

ART & DESIGN

Can Digital Technology Open Up the Art World?

By SCOTT REYBURN JAN. 26, 2018

LONDON — Regardless of whether you're a multibillion-dollar investment banker, or someone who wants to spend just a few hundred on something nice to hang on the wall, it's difficult not to be intimidated by the art market.

But surely the digital revolution has brought some much-needed transparency to this most opaque of luxury businesses? Presumably, by now, paintings and drawings are being bought online as routinely as music and books?

If only. Last year's **Hiscox Online Art Trade Report** (this year's edition will be published in April) estimated that online platforms accounted for about \$3.75 billion of sales in 2016, representing just an 8.4 percent share of the overall market total. The previous year, it had been 7.4 percent, according to the report.

Even so, every month seems to bring new developments in the art world's digital sector. On Tuesday, for example, it was announced that the online auction house Paddle8 had merged with a Swiss tech company, The Native, and would create an auction that accepts bitcoin, a virtual currency. On Thursday, Sotheby's said it had bought Thread Genius, a startup specializing in taste-based image recognition and recommendation technologies

But while other industries, such as music and publishing, have been transformed by online retailing, the needle has been slower to move in the art market.

"Art is at the very top of the luxury pyramid," said Sebastian Cwilich, co-founder of Artsy, an American online platform for learning about and collecting art, which this month expanded by opening an office for 20 workers in London.

Mr. Cwilich makes the obvious but inescapable point that paintings and drawings are unique items that are a lot more expensive than mass-produced songs and books. A six-figure price tag tends to deter digital impulse buys. Prints, photographs and design objects, which generally exist in multiples, are better suited to online sales platforms, but even here, concerns about condition, authenticity and provenance can be a deterrent.

"The online space is most active in the sub-\$100,000 category," Mr. Cwilich said. "The art market is opaque and intimidating, but the internet does give more people a chance to participate." The internet also gave trading more "velocity," he said.

Artsy, which is based in New York, hopes to speed things up even more by opening a 3,500-square-foot hub in the Whitechapel district of London. The team in the British capital will oversee the company's partnerships with galleries in Africa, Europe and the Middle East.

More than 2,000 galleries pay monthly subscriptions of, typically, \$400 to \$1,000 a month, to advertise works on Artsy, according to Mr. Cwilich, who started the company in 2012 with Carter Cleveland. Artsy generates further revenue by arranging and administering online bids at live auctions, for which it receives a 5 percent commission on successful sales. Privately owned, the company doesn't report revenues, profits or losses.

Prices remain a major hurdle for the expansion of the digital art trade, not just because they are often so high, but because of their lack of availability. Consumers looking to buy, say, a shirt online can browse numerous fashion websites where thousands of items are clearly labeled and priced. But all too often, prices on art dealers' websites — and in their galleries and booths at fairs — are "on application," a process that can be both laborious and forbidding.

That remains the norm at Artsy, but some dealers are becoming more open. Mr. Cwilich said that about a third of the works on the site carried prices. Even Gagosian, an international gallery giant that is traditionally secretive about how much its art costs, is now showing prices for works selling for less than \$100,000 by artists such as Damien Hirst and Ed Ruscha.

Larry Gagosian, the gallery's founder, was an investor in a \$50 million Artsy fund-raising round that closed in July 2017. Other investors include Joe Gebbia, co-founder of Airbnb; and Sky Dayton, founder of the digital services company, EarthLink.

The Indian collector Saloni Doshi, who runs the **Space 118** artists' studio project in Mumbai, India, said she read articles on Artsy to find out what was going on. But, she added, "I don't buy through them."

Ms. Doshi said she preferred to purchase contemporary art online from **Paddle8**. "You see the price, then you just bid," she said. "Artsy isn't very buyer-friendly. All the numbers aren't there."

From a consumer perspective, dedicated online-only auctions, with clear price structures, enjoy a definite edge over dealer transactions in the digital sphere. Since May, Christie's website has listed results from its online-only auctions, which last year had an average lot price of \$7,305, up from \$6,047 the year before. Competitors such as Sotheby's and Paddle8 do not make this information available.

According to Marc Sands, Christie's chief marketing officer, "As a potential consignor or buyer, it's important to look at what has happened to interpret value."

"It aids transparency," he added.

Results achieved for artworks resold at live auctions can be viewed at subscription websites such as **Artnet** and **Artprice**. But the "primary market" prices that galleries charge for new works by contemporary artists remain offline, with many dealers regarding them as trade secrets available only to insiders.

A free app, **Magnus**, which started in 2016, aims to rip through this veil of exclusivity. Smartphone users simply point their device at an artwork in a gallery or fair and visual recognition technology (most times) quickly supplies dealer and auction prices for the relevant artist. In that way, Magnus works for art in a similar fashion to that in which **Shazam**, the popular song-identifying app, works for music.

Magnus's database contains about 10 million prices, compiled through crowdsourcing. About 10 percent of those are from the primary market, according to the app's founder, Magnus Resch, a German entrepreneur based in New York.

"We are disrupting the art market by making it more transparent," Mr. Resch said in an email. "My generation wants all information immediately, and not go through a beauty contest while waiting for the director of the gallery to come and check me out."

Not surprisingly, some in the art world have resented those efforts. Late in 2016, Magnus was **withdrawn** for five months from the Apple app store, after accusations that data had been taken from rival platforms and from individual galleries. But the app, with contested information removed from its database, is now available again and is still free, although Mr. Resch said he was "in the process of developing innovative features and additional services for professional users for which we can charge."

Mr. Resch said the app was "particularly strong" at art fairs, estimating that it revealed around 80 percent of the prices at events such as Art Basel. But for the moment, business at those fairs continues to be dominated by an older generation of market-savvy buyers who have cultivated personal relationships with gallerists.

"Why would I use Artsy or Magnus? I have access to the prices," said one of those, Alain Servais, 54, a Brussels-based collector who attends at least 20 contemporary art fairs per year. "If you bring too much transparency to the market, you risk harming the mythmaking machine that makes the prices so high," Mr. Servais added. "You are not longer part of a clique. Art becomes a common thing."

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