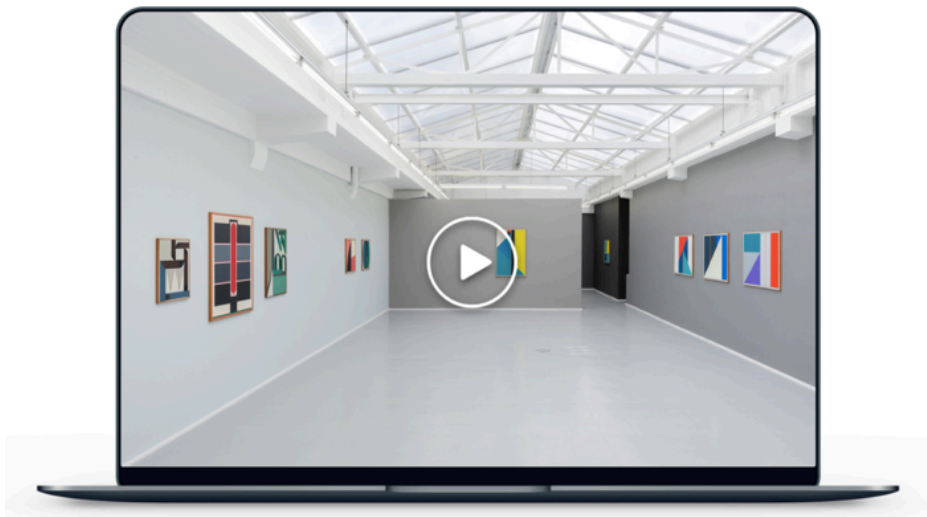


Master Thesis

“Influence of the digitalization on the primary art market with a focus on art galleries”

M.Sc. in Economics and Business Administration –
Management of Innovation and Business Development



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Abstract

Digitalization influences all parts of the economy as well as society. While the effects of digitalization have already drastically disrupted certain economic sectors, so far, the art market appears not to have experienced a comparable transformation. Due to existing limited research about this phenomenon within the art sector, this Master Thesis examines whether the increasing emergence of digitalization is also leading to a disruption of the primary art market. In particular, it analyzes how the business models of art galleries are affected by an accelerating digitalization. For that analysis, the theory of Christensen (2015) regarding the innovators' dilemma and the related term "disruptive innovation" as well as further research by Christensen serves as a basis. Moreover, the paper aims to outline the most important aspects of an ideal business model for art galleries in the context of digitalization. This business model is also classified in a corresponding business model canvas according to Osterwalder and Pigneur (2010). In order to achieve this, primary data was collected from semi-structured expert interviews with five gallery executives. The analysis reveals that all of the interviewed art galleries operate online channels and hence already have a presence in the digital space. Most galleries emphasized that the primary art market is disrupted by digitalization and accordingly see the need to adapt their business model. Such galleries already use digital media on a large scale for advertising and communication with market participants and clients. In addition, they pursue online distribution channels or are open to such initiatives in the future and are particularly interested in reaching a new customer segment digitally. Therefore, these galleries are considering or planning launches of editions at lower price points, especially suitable for online distribution. The main findings are presented in the business model canvas for art galleries, which constitutes a framework for galleries in the primary art market to adapt their business to the changing environment.

Table of Contents

Abstract	1
List of figures	4
List of tables	4
1. Introduction	5
1.1 <i>Background and relevance</i>	5
1.2 <i>Research question</i>	8
2. Theoretical foundations	9
2.1 <i>Theory on disruptive innovation</i>	9
2.2 <i>Theory on business model innovation</i>	10
3. Description of the art market	13
3.1 <i>Description of the term “art”</i>	13
3.2 <i>Distribution of art</i>	14
3.3 <i>Art galleries</i>	16
3.4 <i>Changes in the art market</i>	19
3.4.1 <i>Size of the online art market</i>	22
3.4.2 <i>Online distribution channels of art</i>	23
3.5 <i>Research overview on the impact of digitalization on the art market</i>	24
4. Characteristics and specifics of digitalization	26
5. Methodology of research	28
5.1 <i>Research design</i>	28
5.2 <i>Data collection</i>	31
5.2.1 <i>Primary data</i>	31
5.2.2 <i>Secondary data</i>	38
5.3 <i>Data processing</i>	39
6. Analysis and results (Interviews)	40
6.1 <i>Disruption in the art market</i>	40
6.2 <i>Business innovation</i>	45
6.2.1 <i>Value proposition for customers</i>	45
6.2.2 <i>Resources of organizations</i>	49
6.2.3 <i>Processes of organizations</i>	51
6.2.4 <i>Profit formula of organizations</i>	52
6.3 <i>Discussion of the results obtained by the interviews</i>	54

<i>6.4 Key factors for the improvement of established art gallery business models in the context of digitalization</i>	56
6.4.1 Value proposition for customers	57
6.4.2 Resources of galleries	61
6.4.3 Processes of galleries	65
6.4.4 Profit formula of galleries	65
<i>6.5 Business model canvas for an art gallery</i>	68
7. Conclusion	70
7.1 Limitations	71
7.2 Further research	73
References	75
Appendix	86
<i>Appendix (1) General interview guide used for gallery managers (in German)</i>	86
<i>Appendix (2) Summary of relevant quotes derived from the Interviews (in German)</i>	89
<i>Appendix (3) Grouping of relevant quotes derived from the interviews (in English)</i>	98

List of figures

Figure 1: Overview of online art sales volume

List of tables

Table 1: Interview overview with galleries

Table 2: Business model canvas applied for an art gallery

1. Introduction

1.1 Background and relevance

Being one of the fastest developments in human history, digitalization affects all parts of the economy as well as society (Fitzgerald et al., 2014; Berger et al., 2018). While certain cultural fields have already changed drastically under the influence of digitalization, the art market still seems to be lagging behind in this development (Arora & Vermeylen, 2013). However, the distribution of expensive art online already has a certain history. Sotheby's, in collaboration with the companies Amazon and Artnet, had begun to sell artworks online by 1999 (Sotheby's, 1999). However, these pioneers gave up relatively quickly, as they had to recognize that potential buyers would rather not be willing to acquire art for five- or six-figure sums online (Horowitz, 2014). In the following years, the art market, unlike almost all other industries, was barely affected by the rapid expansion of digitalization and its possibilities.

In the art market, physical spaces like gallery rooms still seem to be the preferred location for purchasing art. This is due to the view of most buyers, which considers the online art market mainly an alternative distribution channel rather than a substitute (Hiscox, 2016). This seems to result from the need to see and experience an artwork before buying it (Horowitz, 2012), as well as social interaction and face-to-face contact with an art expert, dealer, or artist (Arora & Vermeylen, 2013). Furthermore, a study from Hiscox (2016) revealed that art dealers are struggling with the challenges of online sales and that the relationship between the traditional art gallery business model and online art distribution concepts is still troubled.

Nevertheless, recent studies show that buying art online seems to have gained acceptance, especially among younger customers (Sidorova, 2019; Artwork Archive, 2018; Hiscox, 2019). In addition, according to the Hiscox 2019 report, the online art market has been fueled in recent years by the expansion of a number of online platforms. However, the online art market still represents a very small proportion of the overall market (Ali et al., 2019).

In general, it can be stated that the online art market is growing and is gaining interest from customers (Hiscox, 2019; McAndrew, 2019). In recent years, two of the

world's largest and best-known auction houses, Christie's and Sotheby's, have invested considerable resources in the development of their digital technologies and online presence (Art Market Guru, 2019). This was mainly due to the pressure created by increasing demand for a channel in which younger customer segments would feel comfortable. This suggests for the overall art market that other organizations will follow the lead of Christie's and Sotheby's and expend additional resources on digital transformation (Ali et al., 2019).

The particular constitution of the art market leads to arguments justifying the late emergence of the online art market or even predicting its long-term failure. Experts note that art can only be sold online in the lower to middle price segment (McAndrew, 2014). Furthermore, customers have a desire to personally inspect the art before buying it (ibid.).

The fragmented art gallery business has so far not undergone any major sector-wide disruptions in the past decades. However, the previous art gallery market landscape has changed somewhat abruptly in recent years. A considerable number of online ventures have emerged in the art scene. Numerous companies with diverse business models have also emerged in the online art market in recent years. These business models range from the supply of information about art to online marketplaces (which act as aggregators of different art galleries) to online art galleries and online auction websites. This is already leading to a growing uncertainty among traditional businesses. The report "The Art Market 2019," published by Art Basel and UBS, revealed that in 2017 approximately 58% of surveyed galleries expected increasing revenues in the future. In contrast, the latest version of the report as of 2019 indicated substantially fewer positive expectations for the future since only 30% of galleries were expecting increasing revenues. The less optimistic expectations can be associated with increased macroeconomic uncertainties that tend to threaten in particular also smaller galleries and those who have not restructured their business models according to the latest sector trends and developments. More traditional business models tend to function no longer working as well as in the past as a result of fundamental changes that the market is experiencing (ibid.). This development shows the need for a further analysis of the emergence of the art market and its new business models. In the literature, the subject of digitalization and online trade is

increasingly being examined in relation to the future of the art market (Horowitz 2011; Zorloni 2013; Adam 2014; Winkleman 2017).

Digitalization has influenced various business activities, such as the transformation of business models (Gartner, 2017) and can help to enhance work methods in explorative or exploitative means (Denner et al., 2017). Thereby, digitalization enables new forms of collaboration between companies and has led to innovative product and service offerings and novel types of business relationships with customers and employees. Furthermore, digitalization creates increasing pressure on businesses to review current strategies and to identify new possibilities for their business model as early as possible (Rachinger et al., 2019). Broadly speaking, a business model can be defined as a “blueprint of how a company does business” (Osterwalder et al. 2005, p. 2), describing the creation, delivery, and value capturing of a business (Amit & Zott 2001; Teece 2018). The business model concept has gained increasing attention and popularity in both practice and research since the 1990s (El Sawy & Pereira, 2013).

Hence, the objective of this thesis is to examine the effects of increasing digitalization on the primary art market with a special focus on the business model of art galleries. First, the extent of these changes and whether digitalization leads to a disruption of the primary market according to the theory of Christensen (2015) will be examined. In addition, the responses of galleries to this development will be analyzed. For this purpose, five executives from art galleries operating in the primary art market will be interviewed on this topic. Based on this analysis, the components of an ideal business model for art galleries in the context of digitalization are developed.

Finally, these are classified in a corresponding business model canvas according to Osterwalder and Pigneur (2010). This model will serve as a possible reference for galleries in the primary art market aiming to adapt its business to the changing environment.

This master thesis will attempt to fill some of the research gaps associated with the question of what digitalization means for market participants in the primary art market with a focus on galleries, while at the same time exploring new insights into the use of digital tools and corresponding market developments in this segment. Thus, this

study contributes to existing research on the effects of digitalization on the primary art market and tries to gain new insights into the changing market dynamics as a consequence of this development.

1.2 Research question

In this thesis the research questions will, therefore, focus on the following research problem:

Analysis and development of the key aspects of an ideal business model for a gallery in the primary art market in the context of the digitalization.

This research problem leads to the following subsequent research questions that will be analyzed in this thesis:

- *Has digitalization disrupted the primary art market, according to the theory of Christensen (2015)?*
- *How do galleries in the primary art market react to these changes regarding their business model?*
- *Which innovations in this context should the ideal business model of an art gallery exploit in order to be competitive in the digitalized world?*
- *What are the key aspects of an ideal business model for a gallery in the primary art market in the context of the digitalization?*

2. Theoretical foundations

The following theoretical foundations of disruption, digitalization, and business innovation serve as a basis for the explorative analysis in the art market conducted in chapter 6.

2.1 Theory on disruptive innovation

The theory of disruptive innovation was first described by Christensen (1997) and thereafter continued in various scholarly research, gripping the business consciousness like few other ideas (Christensen 2015; Christensen & Raynor, 2013; Christensen et al. 2015, Christensen et al, 2016; King & Baatartogtokh, 2015). Christensen (2015) described the process of disruptive innovation as the conception of new technologies creating new markets or radically changing or disrupting the status quo in existing markets. Christensen (2015) provided with his research an illustration that explains the failure of reputable and well-managed companies. Disruption refers to a situation whereby smaller companies with limited resources are able to successfully challenge existing incumbents.

This is particularly likely to happen when established companies concentrate on the enhancement of the offerings for their most demanding customers, exceeding the demands of some customers but ignoring the needs of others (Christensen, 2015). In this context, predicting the susceptibility of an innovation to failure is important for incumbents hoping to avoid the adverse consequences of ignoring a disruptive innovation. These adverse consequences may include reduced market share, reduced status or even the bankruptcy or death of an organization (ibid.).

The theory of disruption (Christensen, 2015) predicts that when new entrants compete against established competitors and offer better products or services, the established companies will accelerate their innovation to protect their business. In doing so, the incumbents either strike back at the newcomer by offering even better services or products at comparable prices, or one of the incumbents takes over the newcomer. There are four key elements to the theory of disruption. First, established companies in a market are improving along a trajectory of sustaining innovation. Second, incumbents in a market overshoot customer needs. Third, incumbents in a

market possess the capability to respond to disruptive threats. Finally, incumbents in a market end up floundering as a result of the disruption (ibid.).

Performance oversupply can lead to the emergence of simpler, less expensive, and more convenient technologies. Companies that offer these disruptive technologies continuously improve the performance of their products, and thereby eventually take over traditional markets. The theory of disruptive innovation does not seek to help companies achieve growth in their market or product dimensions; rather, it seeks to help incumbents to strengthen their core business. Thereby, Christensen et al. (2015) differentiate between two kinds of disruptions. The low-end disruption targets customers not needing full performance, which is valued by 'high-end customers. In contrast, the new-market disruption focuses on customers who have requirements that were previously not served by established companies. By definition, a disruptive innovation starts from either of these two pillars (ibid.).

Since applying the theory correctly is necessary to realize its benefits, as described by Christensen et al. (2015), it is essential to differentiate disruptive innovations from so-called sustaining innovations. The latter offers customers better versions of incumbents' products through incremental advances or major breakthroughs (ibid.). This distinction is important because varying kinds of innovations require corresponding strategic initiatives (Christensen & Raynor, 2013). Competition in the market is based on outstanding business models, hence firms must constantly renew their business models in order to be competitive in the digital context (Linz et al., 2017). This implies the complementary nature of technology and business model innovation (Chesbrough, 2010).

2.2 Theory on business model innovation

Given the turbulent business environment and the many opportunities created by digitalization, a central challenge for companies is to identify promising long-term sustainable opportunities (Urbach & Röglinger, 2019). Considering these challenges, the business model of an organization is of crucial importance, as it allows existing market potential to be exploited and new opportunities to be created.

Business models represent reflections of the realized strategy of a company (Casadesus-Masanell & Ricart, 2010). Regarding Porter (1996, p.1) a strategy is “the creation of a unique and valuable position, involving a different set of activities”. Further, a strategy is a contingent action plan that determines which business model is to be used (Casadesus-Masanell & Ricart, 2010). When deciding on a strategy, the company must consider its importance as a raw material for the business model. Hence, a strategy involves designing business models and, in the event of contingencies, transforming them so that the company can achieve its goals (ibid.).

There are several definitions of the business model concept, ranging from very broad ones to narrower ones (Nielsen & Aalborg, 2008). A recent description by Teece (2018, p. 40) terms a business as “an architecture for how a firm creates and delivers value to customers and the mechanisms employed to capture a share of that value”. In general, the term business model refers to the logic of a company, its operating principles, and the way it creates value for its stakeholders (Casadesus-Masanell & Ricart, 2010). In the past years, the business model has gradually developed into a basis for innovation and the improvement of a competitive advantage for companies (Hossain, 2017).

Christensen and Raynor (2013) define a business model as consisting of four interlocking elements that jointly generate and deliver value:

- (1) The value proposition for customers;
- (2) The organization’s resources, such as employees, funds, and technology;
- (3) The processes used to convert inputs to finished products or services;
- (4) The profit formula that determines the company’s margins, asset velocity, and scale required to achieve an attractive return.

The elements of an organization's resources and processes define its capabilities, while the elements of the customer value proposition and the profit formula determine a company's priorities (ibid.).

In an incumbent, a business model is typically embodied in a business unit (Christensen et al., 2016). Each business model passes through three different phases. The first is the creation of the new business unit and its business model, followed by a shift to maintaining and growing the business unit, and finally a

transition to increasing the efficiency of the unit. Each phase supports a certain type of innovation, building a particular set of dependencies into the model and responding to a given set of performance metrics. Thereby, the parts of the journey are beneficial to a particular type of innovation; build a particular set of dependencies into the model and respond to a particular set of performance metrics (ibid.).

As previously discussed in parts 2.1 and 2.3, new technologies can drive the emergence of new markets as well as the change or disruption of existing markets. In the first step of the analysis, it is therefore important to define whether digital development and accordingly emerging companies are disrupting the art market. In this respect, the empirical part (Chapter 6) follows the theory of Christensen (2015) to analyze the effects of the digitalization on the art market. This analysis leads to a conclusion about whether the art market is disrupted by digitalization at all. Furthermore, the research will help to define where possible disruption of the art market comes from. It will reveal whether there are disruptions in the lower segment of the art market, attracting new customer segments that do not require the high service as customers for more expensive art, or new-market disruption, targeting customers previously not served by existing incumbents.

After having defined in the analysis whether the art market is disrupted or not, the reaction of the established companies to this change is analyzed. Therefore, the theory of Christensen and Raynor (2013) regarding business model innovation will be adopted. The galleries' business models will be elaborated along the four elements of a business model according to Christensen and Raynor (2013). This will show to what extent the interviewed gallery managers correspondingly adapt their strategies to digital development on the market.

3. Description of the art market

In order to answer the research purpose of this thesis, it is necessary to examine the existing literature on this topic. Firstly, descriptions of the concept of art will be examined more closely. Secondly, the main topic, the concept of the art market, will be examined. The functioning of the art market and its galleries will be discussed and variations in the art markets will be considered. Finally, digitalization and its effects on the art market will be further elaborated on. Furthermore, the limited research on digitalization in the art market will be discussed in order to identify the gap in the literature and to determine where this thesis fits into a larger research overview picture.

3.1 Description of the term “art”

The term art is complex and multi-layered in its various meanings (Geertz, 1976). Part of the difficulty in defining art is its varying perception in history (Williams, 1983). Over time, the definition of art has been associated with various fields such as mathematics, crafts, science, industry, craftsmanship and even creative or imaginative work (ibid.). However, especially in recent decades, the boundaries of art have shifted radically (Wilson, 2001). The limits of the institutional definition of art are being challenged by new art practices such as new media art, performance, and installation (Wilson, 2012). The institutional definition of art depends on what is identified at any given moment by the actors in the art world, which includes artists, curators, historians and critics (ibid.).

Researchers have long held the general view that the perception of art is different from the perception of all other commodities (Throsby, 1994; Hagtvedt et al., 2008; Velthuis & Coslor, 2012). Original artworks often have an exclusive character, which is characterized by features of uniqueness, heterogeneity, and a tendency towards high prices (Hirschman, 1983; Colbert, 2000; Mandel, 2009).

Art is by definition a unique and heterogeneous good since no two objects are identical (Colbert, 2000). Each work of art is unique in terms of characteristics such as style, material, expression, and time of manufacturing. Unlike the production of an industrial good, the act of art production does not produce a sequence of homogeneous goods. The creativity and human imperfection involved in the

production of an art object make the creation of a mass production impossible. This means that although art can be copied, it cannot be reproduced (ibid.).

The monetary valuation of an art product is immaterial in nature and depends on a number of subjective factors and characteristics (Beckert & Rössel, 2013). These factors may include the utility of the artwork as a source of aesthetic appreciation or cultural and social norms (Raymonde & Vale, 1995; Schönfeld & Reinstaller, 2007; Shubik, 2003). For example, the materials used in the production of an artwork or the restrictions on supply do not generate the economic value that is primarily determined by the artistic value created within the art world. Works of art are regarded as experiential goods, since the quality and price of artworks are difficult to predict in advance (Kotler & Bliemel, 1995).

3.2 Distribution of art

The art market has been studied in various academic studies and examined according to different focal points, such as historical period, individual area, geographical focus or methodology (Velthuis, 2005; Horowitz, 2012; McNulty, 2013). The art market represents a construct, which encompasses all economic infrastructures, financial transactions and social relations (Gnyp, 2015). The ecosystem of the art market consists of artists, art critics, curators, collectors, gallerists, and art dealers (Joy & Sherry, 2003).

According to the typology of transactions, the art market can be divided into the primary and secondary market regarding the type of transactions (Zorloni, 2013).

Primary art market

The primary art market is represented by participants such as artists, collectors, dealers, galleries and consultants (Velthuis, 2011; Findlay, 2014). Participants in this market negotiate the initial sales of original artworks on the free market (Velthuis, 2011). The primary market represents the innovative part of art distribution, taking into account aesthetic values and art trends (Zorloni, 2013). The primary art market is associated with a high risk for suppliers and consumers and is highly decentralized (Zorloni, 2005; Throsby, 1994). The high risk emerges from the fact that the artist's work has not yet been traded and that there is a lack of information and price

transparency around the works presented (Becker, 1982; Zorloni, 2005; Velthuis, 2011).

The careers of artists depend on the aesthetic judgments and social recognition of experts in the cultural field (Raymonde & Vale, 1995). Consequently, the assessment of artistic value and, consequently, the price of and demand for a contemporary artwork is subject to major changes (*ibid.*). Furthermore, the supply on the primary market is potentially unlimited, as more artists create artworks than can ever be shown (Bystryn, 1978; Raymonde & Vale 1995). Therefore, a contemporary art dealer seizes the opportunity for a new artwork or artist and must create a market for the work. An art dealer's objective is to give the work or artist a public existence. The value of an artist or work is uncertain until the art world has determined its value through the actions of critics, peers, curators and the like who provide aesthetic judgment (*ibid.*). Dealers actively influence this judgment through their galleries, since it increases the price of the artist's work or oeuvre (Becker, 1982). This makes the sector recognized as particularly difficult to access.

Secondary art market

The secondary market focuses on the resale of art (Velthuis, 2011). The protagonists within this market are well-known galleries and auction houses with substantial funds. The secondary market can be described as "characterized by artistic excellence and remaining rarity" (Raymonde & Vale, 1995, p. 36) as the artists traded on the secondary market for fine art are often middle-aged to old or already dead (Throsby, 1994). Therefore, the supply of historical artworks is to a certain extent limited (Becker, 1982). The value of historical works of art tends to be more reliable than on the primary market, and such works feature stronger legitimacy in the cultural and economic sense than in the primary art market. The value and status of an artwork is determined by the position and importance of the work or artist in art history (*ibid.*).

As described, the primary and secondary art markets are very different. This makes it difficult to analyze both market segments with regard to the impact of digitalization. On the secondary market, substantial developments can already be observed with regards to this matter, with online art distribution and auctions established on a large scale (Deloitte, 2016). On the primary market there is less movement observable in

this respect. Given its high level of uncertainty and the difficulty of determining value and price, it tends to be more difficult to use online tools and digital formats. Furthermore, there is a greater degree of information asymmetry in this market, making it more difficult for potential clients to buy artworks online from galleries or artists that lack a certain brand value or legitimacy (Velthuis, 2014).

A further segmentation is the subdivision of the art market by its geographical scope. Some markets are internationally oriented, defined by the most important art capitals, such as New York and London (Artsy, 2015). Other art markets are defined by local artists working with local dealers and collectors (Velthuis, 2011).

This thesis focuses on those art galleries that sell artworks within the primary market. Furthermore, the thesis will concentrate on the geographical scope of the German and Austrian primary art market. Therefore, the research will have a local market focus, where a bulk of the German and Austrian artists, dealers, and collectors participate.

3.3 Art galleries

The gallery art market is highly fragmented and comprises over 300,000 art galleries around the world, all operating in the market for fine and decorative arts and antiques (TEFAF, 2010).

Art galleries are regarded as important decision-makers in the primary market, with the main function of deciding which artists are shown to the public (Thompson, 2008). Furthermore, the gallery owner has the task of organizing regular exhibitions for artists. This serves more discreetly as a means of introducing artists to collectors, buyers, art press and museum curators, as well as promoting an artist's reputation and career (Joy & Sherry, 2003). This is important because the assessment and reviews of a work of art and its artist confer legitimacy and value. In the context of an exhibition, the artwork is presented to the public and an attempt is made to sell it (Velthuis, 2005).

In addition, an important activity of a gallery is both to put buyers in contact with artists and to legitimize the promoted artists by building strong relationships with

other art establishments (Jyrama & Ayvari, 2010). In general, the role of gallery owners can be described as that of a service provider whose function is to "provide selected interpretations, education and signals with the aim of generating the conviction that the appreciation of a particular group of novel artworks is continuously increasing" (Hutter et al., p. 249). In this sense, it can be argued that the art market is characterized by its highly interconnected construction. It is initially made up of networks around a single gallery and then expands into large, weaker, international networks (Jyrama & Ayvari, 2010). Within the art market, the assessment of quality is a matter of socially constructed judgments, and thus the network of social events that provides the foundation for establishing solid connections is fundamental for the creation and transformation of norms and values in the art market (ibid.).

There is a broader spectrum of artists striving for the exhibition of their works than there is room for the representation of artists. Consequently, it is the task of galleries to select from the range of available art by filtering "the wealth of information and materials intended for the consumer" (Bystryn, 1978, p. 390). This reveals an information asymmetry that is due to the imbalance between consumer and producer information (Velthuis, 2005; Horowitz, 2012; Raymonde & Vale, 1995). Information about a new artwork, an emerging artist, or the price or value of a work is an important advantage between actors (Becker, 1982). In particular, art dealers whose business is based precisely on the competitive advantage provided by this privileged information prefer not to share this knowledge with third parties (Horowitz, 2012). Correspondingly, price tags are hardly ever placed next to a work of art in a physical space (Velthuis, 2005). This attitude was described by Bourdieu (1993) as a "denial of the economy", meaning that actors in the art market deny the existence of commercial interests or avoid talking about money. By denying any commercial value, the perception that art is a gift sphere surrounded by mysticism is reinforced (ibid.).

Art gallery spaces also have a public function. An exhibition space functions as an open space where the public can experience new art without being charged. In this sense, the gallery is a place where social ties are established between gallery owners, artists, and the public, as well as critics and collectors, creating a community around the artists and the works they present (Velthuis, 2014). These communities

are strengthened by the social events surrounding the gallery spaces, such as the opening of exhibitions. These social interactions increase the value of acquiring a work of art and the social status of the buyer (ibid.). The art world grants a person membership in a social circle and provides him or her with a social status. Bourdieu (1993) described this phenomenon as the acquisition of cultural capital.

Overview of actors within an art gallery

Different types of actors can be identified for an art gallery. In the first place, there is the artist, to whom the gallery owner has a certain relationship (Singer, 1990). Artists or artist collectives create art and usually have special training in art. They are typically professional artists and not amateurs (ibid.). The relationship between a gallery and its presented artist is often based on friendships (Geuting, 2001). In rare cases, there is a formal written agreement between the gallery and the artist to cover mutual obligations (ibid.). Instead, galleries rather tend to operate on the base of a handshake with their artists (Schmickler & Fritsch, 2001). The relationship of a gallery with their artists can be described as a patronage (Klein, 1993). The representation of an artist by a gallery is often based on exclusivity (Velthuis, 2011). If several galleries represent an artist, this often occurs outside a predefined geographical area (ibid.).

Of all the people frequently visiting galleries, only a small proportion have the wealth and willingness to buy art. Therefore, gallery owners try to familiarize potential gallery visitors with the art market and educate their artistic taste in order to generate new art collectors (Becker, 1982). Traditionally, a gallery often has a fixed group of buyers who buy artworks often (Velthuis, 2011). In general, customers of a gallery can be divided into occasional art buyers, art collectors and organizational buyers. In particular, art collectors are of great value to an art gallery, as they are well established in the art market (ibid.). If collectors buy a work of art from an art gallery, this automatically increases the reputation of that gallery (Hausmann, 2014).

There is a wide range of motives for buying art, as described by Moulin (2003), from cultural interest to pure investment to pure interest for art's sake. The motivation to buy is based on the perception of the value components of the buyer's art. Consumers may be interested in a work of art for various reasons, such as the

decorative element, historical, intellectual or artistic value (Bianchi, 1997). In addition, there may be a motivation to buy in order to obtain positive returns from an investment (Herstatt, 2006). Thus, there are different consumers in the art market who, because of their different motivations, generate a demand that is difficult to predict.

For the profession of a gallery owner, no general examination or certification is required, hence, no standardized education is required. Although gallery management is open to everyone, a background in art history and business administration or good knowledge of the art market is essential. Top gallery managers achieve success by having monetary resources, exceptional networks, good judgment for the selection for artists, and a suitable approach for identifying potential buyers, as well as beneficial skills for building a unique brand for their gallery (Bedford, 2003).

3.4 Changes in the art market

A wide range of scholars has examined changes in the consumption, trade, and perception of art with the emergence of digital disruption (Quesenberry & Sykes, 2008; Arora & Vermeylen, 2013; Enhuber 2015; Khaire, 2015). The developing online art market provides various options for buying and selling art, although it distinguishes itself from the offline art market in two ways. First, the online art market allows for the immediate and worldwide dissemination of information about art and artists (Adam 2014). This indicates that the market can reach a wide range of new buyers, increasing the market size. Secondly, the online art market operates in a digital sphere without geographical limitations and is therefore accessible from anywhere. Furthermore, the digital space provides access to the art market for a larger number of potential clients who would hesitate to enter an art gallery (ibid.). Thereby, digitalization has smoothed the path for the democratization of the art world, as it allows everyone access regardless of temporal or geographical obstacles (Enhuber, 2015). Technologies have created a virtual democratic environment that is changing how art is consumed and experienced. Within this space, visitors are able to access information conveniently regardless of cultural, economic, or geographical barriers (ibid.). Digitalization has created several online databases that provide detailed information on artworks (Vermeylen & Arora, 2012). Furthermore, the

process of democratization of art also leads to a closer integration of the private patrons of the arts and the general public, which has previously lacked social and cultural capital (Bourdieu, 1993).

Information asymmetry in the online art market

In the past, the art market was considered to be not very transparent (Law & Smullen, 2008). Therefore, the non-transparent of the art business is connected with the issue of information asymmetry between purchasers and sellers (Coslor, 2016). However, the rapid growth of digital information providers in the art market (such as Artsy or Artnet), which occurred simultaneously with the digital revolution, has reduced this information asymmetry (Dempster, 2015). Although this abundance of new providers can lead to information overload, the Internet generally serves to make consumers more confident (Arora & Vermeylen, 2013). Although digitalization has caused a substantial transformation of the internal historic structure of the art market, the business is still partially nontransparent in terms of pricing (Coslor, 2016). Works of art are therefore a product that is difficult to sell online. Furthermore, artworks sold over the Internet are subject to the greatest uncertainty in terms of authenticity, quality and value compared to other goods (Kazumori & McMillan, 2006).

Price structure

In addition to the increasing activity in the art gallery market, it can be observed that sales via these online art galleries or marketplaces are still only in the lower to middle price segment (between €100 and €100,000) (McAndrew, 2014). However, purchases of works of art with a price of more than €50,000 tend to be very rare online (ibid.). This is due to concerns about the provenance and authenticity of the artwork purchased, as these factors cannot be totally verified by the purchaser prior to the purchase. But even this hurdle tends to shift as customers become more and more comfortable buying products at high prices online (ibid.).

Technological tools used by actors in the online art market

The influence of social media on the distribution of art online is expected to increase in the coming years (TEFAF, 2019). Studies classify social media as a tactical tool to increase buyer confidence and brand awareness, facilitate sales, and turn social media users into customers (ibid.).

For the arts in general, communication and advertising are an important way to reach an audience. The public needs to be informed in order to enjoy the product, and in today's world, where people spend more and more time online, the online environment seems to be the right place. For galleries, this could mean using the digital media that their target audience uses, for example through social media such as Facebook¹ and Instagram², to promote their gallery and the art. This also means a change in economies of scale for the practice of galleries, especially with regard to social media and digital mailings and with free or low-cost marketing tools that are widely used, in contrast to often-expensive print and paper ads and mailings (Parkin, 2009). Furthermore, the art market is overcrowded with creative products (Raymonde & Vale 1995). It could be difficult for galleries to compete with competitors in this supply of art. The discovery process, through digital platforms, websites, tools, and social media, can lead to a more consumer-oriented art market (Lee, 2006).

Influence of digitalization on customers in the online art market

Digitalization has changed the approach to distribution in the art market. Online art sales have seen a large number of new clients and new entrants, especially from 2010 onwards (TEFAF, 2017). Hence, the Internet today influences more than half of all consumers buying art. The steadily growing online sales are likely to compete with the traditional system of stationary trading in the future (McAndrew, 2019).

In 2019, estimated aggregate online sales were £ 4.64 billion, with the price of paintings purchased online usually ranging between £ 5,000–10,000. Nevertheless, the majority of online players are converging on the digital sector in the same way as in the offline market (TEFAF, 2017). Thus, online platforms do not represent new sales places in the infrastructure of the traditional market, but merely a new structural integration (ibid.). Indeed, several participants in the art market are sceptical about buying artworks that they have experienced exclusively in the virtual sphere (McAndrew, 2019). At the same time, the entertainment possibilities of the Internet make it possible for buyers to visit the physical gallery space through virtual participation (Quesenberry & Sykes, 2008). This can maintain and strengthen

¹ Facebook is a free social network platform (Rouse, 2014)

² Instagram is a free, online photo-sharing application and social network platform (Rouse, 2017)

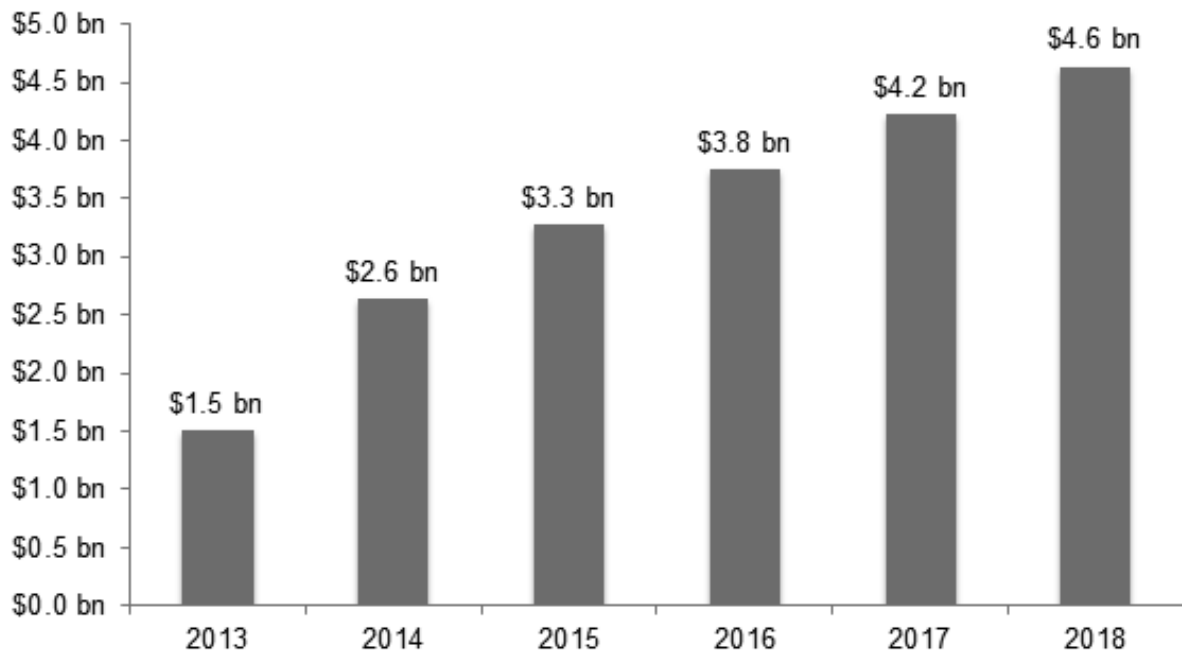
existing relationships and could also facilitate the introduction of new potential clients to a gallery (ibid.).

3.4.1 Size of the online art market

The online art market has grown steadily in recent years, driven primarily by technological innovations and the growing confidence of clients in online transactions, while numerous new online art start-ups appeared on the art market (Horowitz, 2012; Adam, 2014).

This development is also reflected in the total volume of the online art market, however there are various estimates of this amount. Several analytical reports publish varying statistical data. The insurance company Hiscox Ltd. publishes the development of the global art market in an annual online art trade report. The Hiscox report is based on data from the market research company ArtTactic. In the report for the year 2018, 706 art buyers, 128 galleries and dealers and 42 employees of online art platforms were interviewed. The report stated an online art sales volume in 2018 of US\$4.64 billion. Even though a growth slowdown was noted, the report is optimistic about the online art market development. Based on a market growth rate of 15% per annum, the total market volume would increase to US\$9.32 billion as of 2024. Furthermore, the preface of the report states that the online art marketplace has been overcrowded for years. Therefore, it predicts consolidations and losses that follow the movements in the online art market (ibid.). However, the figures published by Hiscox differ from those published in the Art Market Report (McAndrew, 2019). This report is presented by Art Basel and UBS on an annual basis and provides a global art market analysis. In the 2019 report, online sales of art and antiques in 2018 were estimated at US\$6 billion. In addition, according to the study, the online art market volume as of 2018 amounted to US\$6 billion, representing about 9% of the total volume of global art sales (ibid.). This indicates the absence of a clear measure regarding the size of the online art market. However, the studies agree that the market is growing and that it has an important position compared to the offline art market.

Figure 1 Overview of online art sales volume (US\$ billion); Source Hiscox (2019). Note: The global online art market estimate is based on publicly available sales figures, as well as sales estimates collected from a survey of major online art and collectable sales platforms.



3.4.2 Online distribution channels of art

Online sales channels for art are enjoying growing popularity. This is because they make it more convenient for customers to trade art by making it easier for them to find out about art (Winkleman, 2017). In addition, the online art market seems more convenient, as it allows for an immediate purchase of the desired artwork through a click-and-buy function. This is especially appreciated by younger, inexperienced buyer groups, as they are often reluctant to visit physical galleries (ibid.). In contrast, older and established buyer groups are often distrustful of the online art market and lack trust (Hiscox, 2019). The establishment of customer trust is one of the greatest hurdles for online business models in the art market. Other challenges for online businesses involve questions of authenticity and physical verification of artwork. For example, more than half of the customers surveyed are worried about buying a fake when buying art online, and three-quarters complained that they cannot inspect the artwork before buying online (ibid.).

Pure vs. hybrid

The online art market can be divided into two business models, depending on the degree of digitalization. "Hybrid" online and offline art shops are usually traditional

primary and secondary art market participants working in the online and offline sphere (Codignola, 2003). They use the digital space to increase their revenues and create new communication channels. The "pure" online art companies are often companies that are entering the art market for the first time. In 2018, for example, hybrid auction houses (e.i. Sotheby's or Christie's) represented the largest segments of the digital art market in terms of value and increased their online sales by 8% (McAndrew, 2019). In addition, in 2018, this group of galleries realized 6% of their sales through online channels. The galleries generated 4% of their sales through their own online channels and 2% through third-party platforms such as Artsy and Artnet (ibid.).

Online galleries

Online galleries are pure online art business models, which do not have a physical space but instead are virtual showrooms for the exhibition and trade of artworks. This business model is particularly interesting for art dealers not interested in investing capital in physical gallery space and who instead want to reach their customers via digital space. The customers of online galleries form a new segment that is not used to the traditional offline norms of viewing and buying art.

Online marketplaces

Online marketplaces are art platforms that enable buyers to buy art immediately via a "click-to-buy" function, and these marketplaces present an insight into art as well as information about art and the art market (Rasterhoff & Ginhoven, 2019). Two of the best-known art platforms are Artnet and Artsy. Due to their high level of information, they are considered the entry point for potential new art collectors and facilitate direct contact between the various market participants. Platforms also provide opportunities for interactive exchange between artists, art dealers and potential art buyers. Furthermore, they enable the bringing together of players in the art market regardless of geographical boundaries, as the platforms are globally active (ibid.).

3.5 Research overview on the impact of digitalization on the art market

Research on digitalization and its impact on various industries are widely spread within theoretical research and business practice. Nevertheless, the literature on the digitalization of the art market in particular still shows considerable gaps. Existing

research has analyzed the general impact of digitalization on the art market (Quesenberry & Sykes, 2008; Enhuber, 2015) or examined the economic worth and growth of the market (Deloitte, 2014; Hiscox, 2019; TEFAF, 2017). Furthermore, these studies focused on the effects of digitalization on the globalization of the art market. This included an analysis of how local art markets are influenced by global trade induced by digital opportunities (Khaire, 2015). There is also research on how digitalization influences the way art is dealt with (Arora & Vermeylen, 2013).

However, there is a gap in thorough research on the digital age's impact on how art galleries operate, their daily practices, and their business model. None of these studies has addressed the manner in which art galleries are specifically affected by digitalization and how they adapt their strategies accordingly or implement technology in their business model. This identified gap serves as the foundation of this thesis, which examines how the changing market environment affects galleries and how galleries use the emerging possibilities of digitalization in practice.

This study also aims to gain new insights into the effects of digitalization on the primary art market and the functioning of a gallery in this regard. In this way, this thesis will contribute to the existing literature on the primary art market in relation to digitalization, as well as provide an overview of how the business model of galleries is changing in this regard. This thesis will provide information for different actors in the art market. Firstly, it will provide an academic overview of the different practices of galleries in relation to digitalization and make recommendations on how to adapt the business model of a gallery accordingly. Thus, it will contribute to the knowledge of gallery owners by providing insights into digital practices and success factors in the primary art market. Possibly, it will provide inspiration for changes in strategies on how to incorporate digital tools and media into gallery practices. Secondly, this study will provide and demonstrate an understanding of the gallery's working practices and the use of digital tools to artists and buyers who interact with the galleries. This information could be beneficial to buyers in their search for artworks in an online environment, and in learning how to connect with a gallery in a digital space.

4. Characteristics and specifics of digitalization

Digitalization can be defined as the use of digital possibilities (Westerman et al., 2011; Rachinger et al., 2019). The aim of digitalization is to improve the performance and scope of business through changes in the structure and business model of an organization caused by the increasing use of digital technologies. The term digitization refers to the practice of transforming analog data into digital data sets, thus creating the basis for digitalization (Rachinger et al., 2019). Furthermore, the term digital transformation refers to the process in which organizations, economies, and societies are transformed at the system level (Unruh & Kiron, 2017). In the field of art, the term digitalization refers to the virtual restoration of art in a digital space (Enhuber, 2015). The process of digitalization is considered to be the specific incorporation of digital media and technologies into the art world (ibid.).

By introducing digital technology into organizations, digitalization causes changes for companies (Kuusisto, 2017). Due to significant investments in technological progress, there is a wide variety of digital technologies on the market. At the same time, commodification and time-to-market processes are accelerating. Digital technologies enable the creation of platforms, autonomous products, sensor-based data acquisition, analytical cognition, analytical and advanced interaction.

The constant development of new technologies means that digitalization has a strong impact on the economy, companies and society. Through digital technologies, it is possible to develop innovative business models. Examples are platform-based models of well-known companies such as the online auction house eBay, for brokering or offering products, or the video-sharing platform YouTube (Zhu & Iansiti, 2012). In the art market, digital technologies have contributed to the emergence of companies such as Artsy.net and Artnet.net, the two globally leading online platforms for the information and distribution of works of art (Shnayerson, 2019). Furthermore, digitalization is changing entire industry structures by reducing barriers to entry that promote technology-oriented start-ups (Gimpel et al. 2018).

Digitalization improves the availability and transparency of information for customers and therefore empowers their decision-making ability. Thus, in the context of

digitalization, it is crucial for companies to address customers most suitably, as they have the power to decide themselves when and how they want to interact with organizations (Acar & Puntoni, 2016). Similarly, employees' behaviors and thinking patterns are evolving towards a new future of work, which requires new business models and cooperation (Foerster-Metz, et al. 2018).

The emergence of different technologies enables various opportunities and the potential to create radically new products, services, distribution channels, values propositions and business models (Matzler et al., 2016; Casadesus-Masanell & Ricart, 2010). Such innovations can form new partnerships between firms and also effect the relationship between customers and employees (Ritala & Sainio, 2013). The use of digital technologies can deliver benefits to organizations by optimizing the use of resources, increasing workforce productivity and operational effectiveness, reducing costs, enhancing supply chains, improving consumer engagement and customer loyalty (Sashi, 2012; Kagermann, 2015; Kaufmann, 2015; Loebbecke & Picot, 2015). Furthermore, digitalization is transforming strategies for multi-channel retailing and the provision of information on any digital medium (Verhoef et al., 2015).

Digitalization has key features such as the use of data, the adoption of technologies and a rapidly growing pace of change. Another important attribute is the high degree of networking of ecosystems, which also shapes consumer behavior and facilitates the merging of the physical and virtual spheres (Rachinger et al., 2019).

Thus, the implied change due to digitalization creates significant development potentials for companies (Rachinger et al., 2019). However, the opportunities that arise also force corporations to carefully examine their present business models and to recognize new potential possibilities (Kiel et al., 2019). Subsequently, companies need to adjust how they create, position, promote, and sell products and services. This conclusion also correspondingly applies to galleries when assuming a further digitalization as well as digitalization of the overall art market.

5. Methodology of research

In the following chapter, the methodological framework of this research is presented. Firstly, an overview of the chosen research design is given. This includes the research philosophy, the research approach for theory development, the research purpose for defining the research strategy and the time horizon of the paper. Secondly, the procedure for data collection and data processing is outlined. Thereby, it is essential to understand the methodological selection for this thesis, since it is the basis for answering the research problem.

5.1. Research design

The research philosophy of a study is described as the foundation for the entire research design (Saunders et al., 2009). Thereby, the scientist's fundamental belief system leads the research in terms of the selection of methodology and creates a basis for the development of information and the nature of that information (ibid.). The establishment of a research philosophy accordingly significantly influences the approach to the research undertaken and the comprehension of the study by the scientist (Johnson & Clark, 2006). Therefore, four research philosophies are generally distinguished: positivism, realism, interpretivism, and pragmatism (Saunders et al., 2009). The research question of a study applies from the starting point at which philosophy is applied and therefore determines the investigation (ibid.).

Research philosophy

The objective of this study is to understand the specific environment for galleries resulting from the digitalization of the art market and how galleries adapt their business model accordingly in order to be successful. This study pursues the research philosophy of critical realism. The research philosophy of critical realism enables to justify the truth of what is written (Easton, 2010). Furthermore, the paper starts from the understanding that underlying dynamics and corporations generate incidents in corporations like the galleries surveyed constitute objective structures representing reality (Saunders et al., 2009). The statements of the interviewed gallery managers lead to the conclusions of this thesis and the above-mentioned objective structures, as they are included in the social context of the galleries. This is in line with the social context of the critical realists. Therefore, the positions of the respective managers are strongly influenced by the constructions of their own

galleries, which this thesis further classifies in order to practice an axiological standpoint (ibid.).

Other classifications of research philosophy suggest a differentiation into ontology, epistemology and axiology (Saunders et al., 2009). This thesis follows the philosophy of axiology, which examines the influence of values in the literature. In developing the thesis, it was found that both the five directors of the galleries and I as a researcher are biased from a value and belief perspective, cultural experiences and education, which influences research in a way that creates an inevitable subjectivity of the collected data (ibid.). However, axiological philosophy restricts the results of this study to not proving to be the correct answer (Easton, 2010).

Research approach

Regarding the research approach of a study, a distinction is drawn between the deductive and the inductive (Saunders et.al, 2009). The first research approach is characterized by theories and hypotheses in order to test the latter. In the second approach, data are gathered with the aim of building a theory based on the analysis of this data (ibid.). This study does not develop and test hypotheses but is instead a qualitative data-driven study and hence, is conceptualized mainly according to an inductive research approach. The research concentrates on qualitative data obtained from the five galleries that determine the conclusions of this study (Woo et al., 2017). The theoretical framework of Christensen (2015) and Christensen and Raynor (2013) guides the structure and analysis of the collected primary and secondary data of this work.

This research approach is intended to apply and enhance the understanding of the theories of business model innovation of Christensen and Raynor (2013), galleries should be provided with important insights and management implications on how to operate successfully in the digital environment of the art market. Thereby, the chosen research approach enables a broad research design that provides alternative explanations for the findings (Easterby-Smith et al. 2008; Saunders et al. 2009). Furthermore, the study of a small data sample and the analysis of mainly qualitative data, such as the five interviews with managers of different galleries, are better suited for an inductive research approach and allow the development of a more

comprehensive conclusion (Easterby-Smith et al. 2008). In addition, however, this research takes a deductive approach, as existing theories have been used to gain a basic understanding of the research topic (Saunders et al., 2009).

Research strategy

This thesis conducts a research strategy that can be characterized as a case study (Saunders et al., 2009). The case study empirically examines particular challenges and opportunities in the real context of the five interviewed galleries (Yin, 2003). The research strategy of a case study is particularly fitting for exploratory research (Saunders et al., 2009). This is due to the fact that it focuses on answering wide ranging questions that allow for detailed explanations instead of giving simple confirmatory answers. This allows a deep understanding of the context to be gained.

A distinction can be made when assessing the generalizability of case findings in extreme, maximum deviations, critical and paradigmatic cases (Flyvbjerg, 2006). This case study can be classified as a critical case for the following reasons. Studies of critical cases aim to collect information that allows the derivation of logical conclusions of a similar kind. This increases the generalizability of this case study by choosing a case that provides sufficient information for the analysis (ibid.), and at the same time increases the external validity of this case (Saunders et al., 2009). Furthermore, the case has a strategic importance with regard to the general problem of the orientation of the business model and the challenges of galleries in the context of the digitalization of the art market. The surveyed galleries show different degrees of digitalization in their activities. In the course of the digitalization of the art market, they face very similar challenges in terms of the orientation of their business model. This research corresponds to a critical case where the results provide a common understanding of how to achieve a successful business model in the digital environment (Stake, 2000).

Time horizon

The time horizon of this study can be characterized as a cross-sectional study, since the research project took place at a certain point in time and the study investigated a preselected time frame that was subject to a time limit (Saunders et al., 2009). The

interviews with the five gallery managers were all conducted between week 13 and week 15 of 2020.

In accordance with the philosophy of critical realism and the inductive approach, qualitative research of the thesis will continue (Hoddy, 2019). Consistent with the usual practice of qualitative research, attention will concentrate on smaller data sets derived from studies such as surveys, experiments or interviews (Saunders et al., 2009). Therefore, this study will conduct a qualitative analysis of primary and secondary literature, as well as expert interviews with gallery managers.

5.2. Data collection

Primary and secondary data of a qualitative nature were collected, for the purpose of gathering the required information. The primary data is original data collected specifically for the purpose of answering the research problem in this thesis, while secondary data was gathered from existing literature (Hox & Boeije, 2005). A high degree of validity and reliability of the final results is ensured when a combination of primary and secondary data is used (Saunders et al., 2009).

The primary data were collected through expert interviews and can be considered oral sources, while the secondary data were collected through various written sources. The use of primary data was necessary to answer the research question accurately (Saunders et al., 2009). The use of secondary data was necessary to obtain a broader and more reliable picture of the results. Furthermore, the collection of secondary data is a valuable component in the methodological process to gain an understanding of the art industry and the theoretical background. The emphasis in secondary data is on reviewing the existing literature to gain a thorough comprehension of the research area and the fundamental theories. Furthermore, it is important for the review of previous research in relation to the research questions (ibid.).

5.2.1 Primary data

Regarding the primary data, and coherent with the method of the critical realist, qualitative research was performed (Hoddy, 2019). Saunders et al. (2009) consider the use of interviews a good method to collect useful and reliable data that are highly relevant to the chosen research question. Therefore, semi-structured interviews were chosen, in which the questions were non-standardized. This allowed the managers of

art galleries to explain their responses and build on them. In this way, questions were defined in advance, being the same for all gallery managers interviewed. These questionnaires can be found in Appendix (1). The interviews with the interview partners were conducted individually and by video call. Personal interviews were out of the question due to the outbreak of the Covid-19 virus. The interviews took place in the first three weeks of April this year. Although Saunders et al. (2009) suggest that it may be favorable to conduct more than one interview per day, no same-day interviews were scheduled for this thesis, as the interviewer was dependent on the schedules of the participants. The complexity and time required to conduct semi-structured interviews is significantly higher than when using questionnaires. A high expenditure of time arises especially in the execution and planning of interviews, compared to the sending of questionnaires. In addition, based on the embedded approach, which involves different galleries, personal contact had to be established with various gallery owners and managers (ibid.).

In the literature, it is considered that semi-structured interviews are useful in an exploratory study (Saunders et al., 2009). These interviews can help to gain access to relevant knowledge and a greater comprehension of the particular research area. A semi-structured interview contributes to the understanding of meanings in a specific area and, by using unrestricted questions, fosters possible discussions (ibid.). The approach of conducting the interview via video-enabled the interviewer to contact the interviewed gallery managers visually and at the same time provided her the opportunity to receive feedback from them.

The characteristics of reliability, generalizability, and validity of the selected primary data set are pointed out. The reliability of the data considers whether varying scientists would have attained analogous results. In this context, reliability difficulties can arise, especially in semi-structured interviews. This is due to the fact that this approach is not standardized and the results usually reverse the reality at the time of their collection. With regard to generalizability, it must be examined whether the results can be expressed generally for all art galleries in the primary market. Since a primary data set was chosen for research based on a rather small number of five interview participants, it can be concluded that no statistical generalizations can be made. The validity of the work concerns the understanding of the answers obtained

in the interviews. It is questionable whether the interviewer can gain an understanding of the knowledge and experience of the interviewed gallery managers. However, due to the chosen video call approach and the interviewer's ability to clarify specific answers, a high validity can be estimated for the chosen primary data set (Saunders et al., 2009).

After the theoretical background of the interview preparations has been explained thoroughly, the following section focuses on the more real aspects of the interviews. The interview participants and the preparation process are introduced. After processing various secondary data and the theoretical background of this work was concluded, galleries were identified to be interviewed.

The decision was made to interview galleries in the German-speaking region since the author was located in Germany when writing the thesis. It was planned that as many interviews as possible should be done face-to-face. However, this was then not possible in the implementation due to the restrictions resulting from the outbreak of the Covid-19 virus. This unforeseen complication and its consequences on the outcome of the thesis will be further discussed in the limitation section. Furthermore, the chosen galleries should be familiar with digital tools to different degrees, or use tools in their current business model. This should avoid talking only to gallery managers with a strong affinity for digital, who may see the digital change in the art industry as more intense than other gallery owners. In sum, five interviews were conducted, one with an Austrian gallery owner, the other four with German gallery owners. The owner of a gallery in Salzburg was interviewed, being familiar with digital tools and using these for the marketing of its gallery. The second gallery owner interviewed has developed an online gallery business model. A third manager does not use internal digital distribution channel but is partnering with an online service provider. The fourth gallery is currently implementing a cheaper line of artworks to sell exclusively online. The last interview partner was the manager of a gallery using, along with the gallery's website, social media accounts to present the gallery online.

The interview partners were conducted via email. Some responded immediately and interviews were scheduled, while others had to be reminded again before any scheduling could happen. Each interview was scheduled as a video-call interview

and the time frame consisted of 20 minutes to one hour per interview, depending on how much the interviewed had to say about the topic. The interview participants did not agree to be named published in this thesis but agreed to be audio-recorded. The five galleries which interviews were conducted with are numbered and presented below and structured by the order in which they were interviewed.

In relation to the interview guide, Christensen's theoretical framework (2015) guides the structure, focusing on the art market and business models of art galleries as a feature in the research question. As explained, this study is based on an inductive approach, but elements of a deductive approach have also been incorporated by developing the interview guide with Christensen's theory (2015) and then collecting and applying the data (Saunders et al., 2009). See Appendix (1) for the general interview guide. The topics were the disruption innovation by digitalization and business innovation that are fundamental for the answering of the research questions and thereby provided the fundamental primary data evaluated in this study. Following the approach of the semi-structured interview, two different types of questions were used as proposed in the literature (Saunders et al., 2009). In accordance, open questions were used, such as "Do you observe a change in the art market due to increasing digitalization? If so, what are these changes?" to allow each gallery manager to thoroughly describe a situation and therefore built up an extensive answer (ibid.). Moreover, probing questions requesting a particular focus, such as "What is the impact of digitalization on the use and procurement of art gallery resources?", were asked to specifically explore responses significant to the aforementioned different topics. Moreover, I was able to modify and realign my questions as new interesting insights emerged, in which managers could expand their knowledge on a topic (Baškarada, 2014; Hoddy, 2019). Furthermore, the order of questions could sometimes be adapted according to the direction of conversation (Saunders et al., 2009). A brief debriefing session, in which gallery managers had the opportunity to add statements or supplementary information, concluded the conversation.

All interviewed gallery managers are based in a German-speaking region, where the official gallery language is German. The thesis writer also is a native speaker of German. Consequently, the interviews were conducted in German with all gallery

managers being able to speak in their mother tongue and use business-specific terms comfortably. This could prevent a possibility of error since neither the interviewer nor interviewees are native speakers of English (Harzing & Feely, 2007). Table 1 provides an overview of the interviews conducted as well as characteristics and tools of the five galleries.

Table 1: Interview Partner Galleries

Gallery No.	1	2	3	4	5
<i>Interview Information</i>					
Interviewee position	Owner	Owner	Owner	Director	Director
Week of interview	13	13	14	15	15
Type of interview	Video conference	Video conference	Video conference	Video conference	Video conference
Length of Interview	35 minutes	56 minutes	23 minutes	46 minutes	21 minutes
<i>Gallery Information:</i>					
Location	Salzburg	Wiesbaden	Frankfurt	Munich	Berlin
Physical rooms	x	-	x	x	x
Sales channels	Offline only	Own online sales platform	Offline and online (via cooperation)	Offline (own online sales platform in development)	Offline only
<i>Pricing Information:</i>					
Price of Artworks for Sale (in €)	400–16,000	1,800–90,000	2,000–100,000	5,000–100,000	5,000–100,000
Price of Artworks for Rent (in €)	n.a.	35–800 per month	n.a.	n.a.	n.a.
Prices*	-	x	-	-	-
<i>Internet Presence:</i>					
Website	x	x	x	x	x
<i>Social Media:</i>					
Facebook	x	x	x	x	x
Instagram	x	x	x	x	x
Youtube	x	x	-	-	-
<i>Digital Platforms:</i>					
Artsy or Artnet	-	-	-	x	-

* Note: "Prices" refer to the fact whether galleries display price information about the offered artworks on their websites

Gallery number 1

Gallery number 1 is located in Salzburg, Austria and was founded in the beginning of 2019. The gallery is a one-woman business and was chosen for an interview because the owner represents a young generation of gallery owners. The gallery has

a physical exhibition space in the center of Salzburg. The gallery is represented online via channels on the social media platforms YouTube, Facebook, and Instagram. The gallery website presents all works of art that are shown in the gallery. These are displayed through photos and through a virtual exhibition space, enabling a closer look at the effect of the artworks. The price structure of the gallery ranges from €400 to €16,000. Additionally, there are sometimes editions that are offered at even lower prices. This pricing is on average lower than that of the other galleries in the study. There are six artists directly represented at the gallery. More than ten other artists have already been in the exhibition program of the gallery. The owner of the gallery has an academic background as an art historian and has already worked at various galleries in Austria. Based on the gallery owner's expertise in the art industry, she was able to provide interesting arguments for the discussion about the current and future business model of a gallery.

Gallery number 2

Gallery number 2 is located in Wiesbaden, Germany, and was founded in 2017. It can be described as an online gallery, since it has no physical exhibition space. The gallery is thus a pioneer of an online gallery business model. The traditional tasks of a gallery, such as supporting and promoting artists, curating collections and selling works of art are carried out online. The gallery displays on its website all the artworks it represents. However, the company perceives itself not only as a gallery, but also as a platform for other galleries and offers extended services. Specifically, the gallery offers works of art for rent and for sale via its online shop. Other galleries, which have only physical sales outlets can work with the gallery. The gallery provides these with a digital presence in their shop. In return, the galleries share the proceeds of the rented or sold artwork. The duration of the loan of the artworks varies and can be three, six, 12 or 18 months. The costs range from €30 to €800 per month, depending on the artwork. During the rental period, customers can either extend the rental period or exchange the artwork for another if they are dissatisfied. They can also decide to buy the artwork. If they decide to buy the artwork, 100% of the rental price paid so far will be credited. The purchase price remains unchanged, even if the value of the work has increased in the meantime. The two owners have a background in the hotel industry and in business administration. The long-term goal is to create a meta-platform that helps to increase transparency in the art market. The other four

employees of the gallery have a background in law, marketing, and business administration. The gallery represents around 40 artists, who are presented in detail on the website. The interview with one of the gallery founders provided insights into a digital business model of a gallery.

Gallery number 3

Gallery number 3 is located in Frankfurt, Germany. The gallery was founded in 2013 and employs a staff of three. The employees have an academic background in business administration and art history. The gallery has an online presence through a website that provides information about artists and exhibitions. No individual works of art are presented on the website. The gallery has no channels on social networks or other digital appearances. The gallery uses a strategic, external partner to offer artworks online via its platform. Customers can buy the artworks directly on this platform or rent them for a certain period of time. In return, the gallery pays the online shop a percentage of the rental or purchase fee. The interview with a managing director of the gallery provided insights into a traditional, established business model of a gallery which is entering into digital marketing in moderation.

Gallery number 4

Gallery number 4 is based in Munich, Germany. The gallery was founded in 2020 and emerged from a previous gallery, which was established for almost thirty years. The founder of the new gallery was a former employee of the established gallery. The new gallery also stayed in the old gallery's space and retained most of the artists and staff of the former gallery. The gallery is therefore already well established in the art market given that it was only founded in 2020. The service portfolio of the gallery ranges from individual consulting to the implementation of major projects and commissions. In doing so, the gallery works in a network with partner galleries worldwide, in order to ensure the highest international relevance on the market and to promote artistic exchange. The gallery operates a website featuring detailed presentations of artworks and their artists. This also includes a viewing room displaying videos of the installations in the physical spaces of the gallery and providing a comprehensive insight into each artistic position with videos and detailed content. Moreover, due to the coronavirus outbreak, the gallery did not have the opportunity to open its physical spaces and therefore opened the gallery with a digital

exhibition. Furthermore, the gallery maintains accounts on the social media channels Instagram and Facebook. The interview with a director of the gallery provided insights into an established gallery seeking to adapt its business model to current changes in the market environment.

Gallery number 5

Gallery number 5 is based in Berlin, Germany. The gallery was founded in 2010 and employs a staff of three. The gallery represents about 30 artists with a focus on twentieth-century art. The gallery website provides no detailed information about artists and individual artworks and manages no accounts on social networks. However, the gallery is a member of a collective of local galleries, which provides information about the galleries via a mutual Instagram channel. This interview has given important insights into the approach of a traditional gallery.

All five interview partners were perceived by the interviewer to be very open during the interview. Furthermore, informative insights were shared that are highly valuable for the efficacious research outcome of this study.

5.2.2 Secondary data

According to Saunders et al. (2009), the use of secondary data can be a valuable addition to exploratory and explanatory research. These usually include both qualitative and quantitative data. The use of secondary data in addition to primary data can be advantageous for a study, as generally fewer resources are needed for a better understanding of the topic and the quick access compared to the collection of primary data by conducting interviews. The literature researched for this study included primary and secondary data such as scientific reports as well as market and literature reports in the form of books, scientific and academic journals, among others. In addition, the secondary literature for this study is probably of higher quality, as scientific publications have been selected from important specialists in the respective areas. Furthermore, the collection of secondary data enabled a comparison of these results with the collected primary data and helped to draw a more accurate picture.

5.3 Data processing

In the context of this work, different data processing methods were applied to use the collected qualitative data for theory development (Saunders et al., 2009). The interviews were recorded with a voice recording software of the interviewer's iPhone and after the interviews were conducted, the most important statements were noted while listening to them. This allowed the interviewer to listen to and focus solely on the conducted interviews with the gallery managers. These were then reviewed again and a summary of the main points that emerged from the notes was produced. Furthermore, it enabled the option of recording any additional questions examined, and allowed the researcher to re-listen to the interview to enhance and elaborate on further notes and incorporate direct quotes (ibid.). Saunders et al. (2009) believe that transcribing one hour of an interview can take up to ten hours. Hence, interviews were not transcribed word by word, but by general statements. All of these transcripts can be found in Appendix (2) and (3). This method is inductive in nature, but was combined with a deductive approach to categorize the data collected. For this purpose, in a conceptual framework with different categories to be used for the analysis of the data, the first taxonomy was the theory of disruptive innovation by Christensen (2015) and the second was the categories proposed by Christensen and Raynor (2013) in the context of business innovation. Therefore, the initial framework includes the categories of disruptive innovation and, in relation to business innovation, the resources of the organization, the processes, the value proposition to customers and the profit formula of the organization (Saunders et al., 2009). The key points identified in the derived summary were then added to the created categories and organized within them. Appendix (3) features the conceptual framework that represents the key messages within the created categories.

Furthermore, secondary qualitative data (e.g. the art market reports collected during the research process) were summarized. These, in combination with the qualitative interviews with the managers of the different galleries could be triangulated to increase the reliability of this research (Saunders et al., 2009). The triangulation method helps to minimize potential biases, such as cognitive biases within the interviews mentioned above (ibid.)

6. Analysis and results (Interviews)

The following analysis aims to determine the art market's current state with regard to innovative disruption through digitalization, in alignment with theory as discussed in chapter 2. First, it will be examined whether the art market is indeed disrupted. Thereafter, innovation in the business models of art galleries will be discussed. The analysis serves as a foundation for the development of an "Ideal Business Model of Galleries in the Art Market in the Context of Digitalization", conducted in the following section.

The following content, unless otherwise indicated, is taken from the five interviews conducted with the galleries as described in chapter 5. Appendix (3) contains the transcribed interviews used as sources.

6.1 Disruption in the art market

Chapter 3 provides a detailed description of the primary art market, the industry examined in this case study. In order to allow for an analysis of the phenomena of business innovation in galleries in the art market guided by Christensen and Raynor (2013), it is relevant to review whether the art market fulfills the requirements of being disrupted as described by Christensen (2015). As elaborated earlier, the term 'disruptive innovation' refers to the idea that new technologies can cause new markets to emerge or radically change and disrupt the status quo in existing markets (ibid.).

Results of the interviews regarding whether the art market is disrupted

In order to analyze whether the art market is disrupted, it will be discussed if emerging digital companies will successfully challenge established incumbent businesses. Interviews with different galleries were conducted, the results of which are discussed in the following. Regarding changes in the art market regarding digitalization, answers differed substantially. According to one gallery there is little change in the art market. The interview partner of gallery 5 stated:

"We have seen little change in the primary art market in recent years".

In contrast, the manager of gallery 1 perceives an increased shift towards digital potential, especially due to the current situation of the coronavirus pandemic.

“Before the <pandemic> outbreak there was hardly any change toward being observed on the primary art market. Many galleries have tried to go digital, but this has mostly been limited to the positioning of the brand.” (Gallery 1)

The interview partners of the other three galleries, galleries 2, 3, and 4, all perceived a strong development in the art market due to digitalization in recent years. In particular, the manager of gallery 4 highlighted the emerging globalization and transparency driven by digitalization:

“Change in the art market due to digitalization is very prominent. You can see that digitalization is driving the globalization of the art market. Everything goes faster, the customers are travelling more globally and inform themselves about galleries worldwide, since information is easily accessible and collectable.” (Gallery 4).

In order to define if the primary art market is disrupted by these emerging changes, the gallery managers were asked whether they perceived the emerging digital business models as competitors. The unanimous response was that established platforms such as Artsy and Arnet are seen as complementary to existing players in the primary art market, not as competitors. However, the interview partners judged the purpose of these platforms differently. The manager of gallery 2 stated:

“I don't think they are suitable as partners for smaller galleries with a local presence. The cost structures are relatively expensive. Furthermore, the website is designed in a confusing structure, which makes it difficult to find individual galleries. At the same time, the platforms don't really manage to help the galleries to acquire new customers. They are more useful for pure B2B businesses.” (Gallery 2)

Galleries 1, 2, 3, and 5 all agreed that the costs outweigh the benefits of a membership on the platforms. Gallery 4 is the only gallery present on Artnet and is also considering a membership on the Artsy platform.

“We see the two players as an opportunity for increased visibility. It's hard to identify which customers got information on the platforms and then contacted us through other channels. Direct purchase requests via the platforms of customers are less frequent. This actually only happens if the customers are familiar with the artists and are experienced collectors. However, it is a powerful tool to present information about the gallery on an external digital medium. Primarily, the platforms are very useful to get the attention of art consultants, especially from the USA.” (Gallery 4).

For this gallery, being presented on the platforms is useful, since the gallery is also aiming for an international customer base as well as cooperation with art consultants. The cooperation with art consultants can be described as B2B business, as described by gallery 2.

Although the interviewed gallery managers do not regard the online platforms Artsy and Artnet as competitors, they perceive the change in the art market as a challenge. Four of the five interview partners stated that they perceived a need to adapt their business models in order to be successful on the primary art market in the future. However, the manager of gallery 5 perceived no changes in the primary art market and correspondingly saw no need to adapt their strategies to the changes.

Furthermore, when asked about current competitors on the market, the manager of gallery 4, a relatively high-priced gallery compared to the others in this study, stated that their main competitors are still the large established galleries with branches around the world. This is due their ability to hold an international network with spaces in different countries. These galleries are developing increasingly digital strategies, forcing the smaller galleries to follow suit. Two of the world's biggest galleries, David Zwirner and Gagosian, were the first galleries to have launched online viewing rooms in the last years (Sutton, 2019). Gallery 4 followed suit and has set up an online viewing room on its website as well. Furthermore, due to the restrictions imposed by

the Covid-19 pandemic, they have made the opening of an exhibition purely digital. The gallery also plans to introduce an online shop where they plan on selling a new line at a lower price point, which is especially targeted to sell in the digital space. In this lower priced budget line, they are considering their competitors to be young, emerging online businesses. This perception is in line with the statements of the manager of gallery 2, an online gallery. The gallery also features emerging digital companies in the art market as main competitors.

The managers of galleries 1, 2, 3, and 4 agree that an adaptation of their strategies in the digital field is crucial in order to remain successful in the future. Only the manager of gallery 5, an established traditional gallery, disagrees with this opinion and sees no need to adapt the business model. Instead, gallery 5 is focused on improving its current service. This statement coincides with the prediction by Christensen and Raynor (2013) that well-established companies focus on improving their services and products for their most demanding customers and thereby ignore the needs of others. This is defined as the second and fourth of the key element in the theory of disruption described in Chapter 2 (Christensen & Raynor, 2013).

In contrast, the other 4 galleries predict disruptiveness for the art market and try to avoid inimical consequences by adapting their strategy and business model. This corresponds to the first and third key elements of the theory of disruption according to Christensen (2015). These state that established companies are improving their business models in the market along a sustained innovation curve, with the ability to respond to disruptive threats. In the following the business innovation of the interviewed gallery employees are discussed in detail.

Emergence of disruptive innovation

Christensen et al. (2015) stated that disruptive innovation starts either with disturbances at the low-end of the market or with disruption in new markets. It is therefore necessary to distinguish in which segment the emerging online companies in the art market operate and who the buyers are.

As mentioned above, trust is an important element for customers in the art market when making a purchase. Compared to the online art market, however, as described

in the Hiscox Report 2019, there is still a lack of trust, which is caused by a lack of transparency or that the art could not be viewed physically beforehand. Furthermore, the growing fear of buyers of forgeries is a problem in the online market. Strong brand positioning can alleviate these fears (McAndrew, 2019). In line with this, the four established auction houses (Christie's, Sotheby's, Phillips and Bonhams) are the online art platforms that buyers trust most (Hiscox, 2019). It can be concluded that when it comes to high-stakes investments, art buyers prefer to deal with established players, with high brand awareness in the art market (ibid.). These traditional established companies in the art market provide buyers with a high level of security throughout the buying process, due diligence, authenticity and payment methods (Turriani, 2019). The topic of trust is a great challenge for new online businesses in the art market. The statements of the gallery managers in the interviews also support this result (Gallery 1, 3, 4). The manager of gallery 4 explicitly stated that art above €5,000 is difficult to sell online. Low budget art under this price line is well received by online shoppers (ibid.). This observation is also supported by the TEFAF Art Market report of 2014, which states that sales via these online art galleries or marketplaces remain restricted within the lower to middle price segment, between €100–€100,000 (TEFAF, 2014).

Furthermore, the movement towards online art buying is mainly driven by the Millennial generation. This is also reflected in the findings of the Hiscox Report (2019). Correspondingly, there was a growth in the volume of art purchases of the surveyed Millennials³ in 2018. Moreover, this age group of collectors increasingly prefers to buy art online. These findings further suggest that online art platforms serve as an entry point for new collectors. Around a quarter of the surveyed millennial group also stated that they were purchasing an artwork in the digital space for the first time, rather than buying it at a physical location such as a gallery (ibid.).

It can be summarized that new art collectors in particular, with a young average age, participate in the online art market. Furthermore, the art bought in the digital space is predominantly in the low to medium price segment. The main actors in the primary online market in this price segment are new companies in the market. This leads to

³ Millennials: Generation born between between 1981 and 1996 (Dimock, 2019).

the conclusion that the disruption of digitalization is beginning at the low end of the online art market (Christensen et al., 2015).

6.2. Business innovation

After thorough elaboration of the innovative disruption in the primary art market due to digitalization in Chapter 6.1, the following section analyzes how galleries are adapting their business model to this development. The results of the interviews with the five galleries serve this purpose. As elaborated in Chapter 2.2, Christensen and Raynor (2013) express a business model as consisting of four interlocking elements. Hence, the four corresponding elements will be analyzed, in order to examine how the interviewed gallery managers are adapting their business model to the digitalization of the art market. The fifth gallery, not perceiving any changes in the digitalized market environment, accordingly expressed no need to change or interest in changing its business model.

6.2.1 Value proposition for customers

The first element of a business model is the value proposition for customers (Christensen & Raynor, 2013). To shed light on the question of what value proposition the galleries provide for their customers, gallery managers were asked about customer groups and the customer approach. As outlined in Chapter 3, galleries in the traditional business model provide a personal point of contact for clients through their physical showrooms. In traditional galleries, customers can easily enter a face-to-face discussion with the gallery owner or employee. Obviously, these personal interactions are not possible to perform in the digital space. Especially in online shops where artworks can be bought directly via a click-and-buy function, there is no interaction. Therefore, it is debatable whether the medium of art is suitable for sale via an online shop. The interview partners were asked how much they consider personal interaction with the customer to be important. In this context they were also asked if they expect this to change in the age of digitalization. Moreover, the question was raised as to whether it seems realistic to gallery owners that art will be sold primarily online in the future.

The interviews clearly showed that the managers see the core value proposition of their gallery in the presentation and curation of art. All of them also emphasized the social importance of physical galleries, where people can gather and have

conversation. Gallery 2, which is a gallery operating exclusively online, has highlighted this as precisely its biggest problem: the lack of brick-and-mortar space makes it difficult for them to establish personal contact with their customers. To overcome this problem, the gallery tries to facilitate personal contact to customers through events such as art fairs. The other four galleries argued that they do not see a future in purely digital spaces, where personal contact with and between clients are not enabled.

However, the digital space also enables an extended value proposition for customers, as four of the interview partners stated. Digitalization allows both an expansion of the customer group and extended communication with customers through digital tools.

For the purpose of a growing customer group, it is necessary to precisely define the customer groups to be addressed. For example, gallery 4 has a customer base that is between 25 and 75 years old. However, there are very few young buyers. The older collectors visit the gallery more often and also buy significantly more works of art. In order to offer younger customers a more suitable art segment, the gallery is therefore planning an online shop with artworks at a lower price range (under €5,000). By shifting the sale into the digital space, the gallery opens up new ways of approaching its customers and can expand its target customer group. In this way, gallery 4 explicitly responds to the different purchasing behaviors of the different customer groups in order to offer an increased value proposition. Furthermore, the gallery focuses on serving younger potential collectors. Although this step is initially expensive, the gallery plans to acquire new, profitable customers in the long term.

Regarding the value proposition through the most targeted approach in addressing customers, none of the five galleries questioned the use of digital facilities. They each have a gallery website and at least one social media account and generally believe that customers browse their website or social media before getting in touch with them or visiting the physical gallery.

However, gallery 5 is not very active in their social media channels. It also publishes only a small amount of information, such as the names of staff and artists, dates of

exhibitions and contact information, on its website. The gallery argues that social media is above all a medium of information and the important interaction with the customer takes place at a personal level. Thus, it is expanding its value proposition for clients primarily through various additional events throughout Germany.

In contrast, the website of gallery 2 serves also as the entire gallery. Since the gallery is not a brick-and-mortar business, it only has digital means to provide almost the entire value proposition to clients. Therefore, the website of gallery 2 is very extensive. It offers information about each painting, detailed biographies about artists, and information about the gallery itself. At the same time, it shows prices and price ranges over time of the artworks and artists. The gallery manager of gallery 2 is sure that this transparency is desired and appreciated by clients. In this way, they are also expanding their client base to include less sophisticated collectors who see art not only as a luxury or cultural asset, but also as an investment. Furthermore, it is the gallery's goal to offer as much service as possible to the customer. Thus, the gallery website offers tools for the customer such as "augmented reality", which is the computer-supported extension of the perception of reality. Furthermore, the gallery is very active on their social media accounts and posts new content at least once a day. Gallery 2 employees regularly analyze which customers follow and are active on the gallery's social media accounts. They feel that social media is an important medium to attract new customers and communicate with customers. The gallery makes paid media advertising in social networks to address targeted customer groups digitally.

Gallery 3 also offers the option for its clients to visit its physical rooms. The presence of the gallery on the Internet is not very extensive. Individual works of art are not displayed on the website. However, the gallery partners with an online gallery. Thus, it indirectly offers its customers the possibility to enjoy all digital advantages via the partner's website.

Gallery 1's value proposition is divided into two parts. The gallery has a physical branch with exhibition spaces, but at the same time, it also has a highly developed digital presence. The digital presence takes place via the social media channels YouTube, Facebook, and Instagram, as well as via the gallery website. This website presents all the artworks that are shown in the gallery, both through photos and

through a virtual exhibition space that allows a closer look at the impact of the artwork. The manager also stressed the importance of having a website as a way of showcasing the artists the gallery represents and stated that the gallery's website functions as an archive for his gallery.

The manager closely evaluates the use of the social media accounts. It has been noticed that artists in particular make their first contact with the gallery via the social networks. Customers who follow the gallery accounts have usually been to the gallery at least once before. The personal contact between buyer and gallery owner is perceived by the manager as the most important value proposition for customers. Even when requests for artwork come in via online media such as social media accounts, buyers have usually been to the gallery in person. The gallery owner explains this as stemming from the character of artworks. Furthermore, customers who are not yet familiar with the art market need support and advice when buying art. Therefore, they need close personal contact with the gallery employees through the digital sphere. Since the gallery also considers younger people who own few or no artworks as a target group, it is very important that younger people are supported in their purchases.

Gallery 4 serves the value proposition of customers, like gallery 1, through a physical position in addition to a strong digital presence. The gallery uses accounts at different social media platforms to target different customers.

“With the medium Facebook we noticed that especially older people follow and interact with us. Compared to that, our Instagram channel is mainly followed by younger people (25-35 years). For us, the goal with the Instagram account, is to build a younger customer group to introduce young potential customers to the art medium.” (Gallery 4).

In addition, gallery 4 would like to offer customers an additional service by having partner galleries internationally. In this way, customers can be served worldwide, without the gallery itself having branches in different locations.

One of the five galleries displays price information on its website. The online-based gallery 2 considered it absolutely necessary to display and communicate prices. This would be the only way to ensure transparency and trust in the digital space. Here the owner focuses on the reputation of the artist, in a commercial sense of what price the works of the artists were sold for, but also in an artistic sense in having their own artistic language.

Gallery 3, although not displaying any price information on the gallery's website, does use the digital platform of its partner, where price information about works is displayed. Arguments for not showing price information were largely related to face-to-face contact and informal relations. Gallery 4 plans to publish the prices for the "cheaper" line on their website.

The value proposition for the customers offered by the galleries interviewed is twofold. All the galleries consider it essential to have personal contact with the clients, which is made possible by a physical presence. Hence, four of the galleries have physical showrooms to provide this service to their clients on a permanent basis. Secondly, all gallery managers recognize the importance of a presence in the digital space. Accordingly, three of the galleries have a highly developed presence, offering a variety of online services to their clients. Furthermore, three of the galleries use new technological opportunities to reach existing and new clients via newsletter, social media, or paid content marketing. The galleries have thus adapted the value proposition for their clients to the digitalization of the art market.

6.2.2 Resources of organizations

The second element of the business model according to the theory of Christensen and Raynor (2013) is the organizations' resources, such as people, cash, and technology. In the interviews, the gallery managers were asked how the digitalization of the art market is changing the usage and composition of their resources.

Gallery 1, being a one-man company, has very limited resources. The gallery owner does the majority of work, including the management of the digital appearance, by himself. Since the gallery is very active on social media and offers strong content on its website, this task is very time-consuming and less time can be spent on the

physical branch. The production of videos for the YouTube channel is outsourced to an external agency. This requires additional monetary resources for the gallery.

As an online gallery, technological resources are indispensable for gallery 2. None of the five employees has any training in the technological field. According to the manager, core knowledge of art and business management is more important for the gallery. If technological know-how is required, it is sufficient to use external resources. However, this gallery's manager stated that for a high-quality digital appearance, it is essential to use good software that enables the management of the website and the online shop within the company. The licenses for such software are relatively expensive and consume monetary resources accordingly. On the other hand, there are no costs for the gallery to rent physical exhibition space.

Gallery 4 also relies on external providers for technological knowledge and spends monetary resources on this. The gallery has changed its software provider to have a more professional and extended Internet presence and to build an online shop. The new database software provider allows much easier handling (e.i. the updating of the galleries website) and lets all tasks run on one server. This allows activities to be carried out more quickly and enables employees to use their time differently.

“We think it is important to look at other industries, and to look at start-ups and innovative companies to simplify processes. The new database allows our employees to implement and manage many things themselves, as it is easy to use.” (Gallery 4).

However, gallery 4 faces additional expenses due to the cost of a physical gallery space. The management of the channels on the social networks is carried out internally. An employee that is skilled in Photoshop and design programs was hired for this purpose alone.

“The gallery's team is relatively young (on average around 30 years old), so all employees are quite familiar with digital tools and media. The academic background of almost the whole gallery's staff is an art historical one.” (Gallery 4).

The galleries 3 and 5 both have a very limited own internet presence which is managed internally. Both galleries do not want to invest much employee time in digital presence. Instead, gallery 3 relies on a partner who positions the artworks and artists in the digital space. For this purpose, the gallery is willing to provide monetary resources to the partner. Gallery 5 limits itself to a minimal digital presence and prefers to place its resources in physical space.

6.2.3 Processes of organizations

The third element of a business model refers to the internal processes of an organization to convert inputs into finished products or services (Christensen & Raynor, 2013). The galleries were asked what changes they expect in their processes as a result of the increasing digitalization of the art market. In particular, they were asked about changes with regard to their sales and marketing channels and the handling and coordination of business transactions.

The galleries that are adapting their business model to the digitalization of the market have also adapted their processes to this. Galleries 1, 2, and 4 use a sophisticated database provider designed specifically for managing an art business. A part of customer service, for example sending regular newsletters, is also done via the database.

Gallery 4 has changed its entire IT processes with the introduction of the new software. This represents a formal process that is explicitly defined and documented. However, this has automatically resulted in informal process changes. Since the new software is run exclusively via the server, it is possible for the gallery's employees to work from their home office. This has changed interaction and communication patterns among the employees. Work is carried out more efficiently, leaving more resources for other tasks. Furthermore, the gallery plans to set up an online shop, which will be automatically distributed by the software.

“The current database is completely server-based, and the gallery staff is independent from the physical gallery rooms. This is especially important for working from home, as currently needed during the pandemic.”

(Gallery 4)

Gallery 2 was founded as a digital gallery and has organized its processes accordingly from the beginning.

For the manager of gallery 1, the processes concerning marketing strategy in particular have changed. Content is published at least once a day via digital communication channels. For this purpose, a new concept of "Art Windows" was created. Every day, the physical exhibition window of the gallery is decorated with a new work of art. This is then digitally marketed via social media accounts.

"The data of social media are evaluated in detail. Thus, it can be observed how successful the individual contributions are. It is also important for me to see which users are interested in my website." (Gallery 1)

6.2.4 Profit formula of organizations

The fourth and final element of a business model is the profit formula, which directs the margins, asset velocity, and scope necessary to attain successful returns (Christensen and Raynor, 2013). Therefore, the galleries were asked which business activities, which are primarily made possible by their online presence, they conduct outside of their traditional business model. Furthermore, they were asked which growth concept the galleries pursue in the context of the discussed influence of digitalization on the art market.

The galleries 1, 2, 3, and 4 are aiming for growth mainly through the expansion of their network. This is partly made possible by digital technologies.

Galleries 1 and 5 have no concrete plans in changing their profit formula regarding the digitalization of the art market. Gallery 1 plans to continue to build its online presence to increase brand awareness for new artists and customers. A concrete strategy for digital growth is not planned for the time being. However, the gallery manager is open to partnerships with digital companies. For example, he might consider a partnership with an online gallery that sells and rents out the artwork online. In contrast, Gallery 5 is not interested in such possibilities.

“We don’t think that renting out artworks is a profitable business.”
(Gallery 5)

Furthermore, gallery 1 offers artworks not only for sale but also rents out art to businesses as hotels. The gallery thinks about expanding this business and possibly partnering with an online gallery to rent art out to private individuals. This would expand the gallery’s revenue concept with a second line of business.

Gallery 2 is planning to attract more artists to the gallery. It also aims to increase its client base and establish more partnerships with brick-and-mortar galleries. The gallery aims to achieve this primarily through presence and targeted advertising on social networks.

“As a growth concept we are constantly trying to attract new artists to our gallery. This automatically leads to a larger group of customers, as we can offer a larger selection of works. ... In the long term this number (of partner galleries) is to be expanded. ... We are sure that the future will not bring monopolistic structures. Galleries must join forces to be successful.”
(Gallery 2)

Gallery 3 plans to grow through psychological goals, such as enhancing its brand awareness and presence through a network of local galleries. In addition, the gallery plans to increase revenue by selling more artwork through its partnership with the online gallery.

“In order to generate new revenues, we rely entirely on external service providers who offer our artworks digitally.” (Gallery 3)

Gallery 4 plans to expand its profit formula mainly by introducing a new product segment to complement its mainline. This will appeal to a new customer group and expand the customer base. The new product segment is specifically designed for online sales and is expected to generate sales growth. Since the artworks are sold online, the gallery expects to incur lower distribution costs. This can lead to a greater scale of return compared to selling the expensive artworks.

“We hope to grow with the introduction of our less expensive line. This is particularly important in order to build a larger customer base for the future.”
(Gallery 4)

6.3. Discussion of the results obtained by the interviews

Now that the outcomes of the interviews conducted with the five galleries have been analyzed, the results will be discussed. As chapter 6.1 examined, it is relevant to review whether the art market fulfills the requirements of being disrupted as described by Christensen (2015).

Four of the five interviewed gallery managers perceived the art market as disrupted. None of the managers considered the large digital art platforms like Artnet and Artsy as competitors. Instead, they were perceived as complementary to the existing players in the art market. In the digital world, the gallery managers experienced new emerging small companies as the most threatening competitors. These companies target a younger customer group and work at a lower price point. This approach is in line with the findings of the Hiscox report (2019) that primarily collectors from the Millennial generation buy art online. Accordingly, a new customer group is addressed by the online offer. This group is constantly evolving and is less addressed by the existing established companies in the art market. These online buyers, as opposed to clients at the top end of the art market, do not require the full services of the companies. Summarizing, it can be stated that art bought at online companies is usually at the lower end of the price range. Regarding Christensen et al. (2015), it can be stated that the disruptive innovation of the art market starts from low-end disruption.

Business model innovation

In the following, innovation in the business models of art galleries will be discussed. The four galleries, which perceive a disruptive development on the art market, address this change by adapting their business model. The one gallery that does not perceive any noticeable change in the art market as a result of digitalization is retaining its traditional business model.

The interview findings indicate that the four different elements of a business model (Christensen & Raynor, 2013) are affected by galleries' shift to digitalization.

Thereby, a significant change is seen in the value proposition for customers. Digital tools and media seem to have become essential for galleries, primarily for the promotion of art and artists (Velthuis, 2014). Engaging with buyers and collectors as well as with the general public seems to be the main goal of these social media activities (Mangold & Faulds, 2009; Castells, 2010). The traditional practice of galleries in the sense that it is based on informal relationships and personal contacts (Arora & Vermeylen, 2013) does not seem to affect the online advertising and communication of galleries. Instead, most galleries are very active on social and digital media, underlining the importance and usability of the medium. Furthermore, there generally seemed to be an attitude of reluctance toward presenting prices in the digital space for established galleries. The galleries seemed unwilling to openly display commercial activities, in terms of prices and sales, on their website and keep prices and sales to face-to-face and through personal contact. The display of prices is limited to the cheaper lines of galleries that have a physical presence. This still seems to be a big difference between galleries and companies exclusively present in the digital space. This means that overall, digitalization has only partially influenced the communication of privileged information and information asymmetry in the primary art market.

Moreover, four of the five interviewed gallery managers consider it worthwhile to spend resources on adapting their business model to digitalization. The galleries' resources become adapted to changes in the business model. Here, the costs for software and partnerships with platforms, as well as the time spent on maintaining digital channels, are of particular importance. The galleries devote considerable resources to a strong positioning of the gallery on the Internet.

Intangible and tangible assets of a gallery are used for a change towards more digitalization. New databases enable gallery employees to work from home. Also, new processes are implemented, such as the evaluation of data from galleries' social media accounts.

To sum up, galleries that perceive a change in the art market due to digitalization are open to a change in their profit formula. Three of the interviewed gallery managers have already established or planned a second line of business. These galleries are expanding their profit formula by using digital channels.

Furthermore, the interviews revealed that galleries aiming to digitalize their business model have two approaches of doing so. The first option is to invest their own resources and adapt their own business processes. The second option suggests that a gallery could rely on a partnership or cooperation with other companies. In this case, the gallery would include digital services in its business model via external service providers.

The gallery managers confirmed in the interviews the importance of the exchange with customers. Additionally, the exchange between collectors, artists, and other galleries is also important. Hence, Galleries 1,2, and 4 are planning in the future to allow more interaction between the different groups in the digital space.

6.4 Key factors for the improvement of established art gallery business models in the context of digitalization

Following the analysis and discussion of the results from the conducted expert interviews with five selected art galleries, this section aims to outline key factors for the improvement of established art gallery business models in the context of digitalization and the corresponding disruption and innovation of the art market, based on the management insights gained from the corresponding expert interviews. The statements of the interviewed gallery managers and the derivations from the literature lead to the conclusion that in light of the changes in the primary art market due to digitalization, the previous business models are no longer sufficient. Instead, in order to be successful in the future, galleries must adapt their business model to increasing digitalization. Thereby, a gallery has various options regarding how far it wants to change its business model. In the following section, the aspects that a gallery needs to evaluate for these purposes are presented along the four business model elements by Christensen and Raynor (2013).

6.4.1 Value proposition for customers

The value proposition for customers distinguishes a company from its competitors (Johnson et al., 2008). Thus, a gallery's value proposition must be established on the needs and requests of the clientele.

The main value proposition presented by galleries remains the same in the digital and physical spaces. The core benefit of any gallery is the curation of art, representing a benefit for all customers.

Additionally, galleries can provide augmented products, which are a means of product differentiation (Levitt, 1981). Augmented product tools may increase a customer's dependency on the gallery and offer additional unexpected services. Additional products provided by a gallery that enrich the customers' value proposition should include:

- (1) Curation of art**
- (2) Building networks and platforms**
- (3) Improving transparency**
- (4) Establishment of trust**

(1) Curation of art

The aesthetic presentation of art serves as a foundation for inspiration, joy, decoration, investment, and discussion. This focus should be maintained in the digital world in order for galleries to be perceived as such, as opposed to a regular online shop. Therefore, it is important to adapt the business model around this focus area. However, an extension of the concept of the curator for online art galleries seems necessary (Graham & Cook, 2010).

Furthermore, a gallery connects different stakeholders in the art world with each other. This seems particularly necessary when galleries enable interactive functions considered curatorial. The meaning of the term "curator" changes depending on the structure of the gallery database used. Basically, a database can have a closed or open architecture (Koren, et al., 2013). The former is of an educational nature, with pre-arranged and pre-organized information for the user. This architecture provides information and does not collect it. In contrast, an open database structure is

characterized by an access to the database where the user can adapt the information at any time and as often as he wants (Manovich, 2007). Most online galleries do not represent either of these extremes, but rather something in between (Graham & Cook, 2010). The choice of database structure is related to the degree of curatorial freedom (ibid.). This implies that contributions from users can be as valuable as those of an established curator. Thus, both the gallery's curator and the user of an open database have the opportunity to modify information and change the public's perception of an artwork. Therefore, a gallery in the digital sphere must be very conscious of how far it wants to open its database and thus leave users to participate in the curation. The basic product expected from a gallery is served by the selling of physical products, which in the case of a gallery is the artwork itself.

(2) Building networks and platforms

An important service a gallery may offer to the artists it represents is to surround them with a community of collectors, curators, critics and art consultants. To achieve this, it is important to stimulate social interaction physically since personal interaction is not possible in the digital space (Velthuis, 2013). Furthermore, a gallery location is one where face-to-face interaction with consumers plays a key role (Arora & Vermeylen, 2013). This is particularly due to the importance of building solid relationships of trust between market participants, as further described in point (4). Even though most gallery managers are positive about digital tools and media, several argued that such tools could never replace the experience of art in real life. The physical experience and interaction with art is therefore always going to play a key role in the sales of art (Horowitz, 2012).

If galleries no longer have their own physical spaces, personal interaction should by no means be left out. Instead, alternatives should be considered, such as presence at trade fairs or other events, in order to be able to interact personally with a network. In general, the importance of social events, openings of exhibitions, special occasions, and art fairs is in maintaining or expanding the network of the gallery. On the other hand, it seems difficult to get people in physical galleries on a regular basis. Therefore, the digital space represents the ideal counterpart to this, where people can easily access a gallery from anywhere (Horowitz, 2012).

With the Internet as an open-access network available for anyone to use, galleries should use digital tools to build a network around them. This can be done through an individual website, social media accounts, or even creating podcasts. This builds a new platform to communicate with a wider group (Mangold & Faulds, 2009). Often this comes in the form of information supply, with galleries filling their digital accounts with news about exhibitions, artists, and social events, aiming for some form of interaction in the digital environment rather than in the gallery itself. Here, actors can interact with each other. However, the galleries should restrict exactly how much freedom they want to give the actors on their accounts. The possibilities of digital space, co-creation, networking, and user-generated content could possibly threaten the foundations of the art world (Peacock, 2008).

(3) Improving transparency

Additionally, galleries should provide transparency for their customers. The traditional gallery practice is based on information asymmetry (Velthuis, 2005; Horowitz, 2012). An important point for transparency in the art market is price development and presentation. However, contemporary art galleries tend to show only practical information and artists' profiles on their websites. Typically, they shy away from sharing delicate information, like exact prices, estimated value, or whether a work is in high demand (Khaire, 2015). Price information is rarely published by established galleries and is usually limited to a small number of inexpensive works. They display this information in the context of their sales efforts. This shows that the exchange of information is more related to the commercial attitude of the established galleries. Their business is based on this privileged information because it gives them a competitive advantage (Horowitz, 2012). Regarding the information asymmetry in the art market, there is in general unwillingness from the actors to share too much information online (Velthuis, 2005; Horowitz, 2012). However, galleries should consider the benefits of sharing the information online and giving open access to certain privileged information, such as prices. The relationships of a gallery with collectors and buyers are based on communication and trust. Trust can be enhanced in the digital sphere via transparency (see point 4).

Furthermore, the presentation of price information is helpful for viewing art as an investment (Gallery 2). The notion of art as an investment certainly does not exclude

its cultural and artistic value. However, it opens the art market to a wider circle of customers. In particular, inexperienced customers on the art market can be reached more often through the publishing of comparable information. In order to provide customers with greater value, galleries should think about providing transparent information about prices on their websites.

(4) Establishing trust

The galleries' relationships with customers, artists and other actors are often built on mutual trust or partnerships. Personal contact is considered to be the most efficient way to do this, especially for emerging dealers (Plattner, 1996; Velthuis, 2013). This implicit rule, which is often shared among customers in the art world, also applies to the consolidation of the kind of artist-dealer relationship that must be equally based on trust. Trust and face-to-face communication are the pillars of the relationships that galleries have with their collectors. This is further emphasized due to the potential high risk of sharing high prices and unfamiliarity with the artworks involved. The digital environment does not yet allow for these relations to be fully established and maintained online (Arora & Vermeylen, 2013).

Regarding these problems, established galleries may have an advantage in online promotion and sale of artworks. When selling online, the representation of well-known artists and an established reputation as a gallery could help. This is because people are familiar with the artists and their work, as well as the brand image of the gallery. Therefore, there could be a higher level of trust in what is offered online. However, with a younger gallery, without an established brand image and representing unknown artists, this could prove to be more difficult. The consumer might not be able to assess the quality of the art offered. This is in connection with the perception of a gallery as a brand (Velthuis, 2014). Galleries in the digital space need to build a strong brand in order to be successful, as one of the most important factors for a gallery's success is to create a basis of trust for its clients. This is particularly due to the importance of building solid relationships of trust between the actors. A possibility for this is to highlight the reputation of the artist in a commercial sense (i.e. what price the works of the artists were sold for) as well as in an artistic sense. Moreover, galleries could argue the importance of esthetic judgment as an expert opinion of museum curators (Raymonde & Vale, 1995).

Galleries that succeed in making these four points available to customers in the future will be able to serve the value proposition well and successfully differentiate themselves from their competitors.

6.4.2 Resources of galleries

Galleries need to invest resources into the development of digital business models to deliver the value proposition to targeted customers (Christensen et al, 2015). The economic aspect of a gallery is similar to that of any business. It follows the rule of profit maximization: to achieve the most efficient use of resources to maximize return (Lynch, 2008). Therefore, each gallery needs to decide which tool will pay off and should be implemented.

The results of the interviews have shown that three points seem to be particularly important for success in the digital space. Therefore, galleries should try to find resources for these three points in order to be successful in the digital future.

(1) Strong brand image through digital media

(2) Expansion of the customer group

(3) Cooperation

(1) Strong brand image through digital media

A strong positioning of brand in the digital space is very beneficial for the galleries. This is especially important for presenting an image of trust to customers in the digital space. Furthermore, a strong brand is interdependent with reaching a wider customer base, as well as cooperation with other businesses.

A company can differentiate itself from other competitors primarily through its brand positioning (Wood, 2000). A brand can be defined as "a name, term, design, symbol or any other feature that identifies one seller's good or service as distinct from those of other sellers" (Bennet, 1988, p. 18). Thereby, a brand represents a significant aspect for the success of companies (Wood, 2000). It is therefore important for companies in the art market to create a recognizable brand and systematically position it. Art galleries should try to build a unique brand to be in demand by the consumer.

In general, a brand can serve two tasks. The first function is the outside-in perspective: the perception of customers in relation to a gallery (Frazen & Moriarty, 2009). When a customer becomes part of a brand, it can be a form of self-expression or represent social status. Furthermore, a brand offers the customer a shortening of information processing when deciding for or against consumption. A strong brand has an influence on the choice of clients in favor for or against a gallery, as well as on the perception of the work of art presented (Colbert, 2003). Individual perception of a work of art depends on the environment in which it is exhibited (Pepperell, 2011). The second function is the inside-out perspective. In this perspective, the owner can generate benefits out of its own brand (Riezebos & van der Grinten, 2011), as this helps the communication of galleries with their target audience. Indeed, a well-established brand positioning helps to promote a product or service to customers and thus convince people to buy it (Wood, 2000).

Different communication instruments can help a gallery to establish a strong brand (Meffert & Bruhn, 2006). As discussed in Chapter 3, the value of art is not clearly tangible. Therefore, communication tools for the product must be aimed at making value visible.

For most galleries, social and digital media have become standard practice, replacing in most cases any form of analogue communication and advertising. In particular, a visual medium like Instagram is well suited for showcasing visual art. The strong visual character of the medium makes it a perfect fit for the arts.

Digital and social media allow for enhanced engagement with consumers (Mangold & Faulds, 2009), enabling a look into what is beyond physical gallery space and the interactions that take place there. It also goes beyond the simple sharing of information and promotions, as it allows a look behind the scenes of the world of art. The same can be considered for the video platform YouTube.

This shows that the strategies of galleries in terms of advertising and communication have already changed. Technology is the tool that enables institutions to improve their communication and create new opportunities for their practices (Peterson &

Anand, 2004). In this respect, the distribution system of the market has changed in terms of communication, advertising and information availability under the influence of digital technology. The art market has shifted quite easily from analogue to digital forms of advertising and from personal interaction to more digital communication and interaction. However, it is very important for the galleries to send not only generic marketing material. Instead, they have to tailor the marketing messages and thus address the right customer with the corresponding value proposition (Resch, 2011). Galleries should develop functional technologies for the management of customer relationship with a focus around obtaining the rewards of long-term profitability and consumer loyalty (Chen & Popovich, 2003). A personalized approach to each customer and a specific response to specific customer needs and desires is particularly important when it comes to highly priced art (i.e. over €5,000) (ibid.).

(2) Expansion of the customer group

Galleries compete strongly for existing customers (Resch, 2011). However, in order to be successful, a gallery should additionally address new customers along with existing customer groups and approach them with a respective value proposition. Therefore, the gallery should concentrate on additional relevant customer groups that it wants to address in the digital space, along with its established consumers. This new customer group must be addressed with an individualized value proposition (Tomczak, 2007). Especially in the digital space, customers who do not have a close connection to art but have sufficient resources can be addressed in a broad spectrum. This is the largest group in terms of numbers and has the greatest potential (Colbert, 2003). Galleries should therefore focus on attracting these people from outside the market in order to win them as new customer segment (ibid.).

Younger customers in particular (between 25 and 35 years of age) can be easily addressed via digital networks. They are used to engaging online and are an essential part of the development of e-commerce (Lissitsa & Kol, 2016). This is an interesting group of customers, and although many of them have not yet reached full purchasing power, they have great potential in the future. This customer group forms an ideal target for businesses to be viewed, sell and promote goods and services through networks. Digital marketing is a tool that promotes the involvement of young people in consumption and personalization. This age group frequently consumes online, especially through social networks (ibid.). Galleries must respond to this

behavior by adapting the value proposition (chapter 6.4.1). To build customer relations with a young potential customer group, it is, therefore, useful for galleries to introduce a more affordable line (chapter 6.4.4).

(3) Cooperation

Generally, collaboration plays an essential role in every business model. Hausmann (2009) identified a number of advantages that cooperation can generate in the art market: The realization of projects by bundling resources; synergies and reducing overlapping operations; an expansion of the value proposition and improvement of quality; the acquisition of new customers, brand and image transfer through cooperation between different sectors; and the expertise and exchange of know-how.

Overall, cooperation seems also to be an important element in the digitalization of business models. Galleries that invest their own resources in the digitalization of their business model consider cooperation with other galleries and service providers to be important for the future. The concept of a platform seems to become more and more important, particularly as networks can be expanded in this way. Gallery 2 intends to expand its own platform by adding new galleries and artists as partners. With these partnerships, the customer network is to be expanded. Gallery 3 has a partnership with an online gallery for sales of artworks in digital space. Gallery 4 is already represented on one of the major art platforms to expand its presence and network. Furthermore, the gallery focuses on close cooperation with international artists. Thereby, cooperation can exist in different sizes and formats:

- 1) The licensing of a suitable database for managing a gallery. This enables the management of contacts, inventory, sales and marketing, website integration, private views apps, and the management of online shops.
- 2) The distribution of a gallery's artworks by an other gallery via its online platform.
- 3) The distribution of other galleries' artworks by an online gallery via its platform.
- 4) The bundled presentation of galleries, artists, and events and information, and the sale of art via a platform. Examples of this collaboration are the Artsy and Arnet platforms.
- 4) The use of external experts who are familiar with digital tools such as Adobe Photoshop, programming or website design.
- 5) Shared social media accounts for galleries that have common denominators, such as a similar local presence or a specific art genre.

6.4.3 Processes of galleries

The organizational form of a company should match its core competencies (Bruhn, 2007). Accordingly, the galleries should adapt their processes to the orientation of their business model. Galleries engaging in digital space have the option of doing so as exclusively digital online gallery, or in addition to their physical presence.

Thereby two processes were highlighted as needing to change in galleries, regarding digitalization in the art market:

(1) Customer relationship processes

(2) Technological infrastructure

(1) Customer relationship processes

Business models include both online and offline customer journeys which cannot always be clearly distinguished. In any case, customer relationship management is fundamental in the process structures of galleries. It is essential for galleries to address their customers through functional customer management tools and also include processes such as the tracking of their users in the digital sphere (Resch, 2011). Therefore, internal processes need to be adapted correspondingly, in order to provide an adequate environment for the efficient use and management of customer data and interaction.

(2) Technological infrastructure

The galleries must align their digital processes in such a way that they can focus on individual customers. At the same time, this must be made as simple as possible internally. This is mainly determined by the gallery database used. Special software providers have concentrated on the management of art companies. With a digital business model, the galleries should use such a provider in order to work effectively. Furthermore, the introduction of work via a server may lead to the possibility of employees working outside the physical gallery space. This could be especially helpful for the physical absence of employees by attending external events, such as trade fairs. At the same time, it would make it possible to work from home.

6.4.4 Profit formula of galleries

Businesses need to constantly question their business model, to see how they want to assure and promote growth (Shapiro & Varian, 2000). Growth of galleries can be

achieved in a number of ways, for example by opening up new markets, opening an online shop or renting out art. Companies should define precise goals and strategies to generate growth (Meffert et al., 2008). Especially for the art business, the development of feasible goals as a prerequisite for growth is of great importance (Klein, 2005). Galleries must clearly define their corporate aims, taking into account their financial objectives. Galleries with a robust growth model can strengthen their economic position through higher revenues and improved customer awareness. The evaluation of the expert interviews related above identified three growth opportunities that could strengthen the gallery's growth model and profitability:

(1) Opening an online shop

(2) Renting art

(3) Second lines

(1) Opening an online shop

Even though some galleries are convinced that the online environment cannot replace the physical experience of art, as described by Horowitz (2012), galleries should consider selling online to create an additional source for generating additional revenues and correspondingly also increasing profits. Selling online allows for access to the international art market and the potential to focus on a wider client reach (Velthuis, 2014). This particularly concerns customers who feel distracted from entering physical gallery spaces due to the uncertainty and risk for money and spare time involved (Mason & Carthy, 2006; Colbert, 2003). This includes in general young people as well as persons inexperienced in the art market (ibid.). On the other hand, selling art online can have many drawbacks in terms of the risk of highly priced artworks (Velthuis, 2005), the limitations of digital reproduction (Horowitz, 2012), unfamiliarity with artists (Velthuis, 2005), and the importance of social relationships with collectors (Arora & Vermeylen, 2013). Galleries should, therefore, distribute a specific segment of art online. The sale of artwork in editions seems to be easier in terms of medium and price. As mentioned earlier, lines that are suitable for online sale are defined as being priced as high as €5,000.

However, it is also possible to successfully sell more expensive art online, as one of the galleries that is exclusively selling art online demonstrates. However, maximum information transparency and an extended business model is necessary. It is crucial

to avoid the disadvantage of unfamiliarity with the paintings. This can be achieved by offering the possibility to rent a painting or by using special technologies that project a picture digitally into existing rooms. This model is further explained in the following point.

(2) Renting art

Renting out art is another possibility for a gallery to gain additional profit sources. Renting enables a gallery and its artists to generate additional, monthly income streams. At the same time, it allows clients to have artworks with them for some time without having to buy them initially. However, when renting out artwork, the gallery must also plan for costs arising from required insurance and the transportation of artworks.

For the rental of artworks, the digital space tends to be the most suitable medium. On a website, all information about the process, prices, artists and works of art can be displayed in a bundled form. At the same time, it makes it possible to exhibit a large number of artworks. Furthermore, the disadvantage of online galleries (that customers can only see the artworks digitally) is circumvented. By renting art, it is possible to hang up a work of art for a trial period. The gallery can also use digital tools such as augmented reality. This makes it possible to project a digital image into a physical space, which can help the client to imagine the work in a given space. Furthermore, a gallery that rents artworks online can also operate as a platform. This means that it can also organize and offer the rental of artwork for other galleries once it has established a corresponding online platform.

(3) Second lines

The third possibility for an extended profit formula of a gallery in the digital space is the creation of a new product line. This should be specifically created for the sale of artworks in the digital space. As described in the previous points, artworks of up to a price of €5,000 are compatible for online distribution. These could be, for example, editions or prints of more expensive paintings from a gallery. A new line can correspondingly address a new group of customers and generate profitable growth at the same time.

6.5 Business model canvas for an art gallery

Following the illustration of the key factors for the improvement of an established business model of art galleries in the context of digitalization, this section categorizes these factors into the business model of a gallery. For this purpose, the Business Model Canvas (Osterwalder & Pigneur, 2010) is applied, which provides a visual representation of a business model. It classifies the processes and internal activities of a company into nine separate elements, each of which represents a building block in the creation of a business product or service. These elements represent the four main areas of a company: Customer Interface, Product, Infrastructure and Financial Aspects (ibid.).

Product: Value Proposition

Customer Interface: Customer Segments; Customer Relationships; Channels

Infrastructure: Key Activities; Key Resources; Key Partners

Financial Aspects: Cost Structure; Revenue Model

This representation is especially helpful for the use of strategic managers of a gallery in practice. The key factors examined in chapter 6.4 are involved in forming the nine elements for a gallery. Thereby, all blocks include innovative solutions to adapt a gallery's business model to the disruptive changes in the art market. Furthermore, this business model shows different components that can make a gallery successful. However, each gallery must decide for itself, which concept is applicable and how far it wants to pursue digital strategies. Therefore, the Canvas business model serves as a guideline rather than rigid principles. This does not exclude the possibility that a gallery may be successful if it takes a completely different approach. However, based on the theory and the results of the interviews, this approach has been developed for a gallery's business model.

Table 2: Business Model Canvas applied for an Art Gallery

<p><i>Key Partners</i></p> <p>Alliances between competitors (Online galleries and, or brick-and-mortar galleries)</p> <ul style="list-style-type: none"> • Sale of the artworks via their respective channels • Bundled presentation of galleries, artist and thematic familiar events and information, and the sale of artworks via a platform (e.g. Artsy, Arnet) • Shared social media accounts of galleries 	<p><i>Key Activities</i></p> <ul style="list-style-type: none"> • Curation of art • Consulting in art expertise • Exhibitions • Personal selling • Events/art fairs • Network building 	<p><i>Value Propositions</i></p> <p>Qualitative - Overall customer experience and outcome</p> <ul style="list-style-type: none"> • Curation of Art: Aesthetic presentation and selling of art • Individual product range for the respective customer segment • Supply of networks and platforms for players in the art world • Improved transparency in the art market • Establishment of trust 	<p><i>Customer Relationships</i></p> <ul style="list-style-type: none"> • Dedicated personal assistance via physical rooms • Personal assistance via Online Shops • Online via website & social media; newsletter • Events 	<p><i>Customer Segments</i></p> <p>Diversification</p> <ul style="list-style-type: none"> • Traditional group: Collectors, other art buyers • Art investors • Emerging customer group: Millennials (future high potential customers); art buyers in a lower price segment (buying prints and lower price editions)
<p><i>Cost Structure</i></p> <p>Value driven cost structure</p> <ul style="list-style-type: none"> • Rent: Gallery + warehouse (if applicable) • Staff salaries • IT (website, software...) • Subscription fee (e.g. Artsy, Arnet) 		<p><i>Revenue Streams</i></p> <p>Asset Sale</p> <ul style="list-style-type: none"> • Sale of art <p>Renting</p> <ul style="list-style-type: none"> • Renting of art <p>Brokerage Fees</p> <ul style="list-style-type: none"> • Revenue from cooperation with other galleries 		

Source: Own illustration based on Business Model Canvas framework from Osterwalder and Pigneur (2010) and gallery business model analysis of Resch (2011)

7. Conclusion

This thesis investigates whether the primary art market is disruptively affected by digitalization. In particular, the study analyzes what the digitalization of the primary art market implies for art galleries, how they react, and how they embed digital tools into their business models and potentially should consider in the future.

According to the theory of Christensen (2015), and the results obtained in the interviews and existing literature, it can be stated that digitalization has disruptively affected the primary art market. Furthermore, it can be specified that art bought at online companies tends to be at the lower end of the price range and thus, the disruptive innovation of the primary art market begins with low-end disruption (Christensen et al., 2015).

Based on the results collected from expert interviews with five art gallery managers, four of the managers stated that they see a need to align their business model to this development and thereby invest additional resources in order to operate successfully in the future. Furthermore, these galleries also already adapted their business models or have concrete plans to do so in the near future.

An important adaptation of the galleries' business models can be observed with regards to the value proposition for customers. Digital tools and media seem to have become essential for galleries: for promotion and communication, to build and expand networks (Castells, 2010) and to connect more effectively with collectors (Arora & Vermeylen, 2013). In general, the majority of the interviewed gallery managers' communication and advertising strategies have already undergone a transformation towards the digital environment.

Additionally, developments in customer segments, distribution and product ranges are further options to change a gallery's business model.

Furthermore, it has been noted that the evolution towards online gallery shops has resulted in increased customer wins as well as an expansion of the range of offered products. Thereby, galleries can start to offer different lines of artwork in the digital space than in the physical one. These lines are targeted to the digital medium and to customers who buy art online. In general, these customers tend to belong to a younger and more inexperienced group compared to the customers buying in

physical galleries. However, it is also possible to sell more expensive art online, for example if exceptional services such as augmented reality tools are offered.

However, the information asymmetry and the sales aspect of the art market are proving to be areas of the market that tend to be difficult to change. The positioning of the online-only interviewed gallery also shows disadvantages such as the lack of the possibility of in person relationship management with customers.

In summary, this thesis has contributed to the understanding of the impact of digitalization on the primary art market. It has shown to what degree digitalization has already influenced the business models of art galleries in this market. Furthermore, a business model for galleries has been developed that includes digital elements that set a framework for the key success factors of art galleries, in the context of digitalization. This model is based on the Canvas Business Model Framework from Osterwalder and Pigneur (2010) and may serve as a reference basis for galleries seeking to adapt their business model to the digital changes in the primary art market.

7.1 Limitations

There are some limitations to this study with regards to the methodology used and in terms of the results that should be considered in future studies.

Concerning the theoretical basis, the limited scope of this paper provides only an indication of a potentially more thorough explanation of the research results obtained. Nevertheless, the most important and expressive theory has been presented with regards to art galleries in the context of the theory from Christensen (2015).

Furthermore, regarding the qualitative research, only a limited number of interviews were carried out due to the timing constraints for this study. Additionally, the outbreak of the Covid-19 Pandemic in the first half of 2020 made it considerably more difficult to arrange (personal) expert interviews with art gallery managers as well as to arrange appointments for virtual expert interviews. By choosing a case study based research approach, this paper examines the research problem using only five art galleries as data basis. Furthermore, the analysis is limited to the geographical areas Germany and Austria, where the galleries used for this study are located. This

represents a rather small data set, for which a representative generalization regarding the global art gallery market can hardly be undertaken. However, the gathered results represent insightful indications that can be further validated by means of larger scale research projects and analyses.

Furthermore, the research was limited from a timing perspective. There are still major changes in the art market ongoing, and this is potentially intensified by the current conditions caused by the Covid-19 Pandemic. Thus, many galleries are currently further developing or restricting their business models as a result of this economic shock. Therefore, the long-term effects of these business model innovations of the galleries cannot be analyzed to a full extent and the statements of the gallery managers are partly based on subjective assumptions.

Another aspect concerns limitations due to the choice of language the interviews were conducted in. The interviews were conducted in German to counteract language barriers of the interviewees. However, the results of the interviews had to be translated into English to be used in this thesis. Thereby, subjective translation errors and corresponding distortions of the results may have occurred. Hence, all the gathered data in this paper was triangulated in order to minimize the possible misunderstandings through language barriers (Baškarada, 2014).

Regarding the topic of reliability, the question arises whether possible biases may have occurred during the interviews, referring to the interviewer or answer biases (Saunders et al., 2009). The existence of such biases can be found for this thesis and can be supplemented by the following facts. All five interviewed managers are responsible for a diverse set of tasks that requires managerial knowledge about the galleries, and their products; nevertheless, they are not specialists for digital and technological tools. Hence, they do not possess in-depth knowledge about digital possibilities in a business context, which would have yielded even more comprehensive results concerning the findings. Additionally, given that some managers are owners of galleries, the answers are potentially subject to social responsibility biases; owners could have placed their galleries and their products in an overly positive light (ibid.). These biases could be further limited by the existence of the following additional distortions. Firstly, the interviewer's tone or non-verbal behavior may have affected the gallery managers' response and the interpretation of

the answers by enforcing the interviewers own beliefs through the questions (Saunders et al., 2009).

Furthermore, this thesis is supported by qualitative research, and to draw more precise results, additional quantitative research should be conducted (Saunders et al., 2009). This would increase the reliability and validity of this study, as more data points would be available for the validation that could have been triangulated. Investigating the cost and revenue structure of galleries quantitatively with regards to overcoming digitalization challenges, could have therefore resulted in more detailed managerial implications for galleries.

Therefore, based on the use of a limited and rather unrepresentative data set, the results of this thesis cannot be generalized for all art galleries globally. The topic of validity was already discussed in the methodology section and a high validity for the chosen primary data set was assessed. This argumentation is based on the chosen face-to-face approach via video conferences and the possibility for the interviewer to clarify potentially unclear answers.

7.2 Further research

Given the limitations of this analysis, this work should encourage other practitioners to expand research for galleries in the context of the digital primary art market. The research issues proposed in this paper and the conclusions and management implications drawn so far can be tested by further research.

It is highly important to increase the used data sample and include more detailed interviews with additional galleries in different countries. This would allow further research to focus on the international perspective of digitalization within the primary art market, in combination with globalization processes and worldwide access to the Internet.

In this context, a longitudinal case study might provide even better insights in order to examine and include the effects of digital change and development in the findings of this paper (Saunders et al., 2009). The changes and developments intensified by the current Covid-19 pandemic could have been taken into account more comprehensively for the results of this study (ibid.). Thus, the current development of

the galleries could have been analyzed and included in a longitudinal case study. The development of galleries over a longer period of time and the partnerships between the actors in the art market could have been studied and included in a more comprehensive analysis of the data. In particular, it would have been interesting to investigate the success of the galleries with their business models over the long term.

Specifically, interviews could be conducted with large, established galleries that have been pursuing digital business models for some time, in order to gain more comprehensive insights into the relevant strategies and to further triangulate the data for validation. In addition, a survey could be carried out in which the customers of the galleries could shed light on their perception of the galleries' online channels and the perceived added value. In particular, the new customer groups, such as those of the Millennials, should be surveyed. This could also include a comprehensive market and competition analysis within the gallery art market to better compare the success of different galleries.

Overall, the results of this paper show that the art market is still fairly unexplored in terms of digital gallery business models. Further research is therefore needed to determine exactly how galleries can gain and maintain competitive advantage by using digital business models.

Hence, this thesis can be seen as a basis that provides initial findings that should be followed by a quantitative or even a multi-method research approach that uses both qualitative and quantitative approaches. In order to reduce the influence of the chosen time horizon on the reliability of the data set, further research should try to conduct a longitudinal study over several years. This approach will allow the researcher to not only measure actual successes, but also to examine the development of the art market environment

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Primary data

Gallery 1 (2020). Interview conducted via Video Call. Week 13, 2020

Gallery 2 (2020). Interview conducted via Video Call. Week 13, 2020

Gallery 3 (2020). Interview conducted via Video Call. Week 14, 2020

Gallery 4 (2020). Interview conducted via Video Call. Week 15, 2020

Gallery 5 (2020). Interview conducted via Video Call. Week 15, 2020

Secondary data

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Appendix

Appendix (1) General interview guide used for gallery managers (in German)

Topic	Interview Questions (German)
Briefing	<ul style="list-style-type: none"> - Ziel der Forschung: Master Thesis zu dem Thema der Digitalisierung auf dem primären Kunstmarkt - Vereinbarung: Die Galerie und der Interview Partner werden in der Master Arbeit nicht namentlich genannt - Bitte um Möglichkeit das Interview aufzunehmen: Vertraulich und nur zur Benutzung der Master Arbeit - Interview Länge: 20–60 Minuten
Disruptive Innovation by Digitalization of the art market	<ol style="list-style-type: none"> 1. Beobachten Sie eine Veränderung des Kunstmarktes aufgrund der zunehmenden Digitalisierung? Wenn ja, welche Veränderungen sind das? In Bezug zu: <ul style="list-style-type: none"> - Der Effizienz des Kunstmarktes (das Preisrisiko, also die momentane Unsicherheit über den unmittelbaren Wiederverkaufswert eines Kunstwerks)? - Der Transparenz des Kunstmarktes, wie bspw. der Preisgestaltung und den Besitzverhältnissen von Kunstwerken? 2. Beobachten Sie eine Veränderung Ihres Wettbewerbsumfelds in Rahmen der zunehmenden Digitalisierung im Kunstmarkt? Wenn ja, wie sieht diese Veränderung aus? <ul style="list-style-type: none"> - Wie würden Sie neue Marktteilnehmer auf dem Kunstmarkt charakterisieren? - Haben Sie schon einmal von den Online-Plattformen „Artsy“ oder „Artnet“ gehört? Wenn ja: bitte beschreiben Sie das Geschäftsmodell dieser Plattformen. / Wenn nein: Diese Unternehmen sind digitale Plattform, die über Kunst informieren, Kunst verkaufen, aber auch ein Netzwerk für Galerien bilden und ihren Mitgliedern eine Präsenz auf ihrer Website ermöglichen. <ul style="list-style-type: none"> ○ Welchen Einfluss auf den Kunstmarkt erwarten Sie von solchen Plattformen? ○ Inwiefern sind diese neuen Marktteilnehmer Wettbewerber für traditionelle Galerien? 3. Welche Auswirkungen hat die Digitalisierung auf die von den Galerien vertretenen Künstler? <ul style="list-style-type: none"> ○ Wie wird sich die Beziehung von Galerien zu Künstlern durch diese Plattformen ändern? Gehen Sie davon aus, dass Künstler zukünftige über Plattformen direkt an Kunden wenden? Wenn ja: welche Vor- und Nachteile hätte das für

	<p>die ...</p> <ul style="list-style-type: none"> ▪ Künstler? ▪ Kunden? <p>- In diesem Kontext: Welchen Mehrwert können Galerien ihren vertretenen Künstlern in einem digitalisierten Kunstmarkt auch weiterhin bieten?</p> <ul style="list-style-type: none"> ○ Wie ändert sich die Rolle der Galerien in der Beziehung mit den Künstlern?
Questions to the theory of business innovation	
<i>Organization's resources, such as people, cash, and technology</i>	<p>4. Wie wirkt sich die Digitalisierung auf die Nutzung und Beschaffung der Ressourcen von Kunstgalerien aus?</p> <ul style="list-style-type: none"> - Welchen Einfluss hat die Digitalisierung auf die Qualifikation der Mitarbeiter von Galerien? - Welche neuen Systeme (z.B. IT) werden erforderlich sein, um das Potential der Digitalisierung zu nutzen? - Welche Anforderungen ergeben sich aus der Digitalisierung an die Räumlichkeiten von Galerien?
<i>Processes of the organization</i>	<p>5. Welche Änderungen Ihrer (internen) Prozesse als Folge einer zunehmenden Digitalisierung des Kunstmarktes erwarten Sie, insbesondere in Hinsicht auf Ihre:</p> <ul style="list-style-type: none"> - Vertriebskanäle (Online/offline) - Marketingkanäle (Online/offline) - Abwicklung und Koordination von Geschäftstransaktionen
<i>Value proposition for customers</i>	<p>6. Welche Kundengruppen sprechen Sie auf welche Weise an?</p> <ul style="list-style-type: none"> - Welches Kommunikationskonzept verfolgen Sie? <ul style="list-style-type: none"> ○ Hat sich Ihre Kommunikation mit den Kunden im Zeitalter der Digitalisierung verändert? (Wenn ja, wie?) - Welche Veränderungen sehen oder erwarten Sie in den Anforderungen der Kunden an den Kunstmarkt? - Falls es einen digitalen Auftritt gibt: Wie hat sich der Kundenstamm mit Aufnahme Ihres digitalen Auftritts verändert? - Betrachten Sie Ihren digitalen Auftritt als Möglichkeit Ihr Angebot und Services für Kunden zu erweitern (z.B. Podcasts, Blogbeiträge, Youtube, interaktive Plattform auf der sich ein Netzwerk austauschen kann)? <ul style="list-style-type: none"> ○ Welche Erweiterungen haben bisher gut funktioniert? Warum denken Sie dass das so ist?

	<ul style="list-style-type: none"> ○ Welche Erweiterungen haben bisher nicht gut funktioniert? Warum denken Sie, dass das so ist? - Wenn ein Newsletter angeboten wird: Sie bieten einen Newsletter an, für den sich Interessierte anmelden können. Wie nutzen Sie dieses Medium für sich als Vorteil (in Bezug auf Daten, Informationsmedium, etc....)? <p>7. Wie wichtig ist der persönliche Kontakt beim Verkaufen von Kunst?</p> <ul style="list-style-type: none"> - Wie wird sich die Bedeutung des persönlichen Kontakts im Zeitalter der Digitalisierung verändern? - Ist es realistisch, dass Kunst in der Zukunft vor allem online vertrieben wird?
<i>Organization's profit formula</i>	<p>8. Verfolgen Sie sonstige (neue) Geschäftsaktivitäten abseits Ihres traditionellen Geschäftsmodells, welche primär durch Ihre Onlinepräsenz ermöglicht wurden?</p> <p>9. Welches Wachstumskonzept verfolgen Sie für Ihre Galerie (im Kontext des diskutierten Einflusses der Digitalisierung auf den Kunstmarkt)?</p> <ul style="list-style-type: none"> - Wie sind neue Geschäftsmodelle, wie das Vermieten von hochwertiger Kunst über online Plattformen zu bewerten? - Welchen Nutzen sehen Sie in einer Kooperationen mit jungen Kunstfirmen (wie z.B. den in „Frage 2“ genannten digitalen Kunstplattformen)? <ul style="list-style-type: none"> ○ Wie könnte eine solche Kooperation aussehen? - Welche Faktoren einer Galerie sind essentiell für eine erfolgreiche Entwicklung?
Debriefing	<ul style="list-style-type: none"> - Haben Sie noch weitere Fragen/ Anmerkungen? - Vielen Dank für Ihre Zeit.

Appendix (2) Summary of relevant quotes derived from the Interviews (in German)

Gallery 1

Vor Corona Zeit war kaum eine Veränderung auf dem Kunstmarkt zu beobachten. Viele Galerien haben versucht sich digitaler aufzustellen, jedoch hat sich das meistens auf die Positionierung der Marke beschränkt. Momentan lässt sich beobachten, dass vor allem die Kunstmessen auf digitale Alternativen zugreifen. Das wirkt sich natürlich auch auf die Galerien aus, die auf den Messen ausstellen. So muss es für jede Galerie zum Standard werden, die Kunstwerke online gut zu präsentieren. Wenn du als Galerie nicht reagierst, wirst du wahrscheinlich keinen Erfolg in der Zukunft haben.

Generell versuche ich, meine Galerie stark online zu positionieren und bediene daher sowohl die Social Media Kanäle Youtube, Facebook und Instagram und pflege meine Website der Galerie. Auf dieser werden sämtliche Kunstwerke die wir in der Galerie zeigen, präsentiert. Dies geschieht sowohl durch Fotos als auch durch einen virtuellen Showroom, der eine genauere Betrachtung der Wirkung der Kunstwerke ermöglicht. Das vertreiben von Kunst durch einen Onlineshop mache ich jedoch nicht. Preise möchte ich vor allem online nicht angeben, da das Internet nicht vergisst. Die Preise von Künstlern verändern sich jedoch stetig, vor allem versuche ich mit meiner Betreuung der Künstler diese voran zu bringen. Wenn Kunden dann im Internet alte Preise finden und mit diesen vergleichen besteht dadurch viel Diskussionspotential, welches ich zu vermeiden versuche. Der Online Auftritt der Galerie wird primär als Marketing-, Kommunikations- und Informationstool benutzt und weniger zum Verkauf benutzt. Die Kanäle werden von der Galerie selber betrieben (1 Mann Galerie). Die Videos, die für Youtube gefilmt werden, werden von einem externen Dienstleister produziert.

Ich habe von den Online Plattformen Artnet und Artsy gehört und auch schon erwogen mit der Plattform „Artsy“ zusammen zu arbeiten. Allerdings kostet eine Mitgliedschaft verhältnismäßig viel für eine kleine Galerie wie meine. Das billigste „Paket“, welches für meine Galerie in Frage kommt, verlangt, dass ich die Preise der Kunstwerke offen lege. Da ich diese Strategie jedoch nicht verfolge, kommt für mich es nicht in Frage meine Galerie auf „Artsy“ zu positionieren.

Ich sehe diese Online-Plattformen eher als Ergänzung zum bestehenden Angebot von Galerien und weniger als Wettbewerber. Es kann schon sein, dass sie zu mehr Transparenz auf dem Kunstmarkt führen, da sie Informationen über Kunstwerke, Künstler, Galerien und Preise bündeln und veröffentlichen. Allerdings beobachten wir nach wie vor, dass die meisten Käufer die Kunstwerke einmal physisch sehen möchten und ihnen unsere Präsentation der Kunst online nicht genügt. Online tasten die Kunden oft erst einmal den Preis und die Rahmenbedingungen ab, die Entscheidung zum Kauf findet dann in der Galerie vor Ort statt.

Die Beziehung zwischen Künstler und Gallerist ist sehr eng. Man kann dies mit einer Ehe vergleichen. Daher denke ich nicht, dass Künstler die, die Möglichkeit haben, in einer Galerie vertreten zu sein, diese Chance nicht wahrnehmen und ihre Kunst selber online vertreiben. Für Künstler, die jedoch noch nicht von einer Galerie vertreten sind, bilden Social Media Kanäle eine gute Möglichkeit sich zu präsentieren und direkt potentielle Kunden anzusprechen.

Ich analysiere explizit die Nutzung der Online-Kanäle der Galerie. Vor allem Künstler treffen, über den Online Auftritt, das erste mal auf die Galerie. Die meisten Kunden, die unsere Online Auftritte aufrufen, sind meist schon einmal in unserer Galerie gewesen. Daran versuchen wir momentan zu arbeiten, indem wir online Artikeln von Kunstmagazinen erwähnt werden. Hier wäre natürlich auch eine Präsentation auf den online Kunstplattformen von Hilfe, allerdings sprechen, wie zuvor erwähnt wichtige Punkte für uns dagegen.

Der persönliche Kontakt zwischen Käufer und Gallerist ist für uns sehr wichtig. Auch wenn Anfragen zu Kunstwerken über Online Medien, wie Social Media Accounts kommen, waren die Käufer meist schon einmal persönlich in der Galerie. Das liegt an dem Charakter von Kunstwerken. Vor allem Kunden, die noch nicht so erfahren mit dem Kunstmarkt sind, brauchen bzw. fragen nach einer Beratung bei dem Kauf von Kunst. Da die Galerie vor allem auch jüngere Personen als Zielgruppe betrachtet, die meist noch keine oder weniger Kunstwerke besitzen, ist die Betreuung beim Kauf bei uns sehr wichtig. Dabei ist die Online-Präsenz eine große Hilfe für die Kommunikation mit unseren Kunden.

Die Daten von Social Media werden genau ausgewertet. So kann beobachtet werden, wie erfolgreich die einzelnen Beiträge sind. Es ist für mich auch wichtig zu sehen, welche Nutzer an meinem Internetauftritt interessiert sind. Allgemein sind vor allem auf den Social Media Kanälen jüngere Nutzergruppen am Galerieauftritt interessiert.

Die Kunden der Galerie sind in einer Spannweite von zwischen 23 und 75 Jahren alt. Dies stimmt mit der Ziel Kundengruppen Ansprache überein. Die Galerie ist sehr nahbar auch in Bezug zu der Preisgestaltung.

Die Preisstruktur der Galerie nimmt eine Spanne von 400€–16.000€ ein. Zusätzlich gibt es manchmal Editionen die noch günstiger angeboten werden. Diese Preisgestaltung ist im Durchschnitt geringer als bei anderen Galerien. Kunst soll leistbar sein und das nicht nur für eine kleine Sammlerschicht, sondern für jeden und jede der und die sie sich leisten will. Gute Kunst muss nicht zwangsläufig sehr teuer sein. Ich will zeigen, dass gute Kunst leistbar sein kann, ohne Exklusivität einzubüßen.

Galeristen haben drei Aufgaben. Erstens sind sie Vermittler von Kunst von großartigen Menschen an großartige Menschen. Zweitens haben sie einen Bildungsauftrag, den Blick von Menschen zu schulen wenn diese sich auf Neues einlassen. Drittens, eine unternehmerische und wirtschaftliche Aufgabe.

Ich bin ausgebildete Kunsthistorikerin, aber da ich sehr jung bin, kenne ich mich gut mit sozialen Medien aus. Natürlich ist mir sehr wohl bewusst, dass eine Galerie nicht nur als kulturelle Aktivität, sondern auch als Geschäft dient. Ich bin der Meinung, dass Öffentlichkeitsarbeit und Marketing für die Galerie sehr wichtig sind, was bei uns rein online geschieht. Ich investiere viel Zeit und auch Geld in die Online-Präsenz der Galerie. Für eine kommerzielle Galerie, wie meine, ist es nicht mehr so einfach, einen wohlwollenden Artikel in den Printmedien zu bekommen. Umso wichtiger ist die eigene Online-Präsenz. Ich betreibe die Website auch selbst, was leicht möglich ist, da ich eine Kunstbusiness-Software benutze.

Für die Zukunft ist ein Wachstum geplant in dem verstärkt auf das Prinzip vom Vermieten der Kunst aufgebaut wird. Dies wird momentan nur für Unternehmen betrieben. So können bspw. Hotels die Miete von Kunst anfragen, die in ihren Gebäuden dann ausgestellt wird. Dafür entnehmen wir keine Mietgebühr, da wir dadurch einen größeren Ausstellungsraum für die Kunstwerke zur Verfügung haben. Da das Mieten der Räumlichkeiten für die Galerie der höchste Kostenpunkt ist, ist dies ein sehr günstiges Modell um mehr Kunst sichtbar zu machen. Neben den Kunstwerken hängen dann alle Informationen zu den Kunstwerken und

der Galerie. In der Zukunft ist es durchaus denkbar, das Vermieten auch über eine Online Plattform für private Personen, entgeltlich anzubieten. Da die Galerie sehr klein ist, würde dafür definitiv ein externer Anbieter benötigt werden.

Des Weiteren haben wir vor Pop-up Events in ganz Österreich zu machen, um eine weitere Reichweite bei Kunden zu bekommen. Die Kommunikation mit diesem Kunden kann dann vor allem wieder über die Online Kanäle unsere Galerie stattfinden. Ziel ist ein lockeres Galeriekonzept zu entwickeln.

Gallery 2

Momentan ist definitiv eine Veränderung auf dem Kunstmarkt zu beobachten. Diese ist auf jeden Fall durch die Digitalisierung getrieben. Durch Corona lässt sich das aktuell besonders stark beobachten. Viele Galerien werden diese Entwicklung nicht überleben. Wir gehen mit unserem Geschäftsmodell genau gegen diese Entwicklung an. Es ist wichtig, dass sich Galerien zusammenschließen und einen gemeinsamen Mehrwert schaffen. Wir merken jedoch auch, dass das von vielen Galerien noch nicht so gesehen wird, und wir als Onlinegalerie von vielen Galerien noch in einer gewissen Weise belächelt werden.

Wir untersuchen natürlich unsere Wettbewerber, welche vor allem junge, online basierende Geschäftsmodelle sind.

Die Geschäftsmodelle von Artsy und Artnet sind natürlich bekannt. Allerdings denke ich nicht, dass diese sich als Partner für kleinere Galerien mit lokaler Präsenz eignen. Die Kostenstrukturen sind relativ teuer und die Seiten sind nicht sonderlich übersichtlich gestaltet. Gleichzeitig schaffen es die Kunden nicht den Galerien wirklich zu helfen neue Kunden zu akquirieren. Es ist ein reines B2B Geschäft das die Galerien in einer gewissen Weise nur auslutscht. Daher kommt es für uns und unsere Künstler nicht in Frage mit diesen Plattformen zusammen zu arbeiten.

Unser Unternehmen kann als eine erweiterte Onlinegalerie charakterisiert werden. Die traditionellen Aufgaben einer Galerie, wie die Betreuung und Förderung von Künstlern, Kuration von Kollektionen, sowie der Verkauf der Kunstwerke werden online ausgeübt. Jedoch sieht sich das Unternehmen nicht nur als Galerie, sondern gleichzeitig als eine Plattform für andere Galerien ermöglicht, sowie erweiterte Serviceleistungen anbietet. Konkret bietet die Galerie über ihren Online Shop

Kunstwerke zum Vermieten und Kaufen an. Die Laufzeit bei dem Ausleihen der Kunstwerke variiert dabei und kann 3, 6, 12 oder 18 Monat betragen. Die Kosten betragen dabei zwischen 30€ bis 800€ pro Monat, abhängig vom Kunstwerk. Während der Mietlaufzeit können Kunden die Miete entweder verlängern oder das Kunstwerk auch gegen ein anderes umtauschen, wenn sie unzufrieden sind. Des Weiteren können sie sich dazu entscheiden das Kunstwerk zu erwerben. Wenn sie sich dazu entscheiden wird der bisher gezahlte Mietpreis zu 100% angerechnet. Der Kaufpreis bleibt dabei unverändert, selbst wenn der Wert des Werkes in der Zwischenzeit gestiegen ist.

Ich komme aus der Hotelbranche und habe auch Betriebswirtschaft studiert. Daher hatte ich auch das Wissen, ein erweitertes Galeriemodell zu entwerfen und zu verwalten. Die anderen Mitarbeiter haben einen Hintergrund in Kunst, Recht, Marketing und Betriebswirtschaft. Es ist wichtig, die Hauptaufgabe einer Galerie beizubehalten, die darin besteht, die richtige Kunst auszuwählen und ein Unternehmen zu leiten. Alle technischen Aufgaben lagern wir an externe Firmen aus, da innerhalb des Galerie-Teams keine Kenntnisse vorhanden sind. Wir

verfügen jedoch über eine sehr gute Software, mit der wir unsere Website und den Online-Shop selbst verwalten können.

Die Social Media Accounts werden momentan vor allem von Künstlern und Akteuren auf dem Kunstmarkt besucht. Wir bekommen stetig Anfragen von Künstlern und physisch aktiven Galerien die bei uns vertreten sein möchten. Allerdings müssen wir da langsam voran gehen, da unsere Kapazitäten einfach nicht groß genug sind. Wir versuchen aber stetig eine größere Visibilität für potentielle Kunden zu gewinnen. Allerdings sind wir dafür momentan noch zu klein. Die Early Adopters der Kunden haben wir bereits gewonnen, aber jetzt sind wir dabei die nächste Gruppe zu gewinnen. Wir haben da einen langen Atem und arbeiten stetig weiter. Langfristig denken wir, dass Social Media ein wichtiges Medium sein wird, um neue Kunden zu gewinnen. Die Galerie macht paid Media Werbung auf den Sozialen Netzwerken um mögliche Kunden anzusprechen. Dafür sind die Accounts auf den Sozialen Netzwerken besonders wichtig.

Mit Transparenz ist damit explizit die Nennung von Preisen und Preisentwicklungen einzelner Kunstwerke und Künstler gemeint. Dieser Preis ist über die Plattform hinaus einsehbar. Kunden wird offen vermittelt, welche Preissteigerung sie erwarten können, bzw. welche Preisentwicklung schon stattgefunden hat. Dies ist für den Geschäftsführer besonders wichtig, da Kunstwerke stetig auch als Investitionsmöglichkeit für Kunden gesehen wird, welches eventuell auch wieder verkauft werden soll und dabei wenn möglich Gewinn bringen. Alle Kunstwerke die von der Galerie verkauft werden, werden bei Bedarf auch von den Kunden wieder abgekauft. Dabei findet die Preisgestaltung transparent statt. Wir gehen immer davon aus, dass Kunst im Wert steigt. Das zu verwirklichen ist die Aufgabe unserer Galerie. Wir müssen die Künstler fördern und bekannter machen. Wir denken Kunst kann dann als veritabler Asset wie auch eine Uhr oder eine Immobilie betrachtet werden. Wenn dies der Fall ist, sind auch mehr Personen gewillt in Kunst zu investieren. Da es gleichzeitig ein Investment und Kultur bedeutet. Dafür ist Transparenz auf dem Markt jedoch zwingend notwendig. Transparenz über Daten, Künstler und Preise. Pricing parity ist dabei ein zentrales Werkzeug. Die Preise die angegeben werden müssen bei jeder Plattform übereinstimmt. Sonst verliert ein Käufer das Vertrauen. Wir sind überzeugt, dass viele Galerien sich selber zerstören, indem sie die Preise der Kunstwerke nicht veröffentlichen und dadurch Transparenz verhindern.

Die Galerie hat momentan vier Partnergalerien, deren Ausstellungstücke und Künstler auch auf der Onlinewebsite angeboten und präsentiert werden. Langfristig soll diese Zahl erweitert werden. Allerdings konzentriert sich die Galerie momentan hauptsächlich auf die Förderung der eigenen Künstler. Aktuell betreut die Galerie 40 Künstler, das ist im Schnitt mehr als eine stationäre Galerie.

Die Galerie hat keinen stationären Ausstellungsraum. Die Kunstwerke können von Kunden ausschließlich online betrachtet werden. Allerdings versuchen wir diesem Problem durch Anwendungen wie der „augmented reality“, die wir für Kunden anbieten. Mit dem von uns angebotenen AR tool können Kunden unsere Kunstwerke mit Hilfe des Handys an den gewünschten Platz projiziert werden. Dadurch können Fragen wie „Passt das Bild in mein Zimmer?“ und „Harmonisieren die Farben mit meinen Möbeln?“ ganz einfach beantwortet werden. Des weiteren versuchen wir auf Messen mit ihren Partnergalerien vertreten zu sein. Dies ermöglicht einen weiteren Marketingkanal zu bedienen, sowohl mit Kunden persönlich ins Gespräch zu kommen. Der persönliche Kundenkontakt ist durch die bloße online Präsenz

sonst nicht so möglich, was als das größte Problem für die Galerie darstellt. Durch das Besuchen von Messen und paid Media Werbung wird versucht, dem entgegen zu wirken.

Unsere Galerie wurde von Anfang an als Online-Geschäft gegründet. Deshalb haben wir die Prozesse von Anfang an entsprechend gestaltet.

Die Kundenzielgruppe der Galerie sind vor allem Personen die bisher noch weniger in Kontakt mit Kunst gekommen sind. Also „neue Kunden“, „neues Sammlertum“ auf dem Kunstmarkt. Dabei zielen wir auf junge Käufergruppen und allgemein die Mittelschicht ab. Wir haben Kunden im Alter zwischen Mitte 20 bis 70. Wir haben damit Erfolg. Unsere Mietkunden sind im Durchschnitt für mehr als ein-, ein-halb Jahre Kunden bei uns. Gleichzeitig kaufen 95% der Kunden die Kunstwerke mieten, die Stücke nach Ablauf der Laufzeit.

Langsam und stetig wachsen wir seit der Gründung in 2017. Als Wachstumskonzept verfolgen wir stetig neue Künstler für unsere Galerie zu gewinnen. Dies bringt automatisch auch eine größere Kundengruppe mit sich, da wir dadurch eine größere Auswahl an Werken anbieten. Momentan sind wir bereits in sechs Ländern tätig. Langfristig wollen wir unsere Präsenz, vor allem in Europa noch weiter ausbauen.

Die Zukunft wird keine Monopolistischen Strukturen mit sich bringen. Galerien müssen sich zusammen tun um erfolgreich zu sein.

Gallery 3

Seit einigen Jahren ist ein stetiger Wandel auf dem Kunstmarkt zu beobachten. Wir bemerken schon länger, dass viele Galerien in den letzten Jahren schließen mussten. Wahrscheinlich, da sie durch die Digitalisierung zu viel Konkurrenz erfahren. Da muss man sich neue Möglichkeiten überlegen, langfristig noch Erfolg zu haben, auch wenn man, wie wir, einen treuen Kundenstamm hat.

Die Galerie hat einen Online Auftritt durch eine Website, die über unsere Mitarbeiter, die Künstler und die Ausstellungen informiert. Wir haben uns dazu entschieden auf der Website auch keine einzelnen Kunstwerke zu präsentieren. Unsere Social-Media-Aktivitäten dienen hauptsächlich Informationszwecken. Wir präsentieren alle wichtigen Informationen, verkaufen aber nicht online. Deshalb arbeiten wir mit der Online-Galerie zusammen, in der Sie Kunst per Mausclick kaufen können. Diese Partnerschaft ermöglicht es uns, neue Kunden zu erreichen und eine starke Online-Präsenz für unsere Künstler zu haben.

Unsere Mitarbeiter haben weder den Hintergrund, noch hat die Galerie das Kapital um einen eigenen Online Shop für unsere Kunstwerke zu erstellen. Stattdessen nutzen wir einen strategischen Partner, der unsere Kunstwerke über seinen Online Shop anbietet. Kunden können auf dieser Plattform die Kunstwerke direkt kaufen, oder auch für eine gewisse Laufzeit mieten. Wir geben dem Online Shop dafür dann einen Prozentteil der Leih -bzw. Kaufgebühr ab. Andere Kosten fallen für uns jedoch nicht an. Wie verfahren mit diesem Prinzip seit zwei Jahren und sind sehr zufrieden. Im Kontrast zu diesem Modell müssten wir für die Mitgliedschaft unserer Galerie auf Plattformen wie Artsy eine ständige Gebühr, welche unabhängig vom Erfolg ist, zahlen.

Wir haben in der Galerie verschiedene Ausbildungshintergründe. Ich selber habe eine Banklehre gemacht. Meine Partner haben ebenfalls einen Hintergrund in Betriebswirtschaft bzw. in Kunstgeschichte. Das Interesse und Wissen über Kunst ist bei mir familiär bedingt, bzw. ich habe es mir über Jahre angeeignet. Da wir keine große Galerie mit vielen

Mitarbeitern sind, haben wir nicht vor jemanden nur für das Marketing oder einen Online Auftritt zu beschäftigen. Da greifen wir, falls wir nicht weiter kommen, dann auf externe Dienstleister zurück. Wir investieren nicht viele Ressourcen in unsere Online-Präsenz. Die Online-Kanäle der Galerie sind nicht sehr erweitert und benötigen daher nicht viel Arbeit, wir müssen investieren.

Da wir auch keine einzelnen Kunstwerke auf unserer Website anzeigen sind die Preise selbstverständlich auch nicht veröffentlicht. Allerdings gibt unser strategische Partner, der unsere Kunst digital anbietet, die Preise online an. Wir denken nicht, dass das den Künstlern schadet. Im Gegenteil, das schafft eine Gewisse Transparenz.

Für uns ist es sehr wichtig den persönlichen Kontakt mit Kunden zu pflegen. Wir haben einen treuen Kundenstamm, da bspw. ich selber auch schon 30 Jahre Erfahrung in der Kunstwelt habe. Das ist denke ich keinesfalls zu ersetzen. Ich denke aber schon, dass nicht jeder Käufer diesen persönlichen Kontakt benötigt. Diese Käufer wechseln dann eventuell auf digitale Kaufmöglichkeiten der Kunst. Das sind aber vor allem jüngere, unerfahrene Käufer.

Wachstum sehen wir vor allem an der Teilnahme an wichtigen Kunstmessen, in Deutschland und international. Interessant wird sein, wie diese sich auch digital verändern werden. Allerdings haben wir keine Ressourcen um den Online Auftritt der Galerie auszubauen. Um neue Umsatzgenerierung zu ermöglichen setzen wir voll auf externe Dienstleister die unsere Kunstwerke digital anbieten.

Gallery 4

Wir hatten im April unsere Onlineeröffnung (gezwungenermaßen durch Corona), die sehr gut bei den Kunden ankam (haben direkt Rückmeldung bekommen. Online Viewing Room, mit Videos, Fotos und Informationen im "Magazin Style".

Veränderung des Kunstmarktes durch die Digitalisierung ist stark ausgeprägt. Man merkt dass vor allem, dass die Digitalisierung die Globalisierung des Kunstmarktes vorantreibt. Alles geht schneller, die Kunden sind globaler unterwegs und informieren sich weltweit bei Galerien, dadurch dass Informationen einfach einsehbar und sammelbar sind. Der Kunde hat die Möglichkeit bei jeder Galerie auf der Welt zu schauen, was und wie diese bspw. von einem Künstler verkaufen. Dadurch ist es sehr wichtig für Galerien sich nicht primär als Wettbewerber zu sehen, sondern ein Netzwerk zu bilden und sich abzusprechen. Das ist insbesondere wichtig in Bezug zu der Preissetzung, die bei den Galerien übereinstimmen sollte. Wir haben momentan schon eine starke Partnerschaft zu einer Galerie in Mexiko und einer in Zürich.

Wir sehen unsere größten Wettbewerber als die großen Galerien. Die online Plattformen wie Artsy und Artnet betrachten wir eher als ergänzend für den Markt. Jedoch sehen wir dass Artsy und Artnet stark an Einfluss gewinnen. Wir sehen es als wichtig auf den Plattformen präsent zu sein um ein internationales Publikum anzusprechen. Wir betrachten die beiden Player als eine Möglichkeit für eine erhöhte Visibilität. Es ist schwer nachzuvollziehen welche Kunden sich über die Plattformen informieren und uns dann über andere Kanäle kontaktieren. Direkte Kaufanfragen über die Plattformen von Kunden kommen eher seltener zustande. Das passiert eigentlich nur, wenn die Kunden familiär mit den Künstlern sind und geübte Sammler. Es ist jedoch ein starkes Mittel um Informationen über die Galerie auf einem anderen Medium herauszutragen. Primär sind die Plattformen sehr nützlich, dass Art-Consultans, vor allem aus den USA, auf uns aufmerksam werden. Auf Artnet sind wir bereits

vertreten, über eine Präsenz auf Artsy diskutieren wir momentan noch. Allerdings ist das natürlich eine Kostenfrage, da beide Plattformen hohe Gebühren von den Galerien verlangen.

Preise geben wir auf unseren digitalen Medien nicht an, wie die meisten anderen Galerien auch. Das liegt vor allem an unserem hochpreisigen Segment an Kunstwerken. Wir denken das Angeben der Preise auf der Website wirkt zu offensiv. Interessierte Kunden bekommen Mails mit allen notwendigen Informationen zugesendet. Jedoch sind wir momentan dabei eine günstigerer Linie einzuführen, bei denen die Preise angegeben werden. Diese sollen dann auch vermehrt direkt über unsere Website Verkauft werden und weniger über die physischen Galerieräume. Momentan sind wir dabei dafür einen Online Shop einzurichten. Die Werke (Editionen, Druckgraphiken) werden dann in der Linie in etwa unter 3.000€ liegen und neue Kundengruppen ansprechen. Wir beobachten da das Vorgehen der Wettbewerber, die damit schon erfolgreich sind.

Digitale Strategie geplant, jedoch ergänzend zum physischen Raum, so dass der persönliche Kontakt nach wie vor sehr wichtig ist und nicht durch eine Website oder einen Online Shop ergänzt werden kann. Durch einen physischen Raum, können (vor allem größere) Galerien ihre Kunden stark an sich binden.

Bei dem Medium Facebook bemerken wir, dass uns vor allem Ältere Personen folgen und interagieren. Dem Instagram Kanal dagegen wird vor allem von jüngeren Personen gefolgt (25-35 Jahren). Ziel der Social Media Accounts, und vor allem Instagram ist es eine jüngere Kundengruppe aufzubauen – jüngere potentielle Kunden an die Kunst heranzuführen. Es gibt momentan wenig junge (unter 40 Jahren alt) die Kunst kaufen und sammeln. Wir denken, dass je häufiger die Kunden etwas sehen, z.B. über Instagram, desto eher entwickeln sie ein Gefühl dafür und können sich damit identifizieren zu sammeln. Instagram ist gleichzeitig auch sehr wichtig für Künstler um sich darzustellen. Für uns ist es primär wichtig, auch im Vergleich mit den großen Galerien, Content zu veröffentlichen. Unsere Social Media Strategie verfolgt daher momentan nicht primär direkt den Verkauf zu pushen, da die Kunstwerke einfach zu teuer sind (5.000€–100.000€). Für die günstigere Linie die eingeführt wird, wird sich das dann ändern. Bei Kollegen verfolgen wir, dass Kunstwerke unter 5.000€ schon vermehrt über Social Media Accounts direkt angefragt werden und Käufer gewonnen werden können.

Wir bemerken bei jüngeren Interessenten auch häufig, dass man erst eine Vertrauensbasis aufbauen muss. Kunstkauf ist ein Vertrauenskauf. Jüngere Kunden muss man das Sammeln erst einmal heranzuführen und das Metier Kunst und Künstler erklären. Dafür ist eine persönliche Betreuung über einen längeren Zeitraum sehr wichtig. Dabei bauen wir darauf, dass diese Personen eventuell erst nach ein paar Jahren einen Ertrag für uns bringen.

Einige Galerien haben ihre eigenen Magazine oder bspw. Podcasts. Andere präsentieren ihre Galerien regelrecht als Museen. Kleinere Galerien haben diese Möglichkeit durch geringere Ressourcen nicht. Als Alternativen können sie jedoch Inhalte über digitale Kanäle veröffentlichen und sich damit zu positionieren. Über den Netzwerkgedanken mit anderen Galerien kann das erfolgreich sein. Zwirner z.B. hat bereits auf ihrer Website auch Viewing Rooms von kleineren Galerien.

Wichtig sind dafür definitiv Plattformen, die Kunden, Künstler und Galerien zusammenbringen. Austausch von Kunden und Sammlern ist essentiell. Dafür brauchen wir jedoch zuerst einen höheren Impact (Präsenz) auf unseren Social Media Accounts.

Das Team der Galerie ist relativ jung (im Durchschnitt um die 30 Jahre), daher sind alle Mitarbeiter recht affin im Umgang mit digitalen Werkzeugen und Medien. Der akademische Hintergrund der Mitarbeiter in der Galerie ist bei allen außer einem ein Kunsthistorischer. Eine Person hat einen Hintergrund in Architektur und Kenntnisse mit spezifischen digitalen Programmen und Photoshop. Alle spezifischen Techkenntnisse holt die Galerie von Extern (Graphikdesignbüro, Programmierer). Kunstkenntnisse sind bei uns überaus wichtig, denn das ist unser wichtigstes Wertversprechen als Galerie.

Für die Digitalisierung der Galerie wurden neue Plattformen benötigt. Daher wurde der Datenbank Software Anbieter für die Website gewechselt (nun Artlogic). Früher wurde der Datenbank Anbieter Artdimension verwendet, die jedoch sehr „old school“ ist. Die jetzige Datenbank ist komplett Serverbasiert, und die Galeriemitarbeiter sind unabhängig von den physischen Galerieräumen (wichtig für das Homeoffice). Mailings, spezifische Ordnerfreigaben an Kunden und die Website werden komplett über die Datenbank (den Server) gesteuert. Für den Online Shop ist die neue Datenbank Software ebenfalls notwendig. Wir denken es ist wichtig auf andere Industrien zu schauen, und nach Start-ups und innovativen Unternehmen zu schauen um Prozesse zu vereinfachen. Die neue Datenbank ermöglicht es unseren Mitarbeitern vieles selber umzusetzen und zu verwalten, da sie einfach bedienbar ist.

Für Künstler wird es wichtig sich auf sozialen Medien zu präsentieren. Vor allem ältere Künstler müssen das erst lernen und sich mit den Medien vertraut machen, bzw. sich überlegen welches Bild sie selber überhaupt gerne im Digitalen Raum darstellen möchten. Es wird zu einem gewissen Maße ein Muss, digital präsent zu sein.

Die digitalen Plattformen ermöglichen es uns verschieden unserer Künstler gleichzeitig zu präsentieren. Die physischen Räume einer Galerie zeigen entweder eine Einzelausstellung oder eine Gruppenausstellung von Künstlern. Ein Künstler und dessen Kunstwerke waren also nur alle paar Jahre (3-4 Jahre) präsent repräsentiert von einer Galerie. Auf Instagram können wir jedoch jederzeit Uploads zu Künstlern machen, auch wenn diese aktuell keine Ausstellung bei uns haben. In den Viewing Rooms auf unserer Website können wir sogar gleichzeitig verschiedene Ausstellung von verschiedenen Künstlern präsentieren.

Wachstum ist vor allem durch das Bilden eines Netzwerkes von Galerien geplant, indem man im globalen Umfeld mit lokalen, kleineren Galerien zusammen arbeitet. Um den großen Galerien wie Gargosian (die viele Standorte haben) entgegentreten zu können. Kleinere Galerien sind interessant, wenn sie spezialisiert sind und spezifischer auf ihre Kunden eingehen können. Eventuell geht der Trend auch weg von Art Fairs, die viele Ressourcen benötigen (Zeit, Kosten, Personal).

Gallery 5

Wir haben vor dem Corona Ausbruch war kaum eine Veränderung auf dem Kunstmarkt gesehen. Jetzt versuchen eventuell einige durch ihren Online Auftritt Präsenz zu halten, allerdings ist das eher bei den noch nicht so bekannten, neuen Galerien zu beobachten. Wir

sind sehr aktiv auf Messen, und die fallen durch Corona natürlich jetzt physisch aus. Da können auch die virtuellen Showrooms nicht viel dran ändern. Das ist für uns natürlich problematisch.

Artsy und Artnet sind mir bekannt. Das sind online Portale, die über Kunst, Galerien und Künstler informieren. Allerdings sehen wir die nicht als Wettbewerber. Unsere Galerie ist auf beiden Portalen nicht präsent. Das liegt zu einem an den Kosten und dann denken wir dass das eher für internationale Kunden wichtig ist, eventuell ist es auch sinnvoll, wenn man noch keinen bestehenden Kundenstamm hat.

Neben unserer Website haben wir einen Instagram Account und einen Facebook Account. Allerdings teilen wir die Kanäle mit den anderen Dependancen unserer Galerie. Wir präsentieren auf der Website keine einzelnen Künstler und auch keine Fotos oder Videos. Alle nötigen Informationen sind jedoch zu finden (Namen der Künstler, Mitarbeiter, Daten und Themen der Ausstellungen, Kontaktdaten). Unsere Kundschaft braucht keine detailreichen Erläuterungen und Darstellungen online. Die Kunstwerke möchten ja prinzipiell immer gerne physisch betrachtet werden. Da ist der digitale Raum keine Konkurrenz. Wirklich auswerten wer uns auf den Kanälen der Sozialen Netzwerke folgt tun wir nicht, allerdings haben wir auch nur wenige Follower (ca. 850) und nehmen an es sind vor allem Freunde, Stammkunden und Geschäftspartner. Wir führen die Kanäle primär um Informationen zu veröffentlichen und Präsenz zu zeigen. Das geht bei diesen Medien natürlich auf eine persönlichere Weise als auf unserer Website und ist weniger kompliziert. Preise geben wir prinzipiell nur auf Nachfrage an. Das wirkt bei so hochpreisigen Exponaten sonst etwas merkwürdig. Bei Kunst geht es ja auch nicht darum einen Alltagsgegenstand zu kaufen.

Unsere Preisspanne für Kunstwerke liegt bei etwa 500€–100.000€. Unsere Käufer sind vor allem aus dem deutschsprachigen Raum, wobei hier in Berlin auch immer mal internationalere Käufer präsent sind. Bei unseren anderen Dependancen würde ich sagen, dass es fast ausschließlich lokale Kunden sind. Das Alter der Kunden ist im Durchschnitt wahrscheinlich bei über 50 Jahren.

Wir glauben nicht, dass die Vermietung von Kunstwerken ein profitables Geschäft ist. Sammler wollen ein Kunstwerk besitzen. Gleichzeitig wäre es kompliziert, ein Kunstwerk zu versichern, abzuliefern und zu tauschen, besonders wenn der Mieter nicht aus der Gegend stammt.

Wachstum streben wir vor allem durch das Besuchen von Kunstmessen an. Des weiteren Partnern wir mit anderen deutschen Galerien bei einem gemeinsamen Format, bei denen wir wechselnde Ausstellungen, von Art Talks begleitet in verschiedenen Städten ausrichten. Dadurch lässt sich eine breitere Masse von potentiellen Kunden und Interessierten ansprechen und wir können unser Netzwerk ausbauen. Der Kontakt zu anderen Galerien ist für uns sehr vielversprechend.

Appendix (3) Grouping of relevant quotes derived from the interviews (in English)

Theme	Quotes (translated)
<p><i>Disruptive Innovation by Digitalization of the art market</i></p>	<p><u>Gallery 1:</u></p> <ul style="list-style-type: none"> - Before the Corona <pandemic> outbreak there was hardly any change to be observed on the primary art market. Many galleries have tried to go digital, but this has mostly been limited to the positioning of the brand. At the moment, it can be observed that art fairs in particular are accessing digital alternatives. This of course also has an effect on the galleries that exhibit at the fairs. So it has to become the standard for every gallery to present the artworks well online. If you don't act <as a gallery> and don't react on this change, you will have no success. - I have heard about the online platforms Artnet and Artsy and I have also considered working with the Artsy platform. But a membership costs relatively much for a small gallery like mine. The cheapest "package" that comes into question for my gallery requires me to disclose the prices of the artwork. Since I do not follow this strategy, it is out of the question for me to position my gallery on "Artsy". I see these online platforms more as an addition to the existing offer of galleries and less as competitors. It may well be that they lead to more transparency in the art market, as they bundle and publish information about artworks, artists, galleries and prices. However, we still observe that most buyers want to see the artworks physically and that our presentation of art online is not enough for them. Online, customers often first check the price and the general conditions, and the decision to buy is then made in the local gallery. - The relationship between artist and gallery owner is very close. One can compare this with a marriage. <p><u>Gallery 2:</u></p> <ul style="list-style-type: none"> - At the moment we are definitely seeing a change on the art market. This is definitely driven by digitalization. This can be observed particularly strongly through Corona. Many galleries will not survive this development. With our business model, we are tackling precisely this development. It is important that galleries join forces and create joint added value. However, we are also noticing that many galleries do not yet see it that way, and that we as an online gallery are still being smiled at in a certain way by many galleries. - We are of course looking at our competitors, mainly young online-based businesses. - I don't think they are suitable as partners for smaller galleries with a local presence. The cost structures are relatively expensive. Furthermore, the website is designed in a confusing

structure, which makes it difficult to find individual galleries. At the same time, the platforms don't really manage to help the galleries to acquire new customers. They are more useful for pure B2B businesses.

- With transparency on the market we explicitly mean the naming of prices and price developments of individual artworks and artists. This price can be viewed beyond the platform. Customers are openly informed about the price increase they can expect or which price development has already taken place. This is especially important for the managing director, as artworks are always seen as an investment opportunity for customers, which may also be resold and, if possible, bring profit. All works of art sold by the gallery will be bought back from the customers if necessary. The pricing is transparent. We always assume that art increases in value. To realize this is the task of our gallery. We have to promote the artists and make them better known. We think that art can then be considered a veritable asset like a watch or a real estate. If this is the case, more people are willing to invest in art. Since it is both an investment and a cultural asset.

Gallery 3:

- For some years now, a constant change can be observed on the art market. For some time we have been noticing that development and observed how many galleries have had to close down in recent years. This is probably because they are experiencing too much competition due to digitalization. So you have to think of new ways to be successful in the long term, even if you have a loyal customer base, like us.

Gallery 4:

- Change in the art market due to digitalization is very prominent. You can see that digitalization is driving the globalization of the art market. Everything goes faster, the customers are travelling more globally and inform themselves about galleries worldwide, since information is easily accessible and collectable. The customer has the possibility to look at every gallery in the world to see what and how they sell, for example, by an artist. Therefore it is very important for galleries not to see themselves primarily as competitors, but to form a network and to coordinate their activities. This is especially important in relation to pricing, which should be the same for all galleries. We already have a strong partnership with one gallery in Mexico and one in Zurich.
- Our main competitors are the large established art galleries, having different branches around the world. They have a huge, international customer base and started early on to implement digital tools into their activities. We strive to follow their path and implement digital strategies. In the physical world we target the same customer group as they do. But we decided for our online strategy, opening an online shop, to offer a cheaper

	<p>line of artworks. We observed that art below €5,000 is most suitable to purchase online. In this category, we fear the young, emerging companies in the online business as our competitors.</p> <ul style="list-style-type: none"> - We perceive the two platforms as an opportunity for increased visibility. It's hard to identify which customers got information on the platforms and then contacts us through other channels. Direct purchase requests via the platforms of customers are less frequent. This actually only happens if the customers are familiar with the artists and are experienced collectors. However, the platforms are powerful tool to present information about the gallery on an external digital medium. Primarily, the platforms are very useful to get the attention of art consultants, especially from the USA. We are already represented on Artnet, and we are currently discussing a presence on Artsy. However, this is of course a question of cost, as both platforms demand high fees from the galleries. - Important for the online presences of a gallery are definitely platforms that bring together clients, artists and galleries. Information exchange between different clients and collectors is also essential. <p><u>Gallery 5:</u></p> <ul style="list-style-type: none"> - We have seen little change in the art market in the last years and do not think the art market is developing. Due to the Corona outbreak, some galleries may try to maintain to be present through digital tools. - Artsy and Artnet are online portals that provide information about art, galleries and artists. But we do not perceive them as competitors.
Questions to the theory of business innovation	
<i>Value proposition for customers</i>	<p><u>Gallery 1:</u></p> <ul style="list-style-type: none"> - In general, I try to position my gallery strongly online and therefore use the social media channels YouTube, Facebook and Instagram and maintain my gallery website. On this website all the artworks we show in the gallery are presented. This is done through photos as well as through a virtual showroom, which allows a closer look at the effect of the artworks. But I do not do sell art through an online shop. Especially online I do not want to give prices, because the internet does not forget. But the prices of artists are changing constantly; above all I try to increase them with time by supporting my artists. If customers find old prices in the internet and compare them with these prices, there is a lot of discussion potential, which I try to avoid. The online presence of the gallery is primarily used as a marketing, communication and information tool and less as a sales tool. - I explicitly analyze the galleries online channels. Especially artists meet the gallery for the first time via the online

presence. Most of the customers, who visit our online presence, have usually been to our gallery before. At the moment we are trying to work on this by being presented by online articles of art magazines.

- The personal contact between buyer and gallery owner is very important for us. Even if inquiries about artworks emerge via online media, such as social media accounts, the buyers have usually been to the gallery in person. This is due to the character of artworks. Especially customers who are not yet so experienced with the art market need or ask for advice when buying art. Since the gallery also considers younger people as a target group, who usually do not yet own any or only a few works of art, it is very important that we provide support for them. Thereby the online presence is a great help for the communication with our customers.

Gallery 2:

- We are constantly trying to gain more visibility for potential clients. However, we are still too small for this at the moment. We have already won the early adopters of our customers, but now we are about to win the next group. In the long term, we think that social media will be an important medium to win new customers. The gallery makes paid media advertising on the social networks to attract potential customers. Therefore the accounts on the social networks are especially important.
- The gallery has no stationary exhibition space. The artworks can only be viewed online via our website by customers. However, we try to solve this problem by applications like "augmented reality", which we offer to customers. With the AR tool we offer, customers can use their mobile phone to project our artwork to the desired location. This makes it easy to answer questions such as "Does the picture fit in my room?" and "Do the colors harmonize with my furniture?". Furthermore, we try to be represented on fairs together with our partner galleries. This enables us to serve another marketing channel, as well as to get into personal contact with customers. Personal customer contact is otherwise not possible by our mere online presence, which is the biggest problem for the gallery. Therefore we try to counteract this by visiting trade fairs and paid media advertising.
- Our customer target group is mainly people who have had less contact with the art market so far. This means "new customers", "new collectors" on the art market. In doing so, we are targeting young buyer groups and the middle class in general. We have clients between the ages of mid 20 to 70, and we are successful with this. On average, our rental customers are with us for more than one, one and a half years. At the same time, 95% of our customers buy the artworks they rent, and the pieces at the end of the rental period.

Gallery 3:

- It is very important for us to maintain personal contact with clients. We have a loyal customer base, as I myself have 30 years of experience in the art world. I don't think that can be replaced in any way for our customers. It is possible that not every buyer needs this personal contact. These buyers may then switch to digital art purchase options. But these are mainly younger, inexperienced buyers.
- Our social media activity is mainly done for information purposes. We present all-important information but do not sell via our online presence. Therefore we partner with the online gallery, where you can buy art via a click. This partnership enables to reach new customers and have a strong online presence for our artists.

Gallery 4:

- With the medium Facebook we noticed that especially older people follow and interact with us. Compared to that, our Instagram channel is mainly followed by younger people (25-35 years). For us, the goal with the Instagram account, is to build a younger customer group - to introduce young potential customers to the art medium.
- There are currently few young people (under 40 years old) who buy and collect art. We think that the more often customers see something, e.g. about Instagram, the more they develop a feeling for it and can identify with collecting. Instagram is also very important for artists to present themselves. For us it is primarily important to publish content, also in comparison to the big galleries. Our social media strategy is not primarily to push sales directly, because the artwork is simply too expensive (€5,000–€100,000). For the cheaper line that will be introduced, this will then change. Among colleagues, we are pursuing the idea that works of art under €5,000 are already increasingly requested directly via social media accounts and buyers can be won over.
- We also often notice with younger interested parties that a basis of trust must first be built. Buying art is a purchase of trust. Younger customers must first be introduced to collecting and the profession of art and artists explained. Personal support over a longer period of time is very important for this. We build on the fact that these people may only bring us a return after a few years.
- For artists it becomes important to present themselves on social media. Especially older artists have to learn how to do this and get familiar with the media, or even think about which image they would like to present themselves in the digital space. To a certain extent, it is becoming a must to be digitally present.

	<p><u>Gallery 5:</u></p> <ul style="list-style-type: none"> - We do not present individual artists on the website, nor do we show photos or videos. However, all necessary information can be found (names of artists, staff, dates and topics of exhibitions, contact details). Our clients do not need detailed explanations and presentations online. In principle, the artworks always want to be viewed physically. - Our social media accounts presents just as the website, the most important information. We think it is important to be present, that our customers can always stay informed. But, if they want to interact with us, they don't do it online. Therefore they come to the gallery or call us.
<p><i>Organization's resources, such as people, cash, and technology</i></p>	<p><u>Gallery 1:</u></p> <ul style="list-style-type: none"> - I am a trained art historian, but since I am very young I am well versed in social media. Of course I am well aware that gallery not only serves as a cultural activity but also as a business. I feel that public relations and marketing are very important for the gallery, which is done purely online. I invest a lot of time and also money in the online presence of the gallery. For a commercial gallery like mine, it is no longer so easy to get a benevolent article in the print media. Therefore the own online presence is even more important. I also operate the website by myself, which is easy possible since I use an art business software. - The videos that are filmed for our channel on Youtube are produced by an external service provider. - In my opinion, gallery owners have three tasks. First, they are mediators of art from great people to great people. Secondly, they have an educational mission to train the eye of people when they get involved in something new. Third, the entrepreneurial and the economic task. <p><u>Gallery 2:</u></p> <ul style="list-style-type: none"> - I have a background in the hotel industry and studied also business management. Therefore, I had the knowledge to design and manage an extended gallery model. The employees have a background in art, law, marketing and business administration. It is important to keep the main task of a gallery, which is to choose the right art and to manage a business. - All technical tasks, we outsource to external companies, as there is no knowledge within the gallery team. However, we have a very good software with which we can manage our website and the online shop ourselves. <p><u>Gallery 3:</u></p> <ul style="list-style-type: none"> - We do not invest many resources in our online presence. The online channels of the gallery are not very extended and thus do not need a lot of work, we have to invest. Instead we pay

	<p>our partner online gallery a part of the profit, if they sell an artist work on their website.</p> <ul style="list-style-type: none"> - Since our gallery only has a staff of three, we do not intend to employ someone just for marketing or an online presence. If we don't get ahead, we will fall back on external service providers. <p><u>Gallery 4:</u></p> <ul style="list-style-type: none"> - We think it is important to look at other industries, and to look at start-ups and innovative companies to simplify processes. The new database allows our employees to implement and manage many things themselves, as it is easy to use. - The gallery's team is relatively young (on average around 30 years old), so all employees are quite affine to digital tools and media. The academic background of almost the whole gallery's staff is an art historical one. Only one employee has a background in architecture and can handle technical tools, as Photoshop very well. Knowledge in art is super important, as that is our key value proposition. <p><u>Gallery 5:</u></p> <ul style="list-style-type: none"> - We don't think we have to change our strategy and hence do not need to invest any resources into digital tools. Of course we need to update our Facebook and Instagram channel, but this does not take lots of time.
<p><i>Processes of the organization</i></p>	<p><u>Gallery 1:</u></p> <ul style="list-style-type: none"> - I use a software for businesses in the art industry, which helps me to manage pretty much the whole business. - The data of social media I do evaluate in detail. Thus it can be observed how successful the individual contributions are. It is also important for me to see which users are interested in my website. <p><u>Gallery 2:</u></p> <ul style="list-style-type: none"> - Our gallery was founded from the beginning on as an online business. Therefore we designed the processes accordingly from the start. <p><u>Gallery 4:</u></p> <ul style="list-style-type: none"> - The current database is completely server-based, and the gallery staff is independent from the physical gallery rooms. This is especially important for working from home, as currently needed during the Corona pandemic. - The digital platforms allow us to present different artists at the same time. The physical spaces of a gallery show either a solo exhibition or a group exhibition of artists. So an artist and his or her artwork were only present every few years (3-4 years) represented by a gallery. On Instagram, however, we can

	<p>make uploads to artists at any time, even if they don't have a current exhibition with us. In the Viewing Rooms on our website we can even present different exhibitions of different artists at the same time.</p> <ul style="list-style-type: none"> - For the digitalization of the gallery new platforms were needed. Therefore the database software provider for the website was changed (now Artlogic). Formerly the database provider Artdimension was used, but it is very "old school". The current database is completely server-based, and the gallery staff is independent from the physical gallery rooms. This is especially important for working from home, as currently needed during the Corona pandemic. Mailings, specific folder shares to customers and the website are completely controlled by the database (the server). The new database software is also necessary for the online shop.
<p><i>Organization's profit formula</i></p>	<p><u>Gallery 1:</u></p> <ul style="list-style-type: none"> - For the future, a growth is planned in which the principle of renting art is increasingly built on. This is currently done for companies. For example, hotels can request the rental of art, which is then exhibited in their buildings. We do not charge a rental fee for this, as it gives us a larger exhibition space for the art works. Since renting the space for the gallery is the highest cost item, this is a very inexpensive model to make more art visible. Next to the artworks you will find all information about the artworks and the gallery. - In the future, it is also possible to offer the renting of the gallery through an online platform for private persons, for a fee. Since the gallery is very small, an external provider would definitely be needed. - Furthermore, I am planning to hold pop-up events all over Austria in order to get a wider reach to customers. The communication with this customer can then take place mainly via the online channels of our gallery. The goal is to develop a loose gallery concept. <p><u>Gallery 2:</u></p> <ul style="list-style-type: none"> - As a growth concept we are constantly trying to attract new artists to our gallery. This automatically leads to a larger group of customers, as we can offer a larger selection of works. ... In the long term this number (of partner galleries) is to be expanded. ... We are sure that the future will not bring monopolistic structures. Galleries must join forces to be successful. - Our company can be characterized as an extended online gallery. The traditional tasks of a gallery, such as the support and promotion of artists, curation of collections, as well as the sale of artworks are carried out online. However, the company sees itself not only as a gallery, but also as a platform for other

galleries and offers extended services. In concrete terms, the gallery offers through its online shop artworks for rent and purchase. The duration of the loan of the artworks varies and can be 3, 6, 12 or 18 months. The costs range from €30 to €800 per month, depending on the artwork. During the rental period, customers can either extend the rental period or exchange the artwork for another one if they are dissatisfied. They can also decide to purchase the artwork. If they decide to purchase the artwork, the rental price paid so far will be credited at 100%. The purchase price remains unchanged, even if the value of the work has increased in the meantime.

- We have been growing slowly and steadily since our foundation in 2017, and as a growth concept we are constantly trying to attract new artists to our gallery. This automatically leads to a larger group of customers, as we can offer a larger selection of works. The gallery currently has four partner galleries, whose exhibits and artists are also offered and presented on the online website. In the long term this number is to be expanded. At the moment, we are already present in six countries. In the long term, we want to expand our presence even further, especially in Europe. We are sure that the future will not bring monopolistic structures. Galleries must join forces to be successful.

Gallery 3:

- In order to generate new revenues, we rely entirely on external service providers who offer our artworks digitally.
- We see growth above all in participation in important art fairs in Germany and international. It will be interesting to see how these (the fairs) will also change digitally. However, we have no resources to expand the gallery's online presence. In order to generate new revenues, we rely entirely on external service providers who offer our artworks digitally.

Gallery 4:

- We hope to grow with the introduction of our less expensive line. This is particularly important in order to build a larger customer base for the future.
- Growth is planned primarily through the creation of a network of galleries, working in a global environment with local, smaller galleries. To be able to face the big galleries like Gargosian (which have many locations). Smaller galleries are interesting if they are specialized and can respond more specifically to their clients.
- The trend may also be away from art fairs, which require many resources (time, costs, personnel).

Gallery 5:

- We are aiming for growth primarily by visiting art fairs. We also

	<p>partner with other galleries in a common format, organizing changing exhibitions in different cities, accompanied by Art Talks. This allows us to address a wider range of potential clients and interested parties and we can expand our network. The contact to other galleries is very promising for us.</p> <ul style="list-style-type: none">- We don't think that renting out artworks is a profitable businesses. Collectors want to own a piece of art. At the same time it would be complicated to insure, deliver and exchange a work of art, especially if the tenant was not from the local area.
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