 2019). This is related to the fact that the majority of galleries are Gamma and Delta galleries and therefore have unprofessional management structures with a small number of employees (Resch, 2011). The results show that compared to luxury brands, which are usually large corporations, galleries usually are limited by their small size and resources and are often not able to professionally maintain an online sales channel.

4.1.5 Pressure on art galleries

Another aspect that complicates the innovation and implementation of online sales are art market developments that lead to a reinforcement of the traditional gallery business model.

A first governing factor mentioned by three experts is that in recent years, there has been a significant change in the understanding of art as well as an unprecedented access to art. This is partly due to the professionalisation of art institutions such as museums, but also due to higher levels of education and better standards of living. At the same time, however, the consumption of art has become more superficial, especially among younger generations. An art dealer (gallery 9), for instance, believes that young people prefer art that is easy to

grasp and to consume, whereas they are no longer interested in biographical, historical and image-immanent information.

A second development that is confirmed by several interviewees is that the art market has exploded in recent years and that there is a plethora of supply and offerings. A gallery director illustrates this tendency:

Well, I think that everything has definitely become much faster, much bigger, much more international. In this crisis, we're really noticing that [...] it was just too much. If you think about it [...] there was actually a new art fair somewhere in the world every week. You rushed from one [fair] to the next, and [...] there had to be new artworks all the time. (Gallery director, gallery 6)

A third tendency connected to this trend is that the art market has become more commercial, especially on an international level, which is explicitly emphasised by five gallery owners. Commercial means that art has become more of a commodity and thus experiences a different evaluation and meaning than before. In addition, some experts notice that aesthetic values, especially in contemporary art, are becoming less important and that certain artists – who under normal circumstances would not be successful – are now hyped on the Internet, with quality playing a subordinate role. Success thus increasingly depends on convincing marketing and less on qualitative and aesthetic demands. A gallery owner summarises these trends:

It has become more commercial, it has generally become flatter. This is simply a result of [...] the fact that the quality, the quality of craftsmanship, the variety of motifs, the creative process, is unfortunately becoming increasingly irrelevant. What counts is the name [of the artist], the positioning, which is what it takes to convince the typical collector clientele. (Gallery founder and director, gallery 4)

All these developments seem to put enormous pressure on galleries of any type. The findings give a more detailed insight into the fear of galleries mentioned by Van Miegroet, Alexander and Leunissen (2019), namely, that the Internet could weaken their role as gatekeepers in the art market. Consequently, this could be another factor why galleries are reluctant to embrace digital channels for selling art.

4.2 Integration of digital channels in the gallery business model

4.2.1 Use of digital channels for marketing and communication

Before discussing the integration of online sales in the gallery business model, this section demonstrates to what extent galleries are currently using digital channels for their business. Overall, an increasing openness towards digital channels is observable, as all galleries are now making use of common online channels such as websites, newsletters and social media for marketing and communication.

Most experts stress that the gallery's website is the most important tool of all. It is the gallery's business card, it makes the gallery visible on the Internet and it is used to provide general information such as the opening hours and contact information. However, there are significant differences in what information is provided on the gallery website. A smaller share of the experts (5 out of 13) is convinced that the primary purpose of the website is to inform visitors, give a first impression and to attract the customer to the gallery. This includes providing information about the gallery and artists, some exemplary artworks as well as the current gallery programme. Eight other galleries make more extensive use of their websites, five of which have their own webshop and three others which offer a very comprehensive presentation. For these galleries, the online presentation plays an essential role and they present in-depth information such as the artists' portfolios, CVs, exhibitions and other informative material. Gallery 10 provides a good example: the gallery director and manager both believe that their website is a key element for the gallery and therefore make every effort to ensure a professional and informative presentation. On their website, they provide information about exhibitions, artist biographies, videos, press articles, their catalogues and publications (downloadable as PDF files). Recently, they added a three-dimensional tour through the exhibition space and a photo visualisation service called "digital hanging".

Social media seems to be the second most important channel. Again, a smaller share (5 interviewees) states that social media is merely a set of additional tools that every gallery should have. They explain that social media is not the main focus in their marketing and communication strategy. On one hand, they qualify this statement by the fact that their target group is mostly 50+ years old and barely uses these channels and on the other hand, because regularly updating social media requires a lot of time and effort. In contrast, a majority of the interview partners – interestingly mostly the larger galleries with several employees – state that social media is a very important tool for communication and marketing and especially for the gallery's visibility. Many report that they regularly post on social media to present what the gallery is offering. They indicate that social media is a good tool to share impressions of the gallery's activity. The major advantages of social media are that galleries can attract new people as well as they can reach existing customers more spontaneously and casually than through other channels.

Besides the website and social media, the majority of the galleries actively works on digital visibility through activity on other platforms. An Alpha/Beta gallery (gallery 5) and a Delta gallery (gallery 12) which both have a strong international focus have a subscription on Artsy and emphasise that it is very important for their international visibility. For most other galleries, however, this is not attractive, as membership fees are very expensive and the benefits in relation to the costs uncertain. The director of gallery 7 mentions that her gallery is a member of a smaller platform called Artorigo¹⁴, where other renowned Viennese galleries are represented too. Other galleries try to become more visible through online promotions on websites such as art magazines or platforms such as Artfacts.

The findings are in line with previous research where it was found that galleries have started to use digital channels such as social media and their own website for marketing and communication purposes (Arora & Vermeulen, 2013). However, the outcome of the analysis reveals a diverging picture. On one hand, there is scepticism towards the usefulness of digital channels prevalent in Vienna, which is evident among those galleries that only provide basic information on their website or do not regularly update their social media. On the other hand, there are numerous innovative galleries that have opened up to new digital presentation possibilities and are open to innovation.

4.2.2 Review of current developments of online sales

Despite the mentioned tensions between the traditional business model and innovation, the results suggest a surprisingly positive trend for online sales of art. Just over half of the interviewees (7 out of 13) have an open attitude towards online channels as sales tools and claim to sell art via digital channels. Five galleries run their own online shops, where artworks can be bought directly on the website. Two galleries have a membership on Artsy, where art can be purchased via a click-to-buy function. And another gallery has a profile on Artorigo as well as an extensive presentation of artworks for sale on the website, where prices are indicated up to 5.000 euros and a request button next to it. Interestingly, among these seven galleries, all four gallery types are represented. From this, it can be concluded that the openness towards innovation and the Internet as a sales tool neither depends on the type of gallery and price level, nor on the type of art that is sold.

Another interesting observation can be made on the way art is sold online. Four of the five galleries with a webshop are located in the lower price segment and offer mostly inexpensive artworks (up to a maximum of around 4.000 euros). One of them, an art dealer (gallery 9), offers a comprehensive selection of artworks at a wide price range from two to five figures, but the owner reports that customers usually buy cheaper artworks for a few hundred euros on his webshop. A stark contrast is found with Alpha/Beta galleries that sell

¹⁴ <https://artorigo.com>. The concept of this platform is similar to Artsy.

higher-priced art. Interestingly, three experts report that they receive many inquiries via digital channels, especially on Instagram and that this often leads to a sale. A gallery director (gallery 6), for example reports on sales via social media:

Yes, this really happens more often now. [...] I have also already found some artworks myself [on social media]. I bought an artwork that I found by chance while scrolling through [the feed] and I thought 'Oh God, unbelievable, I need to have this one' and then I wrote them right away and it worked out. So this really happens, yeah. (Gallery director, gallery 6)

While previous research assumed that online sales tend to work rather for the lower price segment (Adam, 2014; Fassio, 2019; Khaire, 2015; Samdanis, 2016), these findings demonstrate a new tendency. It seems as if it is not so much the price segment but the mindset of the gallery and the willingness to innovate that influences the openness to online sales. Online sales of art are now quite common in the lower as well as in the higher market segment. Notably, those galleries with a shop function emphasise that it only works for inexpensive art while the established and internationally successful galleries sell art online rather via social media or inquiries through other channels.

The reasons for why sales in the higher-price segment also function are multifaceted. One assumption is that online shops are not suitable for selling expensive art, as the presentation with basic information may not be sufficient to emotionally touch prospective buyers. On social media, on the contrary, this is not the case. On these platforms, galleries present themselves and their artists in a more personal way and often share more extensive information. This shows that a captivating and curated communication of content is quite important in the digital sphere. This is confirmed by the director of gallery 13 who indicates that several large international art galleries, like the David Zwirner Gallery (Alpha gallery), have launched private online viewing rooms on their websites. There, galleries professionally present their current exhibitions with high-quality texts and video material and usually indicate prices. Moreover, he points out that a shop function might not be suitable for selling expensive art, because it seems too commercial for the gallery as well as for the customer:

A real online shop, where there's a purchase function, [...] where you click on the picture and then add it to your shopping bag and you select the shipping method, I wouldn't want that, because it's too commercial for me, too similar to shopping at Amazon or consumer goods. (Gallery founder and director, gallery 13)

Another assumption why customers acquire expensive artworks online from Alpha and Beta galleries without seeing them physically is because they are familiar with the gallery and/or the artists and therefore have trust and confidence in the quality. Gamma or Delta galleries on the contrary struggle because they can provide less certainty and credibility. The owner of a Gamma/Delta gallery explains:

If you have a gallery like Larry Gagosian, who sells an artwork by Picasso, two parameters are already known: Gagosian is known and Picasso is known, and the painting is probably known too. And then someone can say: 'Ok, I'll buy it, because I know it from museum catalogues' [...]. But when we [emphasis added] offer something and our gallery is unknown, and the artists are unknown, and you don't know exactly what it [the artwork] looks like, it's very, very difficult. (Gallery founder and owner, gallery 8)

Despite the success of online sales, all thirteen interviewees agree that sales via digital channels can only function as additional elements to the traditional gallery business model and that an online-only gallery would not work. This is also confirmed by the experts whose galleries have a webshop, as they recall that most orders come from people who have had contact with the gallery or artist before. Moreover, selling art through digital channels is particularly successful for successive sales, which means the customer has already bought an artwork from the gallery. Some experts, for instance, report that it would be common for galleries to sell art by sending videos and photos of artworks to collectors with whom they maintain close contact.

Apart from these factors, most interviewees agree that certain artworks, such as prints, photography, graphics and sculptures with a clear surface are easier to sell online than complex, pastose or abstract works or sculptures. A gallery director confirms:

An Anish Kapoor sculpture is polished to a shiny finish and you know: that's a perfect surface, no scratches, everything is perfect [...]. But for example a Franz West sculpture made of papier-mâché, that looks different from every angle, and where the whole construction plays a role, is difficult. (Gallery founder and director, gallery 13)

In conclusion, these results give new insights that have not been mentioned in previous research, where it has been frequently mentioned that online sales have most potential in the lower and medium price segment (Adam, 2014; Fassio, 2019; Khaire, 2015; Samdanis, 2016). Notably, the findings suggest that online sales are now happening across all types of galleries, provided that two conditions are given: First, customers are familiar with

the artist and gallery and thus consider the offer as trustworthy. And second, the digital presentation is professional, emotionally appealing, well-curated and provides in-depth information. Consequently, the findings reveal some parallels to research on luxury goods, where it has already been recognised that exclusive and high-quality goods need an attractive and captivating presentation through photos, videos and visualisations (Hennigs, Wiedmann & Klarmann, 2012). The insights suggest that online shops are suitable for Gamma and Delta galleries as transactions are more spontaneous, whereas Alpha and Beta galleries should rather invest in a professional and curated online presentation that does not have a commercial or shop character. Given that experiences with online sales are surprisingly positive, it could be assumed that galleries have become more open towards business model innovation in the recent past.

4.2.3 Preferred channels for online sales of art

Notably, most galleries state that their own website is the preferred channel for presenting and selling art, rather than intermediary platforms. Some interviewees argue that their websites offer a more private and exclusive environment and the information offered is more likely to be seen by those familiar with the gallery and artists. This is contrasted by wider-ranging platforms such as Artsy, where anyone would have access to the gallery's portfolio and prices. Moreover, the high membership fees on these platforms are also a significant factor, as many experts are unsure whether the benefits outweigh the costs or whether these platforms should receive a share of their profit.

Therefore, only one Alpha/Beta gallery (gallery 5) and one Delta gallery (gallery 12) are subscribers of Artsy. Interestingly, they both have a strong international focus, which could be due to the fact that smaller galleries with a local focus could run risk of drowning in anonymity on international platforms, as one gallery director notes. Some other galleries, however, show interest in smaller online platforms and initiatives. For example, a gallery director (gallery 6) explains that the gallery is using a private app called Condo¹⁵, where galleries that have participated in a cooperation project can present their programme and invite ten to 15 collectors to use the app. And finally, several participants commend the small online initiative Not Cancelled, a one-week long virtual event that took place at the beginning of April in Vienna and has later been transferred to numerous other cities.

In conclusion, for smaller galleries with a national focus the gallery website and smaller online platforms and initiatives are most relevant because they can better reach out to their target group, while internationally operating galleries could benefit from bigger platforms such as Artsy.

¹⁵ <http://www.condocomplex.org>.

4.3 The solution: The multi- and omni-channel approach

As previously noted, all experts believe that online channels can only act as additional channels for sales, while the online-only business for galleries is not considered to be very fruitful. Therefore, the innovation of the gallery business model could best be achieved by what Ozler and Thomas (2012) describe as the integration of digital technology as extensions to existing services. Consequently, the multi- and omni-channel approach that was presented in the theoretical framework is most suitable for galleries. Omni-channel integration means that the various communication and sales channels are coordinated with each other in order to create a consistent experience for the customer (Stone, Hobbs & Khaleeli, 2002). The omni-channel approach suggests that the shop has the function of a show room, where experiences, atmosphere and personal interactions are provided, whereas digital channels are available for sales (Piotrowicz & Cuthbertson, 2014).

A gallery owner assumes that galleries will in the future strengthen the link between online and offline channels and that customers will see works online, view them in the gallery and ultimately buy them by phone, e-mail or in the online shop. Through a multi- and omni-channel strategy, galleries can therefore guarantee quality and good service on all channels and deliver exactly what the buyer demands. For more specific questions, the customer may make a phone call or visit the gallery, while general information and the purchase process can be processed by the website and social media. According to Kumar and Venkatesan (2005), each channel has its own specific characteristics and can be complementary to the others within a holistic system.

The analysis shows that numerous galleries are already applying the multi- and omni-channel approach to some extent, for example those galleries that run a webshop or offer their artworks for sale on other platforms. Moreover, six interviewees indicate that the combination of the physical gallery space (and art fairs) as well as online channels are very beneficial for their business. They believe that it is important to be present on various online channels in order to draw attention to the gallery and most importantly, they emphasise that the presentation on every channel should be consistent and comprehensive. A gallery founder illustrates this:

Well, I think a good website is really important. Because people either go to the website first and see things and then they come [to the gallery] and they want to see it. Or if they see it here, then maybe they read about the artist again on the Internet, read about the artwork and so on. So the combination is really good and is very important. (Gallery founder and director, gallery 1)

Accordingly, a professional and informative online presence can generate new clients that otherwise would not have found the gallery. For example, four interviewees report that they often receive enquiries from people they did not know before, whereas three other interviewees with a comprehensive online presence (two with an online shop, one with detailed information) indicate it happens regularly that people find artworks on the gallery's website and then visit the gallery to get an impression of the artwork (and the gallery) and to make a purchase decision. The director of gallery 11 points out: "They wouldn't come if I didn't have them [the artworks] online."

From these statements, it can be deduced that in this multi- and omni-channel approach the gallery spaces (and booths at art fairs) have the function of a show room where the experience of art and social interaction takes place, while the remaining channels, such as e-mail, online and telephone call are used for services, such as broader information and for sales. A consequence that can be drawn from this is that the gallery can always refer to the digital channels while these in turn should be an incentive to visit the gallery. As was shown in the previous section, online sales through digital channels could particularly be relevant for those buyers who already are familiar with the gallery and trust in the quality. Overall, it is important that the channels are well-integrated and that the same information is communicated on every channel, both on impersonal channels such as the website and social media¹⁶ as well as on more personal channels, for example by informing collectors about news by phone or e-mail.

Apart from the integration of different channels, the essence of the gallery business model, namely responding to the personal interests and needs of each individual customer, should always be maintained. Therefore, two experts stress that it should be made as easy and frictionless as possible to contact the gallery personally, for example, by linking every artwork presented online with an enquiry button. Moreover, a gallery director (gallery 7) emphasises that galleries should approach each customer individually on their preferred channel (e.g. WhatsApp, Instagram, SMS, e-mail, letter or phone call) to provide a rich customer experience.

And lastly, a multi- and omni-channel approach also implies that galleries open up to new audiences, while at the same time they maintain existing relationships through personal contact. The director of a Beta/Gamma gallery (gallery 9) explains that his webshop helps him to lower the barriers and thus reach customers independent of their budget: "Basically, I try to take care of and give more intensive support to those people who bring more money. But at the same time, I try to generate a channel for the smaller, medium and bigger budgets."

¹⁶ While social media can also lead to interaction between gallery and buyer, this refers to the self-presentation of the gallery on social media.

Based on the findings of the previous chapters, it can be concluded that the integration of analogue and digital channels into a comprehensive and coherent system is the most suitable solution for galleries who want to innovate their business. However, online-only businesses in the art world are less likely to succeed, as several factors such as the possibility to attend events, trust, personal care, interaction and physical experience of art are missing. It can be said that the multi- and omni-channel approach is suitable for all gallery types but that the implementation strongly depends on the mindset, resources and the management structure of the individual gallery. Galleries that are hesitant to become more transparent could work on creating private online viewing rooms, as a digital complement to the offline channels.

4.4 Impact of digital channels on the gallery business model

As a final part of the interview, the thirteen experts were asked about their personal thoughts on future developments of art galleries in the context of digital technology and the effect digitisation may have on the gallery business.

4.4.1 Future developments and significance of digital channels

None of the experts were able to make a precise estimation on the development and future significance of digital channels. However, about half of the experts state that people are becoming increasingly accustomed to the digital mediation of art and are learning to consume and buy art through digital channels. The director of gallery 13 notes that galleries and customers have long been sceptical and perceived the online sphere as too commercial but younger generations are less hesitant to buy expensive products online. He adds, that this can be seen from the fact that many luxury brands nowadays have online shops. Several experts believe that the restrictions of mobility imposed by COVID-19 could further accelerate this tendency. On one hand, it forces galleries to become more involved with digital channels in order to sustain their business, and on the other hand, there is currently limited (physical) access to art. Therefore, art lovers and buyers are forced to engage with galleries through online channels. This is also confirmed by two gallery owners who report that the demand in their online shop had strongly increased in recent weeks, although they note that this statistic is generally applicable to lower-priced artworks.

Furthermore, several experts state that there is still much potential to build on, especially with three-dimensional exhibition visualisations or virtual reality. Some experts say that they themselves have experienced a change of mindset and that their experimentation with new tools has received a lot of positive response. For example, the owner of gallery 8 has launched his own podcast at the beginning of this year as an additional communication channel, allowing him to discuss current topics with artists and curators. Similarly, the

director of gallery 7 reports that the restrictions of COVID-19 has led her gallery to launch a YouTube channel and to give personal guided tours through current exhibitions on Instagram. She explains:

The current times require us to be more open towards technology and the digital world. And most people are very enthusiastic about it. I currently have collectors in Gastonia, America, who are totally excited about the video because it allows them to see the exhibition. (Gallery director, gallery 7)

And even the galleries that are otherwise prone to criticise digital innovation show a general openness and consider investing more in their digital presence in the future.

Overall, the results indicate that the potential for business model innovation is particularly relevant for galleries that are strongly focused on the international market. Five experts point out that the national market is relatively limited. First, because there are hardly any significant and passionate collectors in Austria compared to collectors in other countries such as in Belgium or Switzerland. And second, because there is limited overall interest in buying art. A gallery owner illustrates the national market context:

And there is also [...] not the right understanding of buying art here. I had an exhibition with students and there was a collector [...], who partly grew up in Switzerland and who told us how today in Switzerland private individuals buy art, support artists and institutions. (Gallery founder and director, gallery 8)

For galleries that focus purely on the Austrian market and thus have a smaller client base than their international competitors, and whose clients are – due to cultural characteristics – not yet receptive to digital channels, the success of a multi-/omni-channel approach could be limited.

4.4.2 Digital innovation as a danger for the gallery?

From the interviews can be observed that the democratisation of the art market – a theme omnipresent in previous research (Adam, 2014; Arora & Vermeulen, 2013; Fassio, 2019; Khaire, 2015) – is of lower significance than anticipated. The findings show that the Internet leads to art galleries opening up and handling prices more transparently, allowing potential buyers to easily inform themselves about artists and galleries online. However, according to two experts, this does not make the art market any more democratic; this especially applies to exclusive galleries in the high price segment, since art is still only accessible to an elite circle and the customers remain the same.

Another issue that has been raised in the literature is the power and role of the art gallery, which could change due to the influence of the Internet (Arora & Vermeulen, 2013). Two galleries (gallery 11 and 12) working with younger artists believe that artists nowadays often represent themselves without a gallery and use the Internet and social media in particular to further their career. Most other experts, however, do not perceive their role to be endangered by this development. The director of gallery 2 believes that galleries are necessary to guarantee a standard of quality and that the Internet would not negatively affect this: "I always compare the gallery owner with the hunter in the forest. And this is a necessary figure for the functioning of the art market system [...]. That won't change." Another expert adds that these developments are actually helping galleries and other gatekeepers to improve their work, as they are stimulated to become more open and informative online. Finally, two gallery directors point out that the gallery is irreplaceable, especially for the management of artist's careers, market positioning and for administrative tasks and accounting.

All in all, it can be concluded that galleries are aware that digital channels will become significantly more important in the future and that they must therefore be open to new opportunities. One gallery owner mentions that galleries should lower their high standards and perfectionism and instead present themselves on a more personal level in the digital realm. This is particularly important because art needs to build on emotions, which is not the case if it is just presented without any information. One gallery owner is running a podcast for a few months at the point of publication, another gallery director gives live tours through exhibitions. All of these developments are important steps that could bring more openness to what otherwise remains to be a secretive market. Based on these statements, it can be concluded that the galleries ready take the initiative in the online realm are likely to experience an exceedingly positive response.

5. Conclusion

5.1 Answer to the research question

After the presentation of the findings of this research, this chapter aims to respond to the to the research question “*How can art galleries sustain their businesses in times of digital business innovation?*” by highlighting the key findings of the four sub-questions posed in Chapter 1.2 and by giving a summarising conclusion.

5.1.1 Factors inhibiting innovation through digital channels

The first sub-question aims to explore the tensions between the traditional business model and innovation through digital channels. The results reveal that there are five major factors that contribute to galleries’ scepticism towards implementing digital channels into their business model.

First, it can be concluded that in the eyes of the experts, the physical experience of art is an essential precondition for art sales, as this is the only way to evaluate quality and build trust. However, the analysis reveals that the growth of digital channels for selling art also depends on the age of the gallery’s client base as well as on its cultural willingness to use digital media. While the Austrian and European markets are not (yet) interested in buying art online, buyers in America and Asia are more likely to be open to this development (Chapter 4.1.1).

Second, the findings suggest that online sales are impeded, as essential elements of the gallery business model are missing. These are: the personal relationships, customer support and the provision of experience and events, which are all factors that deliver value to the customer. As galleries often have a very personal and close relationship with their customers, it is difficult to create online transactions without having personal interactions. A plain presentation with basic information online therefore seems to be insufficient to convince potential customers to buy art. However, this applies less to galleries in the lower price segment (Gamma and Delta galleries), since in this case art has a rather decorative character. The same applies to internationally known galleries in the upper price segment, as clients usually have enough trust incentives and therefore do not require to be convinced (Chapter 4.1.2).

Third, the exclusivity of and lack of transparency in the gallery business is found to be another factor inhibiting online sales. The findings reveal a nuanced situation regarding why prices and information are often handled secretively. Especially Alpha and Beta galleries in the higher price segment want their clients to interact with them and to attract only a certain clientele in order to increase the value of art and the artist. Moreover, the fear of losing organisational legitimacy by not following the norms and rules of the business plays an important role. Another reason is that gallery owners in Vienna are quite old and do not

consider innovation to be necessary. Gamma and Delta galleries, however, seem to have a more open attitude towards digital channels and are more likely to share information publicly (Chapter 4.1.3).

Fourth, the gallery business, compared to larger corporations, is often characterised by a rather unprofessional management structure, which is why galleries have difficulties with the regular and comprehensive maintenance of their online presence (Chapter 4.1.4).

And fifth, the results suggest that galleries feel pressure from current art market developments, such as the superficial consumption of art and an increasing commercialisation and commodification of art, which forces them to re-emphasise their core values and maintain traditions and rules (Chapter 4.1.5). These tensions indicate that the conditions of the gallery business are challenging when it comes to the implementation of online sales.

5.1.2 Openness towards the integration online channels

The second sub-question addresses the extent to which galleries have already integrated digital channels into their business model and what their opinion on online sales is. It is shown that galleries are now using traditional online channels such as their own website, social media and mediating platforms for promotion and visibility, which indicates an increasing openness to innovation. While a smaller share of galleries does not yet provide a comprehensive presentation on their digital channels, more than half of the interviewees emphasise the importance of providing in-depth information to online visitors (Chapter 4.2.1).

The results suggest that participants view online sales much more positively compared to previous research. Moreover, the analysis shows that the attitude does not depend on the price level of the gallery but instead on the mindset in the gallery. Five galleries – mainly in the lower price segment – now have their own online shops on their websites. Others sell art on intermediary platforms such as Artsy and Artorigo. And those galleries in the higher price segment often sell via online enquiries, for example via social media. The results indicate that a shop format is most suitable for Gamma and Delta galleries, while Alpha and Beta galleries sell better when the context does not appear commercial, for example via social media or private viewing rooms (Chapter 4.2.2).

A surprising finding is that most galleries prefer to sell through their own website rather than through intermediary platforms such as Artsy. The reason is on one hand, that people who already know the gallery are more likely to access the website and on the other hand, that membership fees are very expensive and the cost-benefit balance is uncertain. Galleries that participate in several international fairs seem to be the only in business for whom these platforms seem to be a useful tool for further visibility (Chapter 4.2.3).

5.1.3 Multi- and omni-channel integration as a solution

The third sub-question examines the best solution for the integration of digital channels into the gallery business model. The analysis confirms that online-only businesses in the gallery sector are unlikely to succeed due to the five factors that characterise the gallery business. It turns out, however, that several experts consider online sales to be valuable additional sales channels besides the analogue channels, including trade fairs and the gallery space. Therefore, the findings verify that a multi- and omni-channel approach is the most suitable strategy for art galleries of all four types. Some galleries are already applying the strategy by having a transparent and informative online presence, by integrating online sales functions and by facilitating personal interaction with the gallery across channels (Chapter 4.3).

5.1.4 Potential for galleries in the online environment

The fourth sub-question tries to explore the consequences of the implementation of digital channels for sales in the gallery business model. The results show a consistently positive picture, as they confirm that people are getting more accustomed to consuming and buying art through digital channels. Galleries are now more intensively embracing digital channels for promotion and sales, for example by offering videos and live streams on social media or by participating in online initiatives (Chapter 4.4.1). Contrary to fears, several interviewees assume that the gallery's role as gatekeepers would not be weakened by a stronger use of digital channels, more transparency and increased online sales. On the other hand, the experts' statements suggest that these developments also do not lead to a democratisation of the art market (Chapter 4.4.2).

5.1.5 Sustaining the gallery business in times of digitisation

In response to the research question, this work concludes that galleries of any type should innovate their business through a more comprehensive integration of digital channels for marketing as well as for sales. This is especially relevant if they have a strong international focus because doing so will allow them to sustain their business. The importance of this is underlined by the growing demand for transparency, immediacy and availability of information as a new generation of buyers emerges (Ozler & Thomas, 2012). The galleries that have a local or national focus are not yet forced to innovate their business as the demand for online sales and information provision currently seems to be of limited scope in this market. Overall, galleries that strive to integrate digital channels into their business model should pay attention to ensuring that analogue as well as digital channels are integrated into a coherent system, where personal contact and the physical location are still the heart of the business.

With these findings, the gap defined in the introduction is narrowed, in that they show that the gallery business is compatible with online sales, if digital channels are well-integrated and important elements such as the personal contact and the physical experience of art are still ensured. Many of the concepts addressed in this thesis, such as the peculiarities of the art market (Bayer, 2018; Caves, 2000; Khaire, 2015; Knebel, 2007; Throsby, 1994; Velthuis, 2007, 2011b; Yogev, 2009), the role of the gallery (Caves, 2000; Janssen & Verboord, 2015; Thompson, 2008; Velthuis, 2011a, 2014), the importance of physical experience and personal networks (Arora & Vermeulen, 2013; Beckert & Rössel, 2004; Polleit-Riechert, 2010; Smith, Discenza & Baker, 2006; Velthuis, 2007, 2011a, 2011b) and the rules and principles in the gallery business (Adam, 2014; McAndrew, 2010; Resch, 2011; Zorloni, 2013) have already been researched extensively. This thesis however transfers these concepts to the topic of digitisation and thus explains the unique context of the gallery business in the online realm and explores possibilities of innovating the business model.

5.2 Theoretical and practical implications

The results of this research make a valuable contribution to a topic that has so far received little attention in academia. First, this research sets a new direction for the academic field of art market studies that has so far mainly covered the specific mechanisms and peculiarities of the art market as well as the social aspects (e.g. Velthuis, 2011a, 2011b; Zorloni, 2013).

Second, the results provide insights into an area that has so far been considered to be of limited relevance to the gallery business, for that it was thought that digital channels are merely marketing tools and online sales are only possible for the lower price segment (Adam, 2014; Fassio, 2019; Khaire, 2015; Samdanis, 2016). The findings of this thesis suggest that the attitudes of both buyers and galleries have changed, but that there are still limitations of selling art online. Especially the combination of the findings with the multi- and omni-channel theory (e.g. Kumar & Venkatesan, 2005; Piotrowicz & Cuthbertson, 2014; Stone, Hobbs & Khaleeli, 2002) provide a good solution that gives new insights and results for a market that is difficult to compare with other markets.

Third, the positive developments regarding online sales and the galleries' openness to innovation captured in this thesis might encourage researchers to pay more attention to this topic in the future. For example, more comprehensive studies that do not cover the financial aspect of online sales – as is the case with numerous art market reports – but rather explore broader business implications or geographical and cultural differences could be initiated.

And fourth, this thesis sheds light on the gallery scene in Vienna, which has so far received little attention in academia. The findings suggest that Vienna is an interesting location for research on galleries, as there is a stimulating combination of both nationally and internationally operating galleries.

The results of this study also have practical implications. First, for all kinds of galleries, the findings suggest that there is a growing openness to digital channels for art sales. Especially since a new generation of collectors is evolving, galleries should establish a new and more intensive use of digital channels. For those galleries that have an international orientation and are active in the Asian and American market, it is highly recommended to have an extensive online presence and to offer online sales facilities.

Second, galleries should focus on a more comprehensive and personal presentation in the online area in order to generate trust and confidence among potential customers. Overall, the better a gallery's activity can be tracked online, the more likely people are willing to buy art online. Some suggestions in this context are: virtual exhibition views; a personal introduction of the gallery staff and gallery history; informative video and photo material about the artists and his work practice; podcasts and Instagram talks with artists and experts; or other interactive features.

Third, galleries, even if they are comparably small, should work on professionalising their management structure and integrate digital channels as essential components of the gallery business model. For mid-sized and larger galleries, the results of this research conclude to hire someone who is responsible for the professional management of digital channels. For small-sized galleries with limited resources, this seems to be challenging, however, they too could improve their engagement through strengthened online channels.

And fourth, galleries should overcome their fear of appearing too commercial and abandon some of the established rules and principles in the gallery business. Although online shops do not seem to be the right format for selling high quality art, a professional online presentation with in-depth information can lead to the generation of new clients and successful sales without necessarily having a commercial dimension. Related theory points out that only those companies that keep up with the times and adapt to the new requirements of the digital era will continue to have a competitive advantage (Ozler & Thomas, 2012).

In conclusion, the findings in this thesis can help galleries of any size and with any focus to understand how to best leverage digital channels. Most importantly, the results suggest that an increased commitment to an online presence will be one of the most important requirements for galleries in the future, as the target audience will turn to a younger generation.

5.3 Limitations and further research

Although this research has been conducted with high precision and professionalism, there are certain limitations. First, qualitative research is always associated with the researcher's subjectivity in the analysis. Since the researcher is a young digital native with a positive attitude towards digitisation and the use of digital channels, the analysis may show some bias. Moreover, the researcher has professional experience in this field, which could also lead to a biased interpretation of the results. Nevertheless, the interviews were conducted in a neutral setting and the dataset was evaluated objectively.

In addition, a sampling bias may have occurred, as three of the thirteen interviewees were found through personal contact. However, each participant was previously unknown to the researcher and care was taken that the selection of galleries of different price segments, focuses and sizes was ensured.

A third limitation is that the interviews could not be conducted in a face-to-face setting but instead by means of video or telephone calls. While the communication was still synchronous in terms of time, certain social cues, such as body language could not be captured. Moreover, the interviewer had little influence on shaping the interview setting (Opdenakker, 2006). Nevertheless, other social cues such as the voice and tone of voice were still available and a direct and spontaneous interaction was still possible.

Overall, the trustworthiness of the research findings was ensured through a structured data collection and analysis. In addition, the evaluation of the data was made transparent by including a coding frame in the Appendix C. The presentation of results always included different perspectives and it was tried to not give priority to any position. This was substantiated by including quotes from the interviews.

Finally, it should be noted that this is a qualitative study, which means that the results cannot be applied to the entire gallery scene in Vienna. However, they do provide a good insight into the current sentiment and offer a perspective for gallery owners and managers on how to best integrate digital channels into their business model. Although Vienna has both nationally and internationally active galleries in various price ranges, the city is not among the most important art centres worldwide (McAndrew, 2019). Therefore, there is still plenty of room for further exploration of the topic in order to gain a more comprehensive understanding from different perspectives and countries. Other markets, such as the Asian and American market, which many experts have described as more open cultures towards online sales, could be topic of further investigation. In addition, the perspective of younger generations, as well as artists, art collectors and other art market experts could also be included, as this would provide an even more comprehensive picture on this topic. An interesting aspect that was not discussed in detail is how the two tendencies – the increasing importance of digital channels on one hand and the increasing popularity of experience on

the other hand – could be combined. Further research could therefore look at new possibilities for art galleries, with a particular focus on expanding the traditional business model. A final suggestion for further research could be a more intensive exploration of the multi-/omni-channel approach in the context of art galleries, as this was only treated as a sub-aspect in this thesis.

6. Literature

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Appendix A: Overview of the participating galleries

Gallery	Interviewee	Information
<p>Gallery 1 Contemporary art gallery</p>	<p>Gallery founder and director</p>	<ul style="list-style-type: none"> • Gallery type: Beta/Gamma gallery • Size: mid-sized gallery • Location: 10th district; cultural space • Founded in 2002 • Focus: photography and photography-based art; photo books; many international artists (mostly American) • Target group: international collectors and clients; some Austrian collectors • Price range: between 100 € and 40.000 €, average price: 3.000 € • Activity: Website with webshop; rarely participation in art fairs; no art platforms; workshops, presentation, photography masterclasses; Facebook and Instagram are frequently used
<p>Gallery 2 Contemporary art gallery</p>	<p>Gallery founder and director</p>	<ul style="list-style-type: none"> • Gallery type: Beta gallery • Size: small-sized gallery (gallery director and one employee) • Location: 4th district • Founded in 2011 • Focus: top 40 Austrian artists in trend rankings and some artists he personally likes • Target group: usually Austrian clients, to some extent Italian and German clients; focus on art investment • Price range: between 1.000 € and 10.000 € for less known artists and 5.000 € and 200.000 € for established artists • Activity: website with information on the gallery programme; Facebook and Instagram but not the main focus; no membership on art platforms; one to two art fairs per year in Austria

<p>Gallery 3 Contemporary art gallery and art dealers</p>	<p>Gallery manager</p>	<ul style="list-style-type: none"> • Gallery type: Beta gallery • Size: mid-sized gallery (gallery founder, two sons and wife; two additional employees) • Location: 1st district, city centre • Focus: Post-war art, mainly Austrian artists, but also some international artists; established artists • Activity: website with information on gallery programme, Instagram but not main focus; four art fairs per year; no membership on art platforms
<p>Gallery 4 Contemporary art gallery</p>	<p>Gallery founder and director</p>	<ul style="list-style-type: none"> • Gallery type: Gamma gallery • Size: small-sized gallery (gallery owner and his wife) • Location: two gallery spaces in the 1st district, city centre • Founded in 1999 • Focus: contemporary and modern art; mainly Austrian artist; combination of young and established artists • Target group: young people who are interested in art; partly collectors; tourists are important • Price range: prints from 100 € to 500 €; other artworks up to 100.000 € • Activity: exhibitions, two art fairs per year in Austria and one in Germany; website with basic information; Facebook and Instagram, but no strong focus on social media
<p>Gallery 5 Contemporary art gallery</p>	<p>Gallery manager</p>	<ul style="list-style-type: none"> • Gallery type: Alpha/Beta gallery • Size: mid-sized gallery (8 employees) • Locations: first location in the 1st district, city centre; second location in the 10th district, cultural space; had some international locations in the past (Paris, Frankfurt, New Jersey) • Founded in 1970, gallery is run by the founder • Target group: affordable art for young buyers and middle class; more expensive art for international buyers; some museums and other institutions

		<ul style="list-style-type: none"> • Focus: combination of young artists and established, Austrian and internationally known artists; no specific genre (pop art, classical Austrian painting) • Price range: prints for a few hundred €; other artworks between 10.000 € and 100.000 € (or more) • Activity: international art fairs; Facebook and Instagram; website with webshop for editions; membership on art platforms (Artsy, Widewalls)
Gallery 6 Contemporary art gallery	Gallery director	<ul style="list-style-type: none"> • Gallery type: Alpha/Beta gallery • Size: mid-sized gallery (5 employees) • Location: first gallery space in the 1st district; second gallery space in Rome • Founded in 2011 • Focus: rather young but established contemporary artists, no clear focus • Target group: very international clientele, also art museums and institutions • Price range: between 1.500 €/ 2.000 € and 150.000 €; average price: 10.000 € • Activity: several international art fairs (including Art Basel) and one Austrian art fair; website; Facebook and Instagram; smaller online initiatives (Not Cancelled; Condo)
Gallery 7 Contemporary art gallery	Gallery director	<ul style="list-style-type: none"> • Gallery type: Beta gallery • Size: mid-sized gallery (8 employees) • Location: Klosterneuburg (near Vienna) • Founded in 1994 • Focus: Art Brut (artists without academic education), contemporary art • Target group: mainly international collectors • Price range: between 500 € and 550.000 € • Activity: two international art fairs, one Austrian art fair; website with extensive information on gallery and artists; presentation of artworks for sale (up to 5.000 €); YouTube; Instagram and Facebook; membership on Artorigo

<p>Gallery 8 Contemporary art gallery</p>	<p>Gallery founder and director</p>	<ul style="list-style-type: none"> • Gallery type: Gamma/Delta gallery • Size: mid-sized gallery (founder and several employees) • Location: 7th district; no typical gallery location • Founded in 2016 • Focus: young, national artists • Target group: national and international buyers • Price range: between 25 € and 20.000 €; average price range: between 350 € and 5.000 € • Activity: some art fairs in Germany, mostly in Austria; website with a webshop; Facebook and Instagram; active on art platforms (magazines, ...); podcasts
<p>Gallery 9 Art dealer</p>	<p>Gallery founder and director</p>	<ul style="list-style-type: none"> • Gallery type: Beta/Gamma gallery • Size: mid-sized gallery (5-6 employees) • Location: 1st district; city centre • Founded in 2000 • Gallery founder runs the gallery • Focus: Austrian and German art; 20th century art, art between 1918 and 1938, classical modernism, exile art, some contemporary art • Target group: collectors as well as younger people with smaller budgets • Price range: from 50 € to 100.000 € • Activity: Gallery website with a webshop and extensive information on all artists; profiles on Instagram and Facebook which are regularly updated; many publications/catalogues; mostly Austrian art fairs
<p>Gallery 10 Art dealers</p>	<p>Gallery founder and director (1) gallery manager (2)</p>	<ul style="list-style-type: none"> • Gallery type: Beta/Gamma gallery • Location: 1st district; city centre • Founded in 1980 • Size: small-sized gallery (run by the founder and her daughter, one employee) • Focus: Austrian painters who lived around 1900, art between 1918 and 1938; focus on less known but high-quality artists; post-war art

		<ul style="list-style-type: none"> • Target group: Austrian and German buyers and collectors; some international collectors from America, Italy, South Africa • Price range: on average 5.000 and 15.000 €, some artworks in the also more expensive (six-figure range) • Activity: Art fair participation; website with three-dimensional gallery tour, virtual “hanging” service, Facebook and Instagram; no membership on art platforms
Gallery 11 Contemporary art gallery	Gallery founder and director	<ul style="list-style-type: none"> • Gallery type: Delta gallery • Size: small-sized gallery (gallery founder runs the gallery alone) • 7th district; no typical gallery location • Founded in 2016 • Focus: street art, graffiti art, urban art • Target group: young people, partly from the street art scene, but also older people (up to 60 years old); international clients (especially tourists) and national clients • Price range: prints start from 50 €; some artworks cost up to 5.000 € • Activity: no art fair participation; website with a webshop; Instagram and Facebook are frequently used; no membership on art platforms
Gallery 12 Contemporary art gallery	Gallery director	<ul style="list-style-type: none"> • Gallery type: Delta gallery • Size: Small-sized gallery (run by the gallery director, his mother and sister) • Location: 1st district; city centre • Founded in 2008 • Focus on rather young national and international artists • Target group: Austrian and international clientele (especially USA, Asia); tourists are important, walk-in customers • Price range: between 1.000 € and 10.000 € (sometimes up to 30.000 €)

		<ul style="list-style-type: none"> • Activity: 6-7 art fairs per year, mostly international fairs; website provides information about gallery programme; Facebook and Instagram are frequently used; membership on Artsy
Gallery 13 Contemporary art gallery	Gallery founder and director	<ul style="list-style-type: none"> • Gallery type: Beta/Gamma gallery • Size: small-sized gallery (gallery owner and one employee) • Location: 7th district; no typical gallery location • Founded in 2017 • Focus: works on paper and paper-related art; contemporary art and classical modernism • Target group: Austrian collectors and buyers • Price range: between 500 € / 600 € and 70.000 €; average price around 3.000 € • Activity: website; Instagram and Facebook; no art fairs and no membership on platforms

Appendix B: Interview guide

Sub-Question	Aspect	Question
Gallery information	Gallery background information	<p>Could you describe the background of the gallery and its history?</p> <p>How has the gallery developed over time?</p> <p>How many employees do you have/what is the size of your gallery?</p> <p>What has led to the success of your gallery?</p> <p>What type of gallery (art dealers or contemporary art gallery)?</p>
	Location of the gallery	<p>Could you describe the location of the gallery?</p> <p>How important is the location for the success? Why?</p> <p>Are there other locations/branches? Where and why?</p>
	Daily business in the gallery	<p>What are the typical activities in the gallery? (exhibitions, vernissages, special events for collectors, sales, catalogues, publications, art fair participation)?</p> <p>How would you describe the role of your gallery? (promoting artists, gatekeeping, sales, ...)</p> <p>How important is maintaining contact with your customers? Why?</p> <p>How do you maintain contact with your customers?</p> <p>How important are events for the success of the gallery?</p>
	Target group/focus	<p>Does the gallery have a local, national or international focus (both regarding artists and clients)?</p> <p>Do you represent rather young/unknown or older/established artists?</p> <p>What is the target group of clients?</p> <p>Could you name the approximate price levels of the artworks you sell (price range, average price)?</p>

		How important is the maintenance of personal relationships with clients and collectors? How do you maintain contact with them?
Characteristics of the gallery business (Sub-question 1)	Transparency/exclusivity	Would you describe the art world as exclusive? Why? What is your opinion on price transparency? Why? How transparent do you make your prices? Why are galleries rather hesitant to make prices transparent? Why is exclusivity on the art market so important?
	International art market development	In general, how would you describe the developments on the art market in the past years/decades? Would you say the art market has become more commercial? How would you describe this commercialisation? Do you think your gallery is affected by commercial tendencies? Would you say there is a tension between art and commerce? Are you open about the fact that a gallery can only exist by selling art? Has the art market become more international, globalised? What has led to these tendencies? Would you say the art market has also become more democratic? How would you describe democratisation? Do you think that COVID-19 will change the attitude towards transparency?
	Austrian art market	How would you describe the context in the Austrian art market? (collectors, galleries, types of galleries) How has the situation changed in the past few years?
Integration of digital channels (Sub-question 2)	Online and offline marketing and Communication channels	In general, which channels do you use for marketing and communication? (e.g. personal contact in the gallery/at fairs; letters; social media; newsletters;

		<p>website; intermediary platforms such as Artsy; art fairs; events)</p> <p>Have some channels become more/less important in recent years?</p> <p>What impact does the Internet have on the everyday business of your gallery?</p> <p>Why are art fairs so important for galleries?</p>
	Digital channels/platforms	<p>Which online channels in particular are important for the gallery?</p> <p>How do you make use of the website? What information/services do you provide on your website?</p> <p>How do you make use of social media? What information do you provide on social media?</p> <p>If you have a profile on an intermediary platform (e.g. Artsy): How do you use it? What information do you provide there?</p> <p>Do you perceive the Internet as a marketing tool, or do you also use it for sales?</p> <p>How have these online channels affected your business?</p> <p>What is your opinion on three-dimensional visualisations/tours?</p> <p>Do you have plans to extend your current activity on digital channels?</p> <p>Is it difficult to implement new ideas regarding online channels? Why?</p> <p>Why has the art market been slow in adapting digital channels compared to other business areas?</p>
	Sales through online channels	<p>Do you sell art through various online channels? Which ones? Why (not)?</p> <p>Do you think the Internet can become serious sales channel in the future?</p> <p>Do you think art can be sold directly through an online shop or that online channels are more of a mediator to facilitate sales?</p>

		<p>Are online sales compatible with the need of physical experience/personal contact?</p> <p>What makes selling art online so difficult? (trust, physical experience, information, curation, age of the buyer ...)</p> <p>Do you think online art sales only work for low-priced art or also for more expensive art?</p> <p>Would you think online sales could work for already existing customers?</p> <p>Which factors should be given that online sales are possible?</p> <p>Do you think that younger generations are more open towards buying art online?</p> <p>Do you think that COVID-19 will change the attitude towards online sales?</p>
Multi-/omni-channel approach (Sub-question 3)	Interconnection of channels	<p>Do you treat social media channels as additional channels or are they essential for your business?</p> <p>Would you say your online and offline channels are interconnected? Or do you treat them separately?</p> <p>Do you have plans to change this in the future?</p>
Consequences of implementing digital channels (Sub-question 4)	Future of online channels	<p>What do you think of three-dimensional virtual exhibition tours?</p> <p>Do you think that technological progress can help to increase the willingness to buy art online?</p> <p>Has the corona crisis led you to invest more in your online channels/visibility? Or do you have plans for the future?</p>
	Future business model of art galleries	<p>Do you think that the role of the art gallery might change in the future?</p> <p>Do you think that galleries need to find new business models?</p> <p>Could the role of the gallery be threatened by the Internet?</p>

Appendix C: Coding tree

Open coding	Categories	Themes
<p>Positive attitude towards price transparency</p> <p>Negative aspects of price transparency</p> <p>Different ways of displaying prices in the gallery</p> <p>Reasons for keeping prices secretive</p> <p>Comparison with price transparency at auctions</p> <p>Importance of traditions and rules</p> <p>Social construction of value</p> <p>Uncertainty of the value of art</p> <p>Reputational risks</p> <p>Importance of knowing who the buyer is</p> <p>Differences between lower and upper market</p> <p>Importance of discretion for clients</p> <p>Influence of the Internet on transparency</p>	<p>Price transparency and exclusivity</p>	<p>Social and business environment of galleries</p>
<p>Importance of art fairs</p> <p>Importance of events of any kind</p> <p>Treating customers individually according to preferences/personalisation</p> <p>Often a friendship-relationship rather than a buyer-seller relationship</p> <p>Importance of personal contact and support</p> <p>Personal relationship is necessary to create trust</p> <p>Lower market segment has more anonymous buyers</p>	<p>Importance of personal contact and experience</p>	

<p>Lower-priced art is associated with less risk than expensive art</p> <p>Higher market segment needs personal contact</p> <p>Importance of physical experience of art</p> <p>Gallery has hardly no anonymous buyers</p> <p>Importance of the social aspect</p> <p>Clients find the gallery through positive word of mouth</p> <p>Active maintenance of relationships</p> <p>Importance of experience related to art</p> <p>Importance of physical experience of art</p> <p>Art is a unique material good</p>	
<p>Art market has become more interconnected/globalised</p> <p>Art market has become more commercial</p> <p>More access to art than ever before</p> <p>More superficial way of consuming art</p> <p>Extreme art market growth in recent years</p> <p>Art market has become fast-paced</p> <p>New trends imposed by the internet</p> <p>Hype of artists and galleries</p> <p>Importance of good marketing</p> <p>Sense of quality is lost</p> <p>Austrian market not that affected</p> <p>Gap between high and low prices increases</p> <p>Middle market segment struggles</p> <p>Galleries are getting bigger and bigger</p>	<p>General art market developments/context of galleries</p>

<p>Smaller galleries are struggling Austrian market has limited demand for art</p>		
<p>Gallery website very important tool for gallery Website only used to provide basic information Website is to attract visitors to the gallery Extensive presentation on the website Use of three-dimensional visualisations Use of newsletter Website improvements due to COVID-19</p>	<p>Opinion on website and newsletter</p>	<p>Use of and opinion on digital channels</p>
<p>Social media is very important Social media are just additional tools Target group is not using social media Limited resources to update social media regularly Social media are important to show the activity of the gallery Social media is gaining importance Impact of COVID-19 on openness towards social media Use of live streams</p>	<p>Opinion on social media</p>	
<p>Innovation due to COVID-19 New forms of communication Use of podcasts Limited resources to regularly update information on digital channels Target group is not familiar with new online channels Online channels are only suitable for marketing and communication</p>	<p>General opinion on online channels</p>	

<p>Online sales do not work</p> <p>Online sales only work for the lower market segment/prints</p> <p>Gallery has an online shop</p> <p>Art cannot be experienced online</p> <p>Personal contact cannot be transferred to online channels</p> <p>The feeling of experience is missing online</p> <p>Emotions are difficult evoke online</p> <p>Hard to establish trust online</p> <p>Buying art online involves risks</p> <p>Online art fairs</p> <p>Online presentation of art is too boring</p> <p>Gallery has an online shop on their website</p> <p>Gallery sell art via social media</p> <p>Webshop offers cheaper art</p> <p>Webshop offers the whole range of artworks</p> <p>Mindset of the gallery towards online shop</p> <p>Gallery gets many requests on digital channels</p> <p>Gallery has an extensive online presence</p> <p>Private online viewing rooms</p> <p>Online shops are only suitable for cheaper art</p> <p>Online art sales could work for expensive art</p> <p>Online sales can work as additional channels</p> <p>Online-only sales do not work</p> <p>Many people who find art online visit the gallery</p>	<p>General opinion on online sales</p>	<p>Online sales</p>
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<p>Strong online presence attracts more people to the gallery</p> <p>Online art fairs could work as an addition to real art fairs</p> <p>Online presentation needs to be emotionally appealing</p> <p>Some artworks are easier to sell online than others</p> <p>People are getting more open towards consuming and buying art online</p>		
<p>Gallery has a profile on an art sales platform</p> <p>Art platforms are important for visibility</p> <p>Gallery website is preferred over sales platforms</p> <p>Art platforms are too public</p> <p>Risk of being too anonymous</p> <p>High membership fees</p> <p>Too commercial character</p> <p>Platforms are important for internationally known galleries</p> <p>Smaller and local platforms are interesting</p>	<p>Opinion on sales platforms</p>	
<p>Current buyers are not using online sales channels</p> <p>Older generations do not know how to use digital channels</p> <p>Even young people want the experience when buying art</p> <p>Gallery owners are too old themselves</p> <p>Galleries rely on their current business model</p> <p>Some cultures are more open towards online shopping than others</p>	<p>Limitations regarding online sales</p>	

<p>Austrian/European market is not (yet) interesting</p> <p>Limited budget</p> <p>Needs to be updated regularly and is too time consuming</p> <p>Gallery is too small to do it professionally</p>		
<p>Interconnection of channels</p> <p>Online channels can only be additions to the business model</p> <p>Coordination and integration of all channels is important</p> <p>Gallery already applies multi-/omni-channel approach</p> <p>Combination of online channels and offline channels works well</p> <p>Online channels are incentives to visit the gallery</p> <p>Online sales are successful for existing/long-term customers</p> <p>Need to adapt to specific needs of every customer</p> <p>Online channels can generate new customers</p> <p>Different channels can reach different target groups</p>	<p>Multi-/omni-channel integration</p>	<p>Multi-/omni-channel integration and future perspectives</p>
<p>COVID-19 has positive influence on digitisation</p> <p>Online channels could be alternatives to art fairs</p> <p>Three-dimensional exhibition tours</p> <p>Virtual reality</p> <p>Openness towards change and innovation</p> <p>Internet does not lead to democratisation</p>	<p>Estimation of future developments</p>	

<p>Internet does not change the role of the gallery</p> <p>Artists are empowered to represent themselves</p> <p>Galleries need to be less perfectionist, more open</p>		
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