
Hiscox online art trade report 2020

PART THREE: TOWARDS A FRICTIONLESS ONLINE JOURNEY



Cover artwork:
Flora Yukhnovich, *Lick into Shape*, 2021 | Oil on linen | 80 x 70 cm | 31 1/2 x 27 1/2 in | © Flora Yukhnovich | Courtesy the artist and Victoria Miro

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Introduction

The online art market has well and truly found its feet and business is prospering. But look beneath this rosy picture and it is clear that the online market needs to be friendlier to use. It must improve its customer journey and service if it is to cement its share of the business as the art market physically re-opens.

It's not long since Beeple sold a digital artwork for \$69 million. Call me a dinosaur, but that is enough to buy a good Picasso, which is what I would go for any day of the week. Digital art's affair with non-fungible tokens is sucking in new money and in the very near future looks likely to replace contemporary art as the dominant sector in the art market.

That potentially turns the online art market on its head, with existing platforms that are selling physical art online scrabbling to meet this new demand. Otherwise, in the immortal words of the late, great Sean Connery, they risk *"bringing a knife to a gunfight"*.

Robert Read

Head of Art and Private Clients
Hiscox

Key findings



IN PART THREE, THE FINAL CHAPTER OF THE HISCOX ONLINE ART TRADE REPORT 2020, WE LOOK AT THE PROBLEMS EXPERIENCED BY ONLINE ART BUYERS, FOCUSING ON FIVE CRUCIAL STAGES IN THE CUSTOMER JOURNEY: TRUST IN THE SELLER, OBJECT SPECIFIC RISKS, VALUATION, TRANSACTION RISKS AND FULFILMENT.

REMOVING HURDLES

Close to half of millennial art buyers (46%) remain sceptical about buying art online, but this could soon change: 41% said they were likely to buy art online this year, while a further 46% said they 'might consider' it. However, there are still big hurdles online art sellers must overcome before customers enjoy a seamless service.

BUYER BEWARE

Collectors are hesitant about buying online because:

- they are unable to physically inspect the artwork (75%);
- they worry about its true condition (67%);
- it's difficult to establish a piece's quality (59%);
- they are fearful of buying a fake or forgery (51%).

A QUESTION OF TRUST

Among art buyers that have not yet bought online, 62% of new art buyers and 61% of millennial art buyers say that customer reviews and feedback would encourage them to make a purchase. Only 26 (37%) of the 70 online art platforms we researched offer customer reviews.

HUMAN CONTACT

As we stated in part two of the 2020 report, 70% of new art buyers and 66% of millennial buyers said they would be more confident in buying online if they had the opportunity to talk to an advisor. Only 27% of online platforms offer a live chat function.

BACK IN THE ROOM

While most online art platforms use new tools to enable customers to view works, some have begun to experiment with other technology to bring the virtual viewing process even more to life, such as extended reality (XR), virtual reality (VR) and augmented reality (AR). A majority (57%) of millennial art buyers expect these to have a big impact in the future.

PRICING AND VALUATION

Over eight-out-of-ten (82%) new buyers said that having pricing or valuation tools would make them more confident to buy art online. Of the online art platforms questioned, 93% provide clear pricing on artworks; half also provide prices of similar pieces they have sold; and 54% would display prices by comparable artists. But only 27% – largely auction sites – provide a price guidance tool (such as past prices or recent performance).

RETURN TO SENDER

Over half (56%) of art buyers have been deterred from making a purchase because of an art website's return policy. This increases to 62% among new art buyers. Only half of the online art platforms we looked at provide a return guarantee. Of those, 77% make the client cover the cost of shipping. Only 14% offer free returns.

FREE SHIPPING

Many (70%) hesitant online art buyers would be more likely to buy if shipping was free, yet only 10% offer this service. Although 60% clearly state shipping methods and estimated costs, the remaining 40% offer shipping without being clear how much it would cost.

INSURANCE COULD BOOST MARKET

The ability to insure a piece at the point of sale would increase their confidence in buying online, said 88% of new art buyers. Only 30% of art websites offer the chance to insure an artwork at the check-out; half offer no insurance information at all.

CREDIT COULD BRING EXTRA SALES

Most (53%) millennial and new art buyers say they would buy more art if they could pay for it in instalments, yet only 14% of platforms currently offer buyers credit options.

CYBERSECURITY FEARS

A majority of online art buyers (57%) are afraid of credit card hacking, and half of online buyers worry about payment/invoice interception and data theft.

Less pain, more gain

The Hiscox online art trade report 2020 [part one](#) and [part two](#) showed the dramatic shift towards online art buying during the Covid-19 pandemic. Among existing online art buyers, 82% of new art collectors – those who have been buying art for fewer than three years – bought works online between March and September 2020, up from 36% in 2019. Of millennial art enthusiasts – aged under 35 – 69% said they had bought art online during the same period. Christie's, Sotheby's and Phillips online-only auction sales broke \$1 billion in 2020, up 524% from 2019 – evidence of a seismic shift in the global art market.

Online art buyers' satisfaction with the service they received, while far from perfect, is also improving, our research shows. Only 26% said their artworks arrived later than promised in 2020, a big improvement on the previous year (41%) despite the enormous disruption created by the pandemic. Improvements in presenting pieces online seem to be working too, with only 15% of art buyers saying that their artwork looked different than described. It's a similar story with complaints about a piece's condition: 10% reported that the condition of their artwork was different from how it was described, compared to 36% in 2019. Only 11% reported their purchases had been damaged while in transit, down from 31% in 2019.

As a result, consumers are now more comfortable buying online. Over half (54%) of millennial art buyers and new art buyers (60%) said their interest and confidence in buying art online rose during 2020. But 47% of millennials and 55% of new art buyers said they still haven't bought art online. This might be about to change. More than

two-out-of-five 'hesitant' millennial art buyers (41%) and new art buyers (42%) said they were likely to buy art online in the next 12 months.

So, what could turn them from potential into actual buyers? In part three of the Hiscox online art trade report 2020, we focus on the problems experienced by online art buyers, split into five key stages in the customer journey: trust in the seller, object specific risks, valuation, transaction risks and fulfilment.

We draw on the findings in the art buying survey, launched in October 2020, as well as research into existing practices among 70 online art platforms reviewed in December 2020, most of which were listed in part one of the report.

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Zanele Muholi, from the *Somnyama Ngonyama* series, *MuMu XIX*, London, 2019 | Silver gelatin print, 100 x 100cm | Edition 2 of 8 plus 2APs
© Zanele Muholi | Courtesy of Stevenson, Cape Town/Johannesburg and Yancey Richardson, New York



The online art buyer journey



TRUST IS KEY TO EVERY TRANSACTION, BUT IT'S ARGUABLY AN EVEN BIGGER CONCERN IN THE ART MARKET, WHERE REASSURANCE ABOUT A PIECE'S AUTHENTICITY AND CONDITION ARE OF PARAMOUNT IMPORTANCE.

We know that art lovers have more concerns about buying online than they do buying from a gallery, and the typical questions they have before making a purchase are set out below.

Online art buyer journey

1. The seller

- How can I trust the platform itself?
- How can I trust the sellers on the platform?

2. The artwork

- Is it a true representation of how it will look in real life?
- How do I establish the quality/importance of the artwork?
- What is the condition?
- Is there a provenance history?
- How do I know it's not a fake?

3. Valuation and pricing

- How do I know I am paying a fair price?

4. Transaction

- Can I return the artwork if I don't like it?
- Who pays for the shipping?
- Is the artwork insured?
- Can I pay in installments?
- Is it safe to pay online?

5. Fulfilment

- How much will the shipping cost?
- When will it be delivered and how?

Happy customer?



WE NOW TAKE A CLOSER LOOK AT EACH STAGE IN THE ONLINE CUSTOMER JOURNEY AND WHAT WOULD INCREASE THE LIKELIHOOD OF BUYING AT THE END OF IT.

1. THE SELLER

CAN I TRUST THEM?

The rapid growth in online customer review sites, such as Trustpilot, Yelp, Bazaarvoice, PowerReviews and Reviews.io, shows the faith consumers put in user-generated feedback when choosing where to shop. Our research shows that over a third (35%) of existing online art buyers regard customer reviews as an essential part of their decision-making process. Among art buyers who have not yet bought online – ‘hesitant’ customers – reviews played a much bigger role, with 62% of new art buyers and 61% of millennial art buyers saying that positive reviews would encourage them to buy. Only 26 of the 70 online platforms (37%) we looked at offer customer reviews, either about the platform itself or individual sellers on it.

But online customer reviews will help the online art market to grow, especially marketplaces on which thousands of collectors, galleries, dealers and auction houses sell. Sites such as 1stDibs, Catawiki and LiveAuctioneers already use customer reviews to rate sellers on their platforms. Despite the potential pitfalls, more online art sellers must embrace greater transparency if they want the market’s growth to continue.

Only 37%

of the online platforms we looked at offer customer reviews.

In a business in which reputation is everything, it is perhaps no surprise that galleries and online art platforms are reluctant to post customer feedback and reviews that might be negative. It can have an effect: 22% said they wouldn’t buy from a business if they found just one negative article in a search enquiry, according to a survey by digital marketing firm Moz¹. Most (59%) said they wouldn’t buy if three negative articles appeared in a search.

¹<https://moz.com/blog/new-data-reveals-67-of-consumers-are-influenced-by-online-reviews>.

The online art buyer journey (cont.)

2. THE ARTWORK

I CAN'T SEE IT

Viewing an artwork 'in the flesh' is so important when deciding whether to purchase it, and the inability to do so remains a powerful obstacle to the online market's growth.

Three-quarters of hesitant online art buyers (75%) told us that not being able to physically inspect the artwork was their biggest concern.

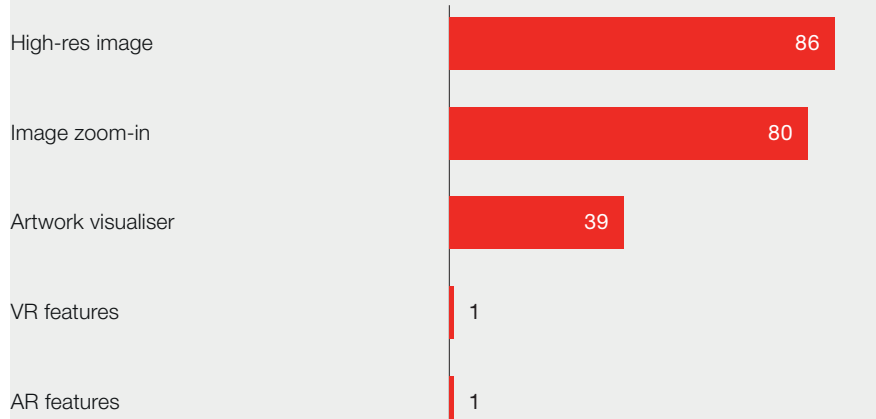
But art dealers are working hard to bring that 'wow factor' online. The vast majority (83%) of online art platforms we looked at routinely use high-resolution images, zoom-in functionality and visualisation tools to show their pieces. Some have already started to experiment with extended reality (XR), virtual reality (VR) and augmented reality (AR), which won't just reproduce the gallery or art fair experience, but improve it. Most (57%) of millennials said this cutting-edge technology is set to have a major impact on the art buying experience.

So far, only one of the 70 online platforms we looked at uses XR, VR or AR, but galleries and art fairs are already trying out these technologies. Tech companies, such as Vortic, provide galleries with the tools to offer new virtual experiences. Hauser & Wirth launched its own virtual reality platform in 2020, in conjunction with ArtLab, the gallery's in-house R&D unit. UNTITLED, ART, which usually hosts art fairs in Miami Beach and San Francisco, collaborated with online platform Artland to create a full virtual reality art fair in July.

Over the past 12 months, we have seen art sellers adopt more immersive user experiences as a way to overcome people's lockdown-induced screen fatigue. In future, the art trade could use other technologies, including architectural modelling, gaming, and ecommerce to further enhance the online buying experience.

Visualisation tools –
70 online art
platforms reviewed (%)

Visualisation tools (%)



I CAN'T INSPECT ITS TRUE CONDITION

Not being able to physically inspect a piece of art worries online buyers. More than two-thirds (67%) of hesitant online art buyers said that being unable to establish an artwork's condition was the main reason why they didn't purchase it. Detailed descriptions of a sale item's condition, usually accompanied by pictures, are standard on auction sites like eBay, yet our research shows that only 28 of 70 online art platforms (40%) provide information on the state of their artworks.

Most of these offer basic descriptions, such as 'in mint condition' or 'in good condition', although half will provide more detailed reports, either on request or directly through their website. As many platforms represent primary art market galleries or artists, a piece's condition might seem less important, but several art tech firms, such as Artichex, Artmyn and 4ARTechnologies, use cutting-edge scanning and imaging tools to spot any problems.

IS IT AUTHENTIC?

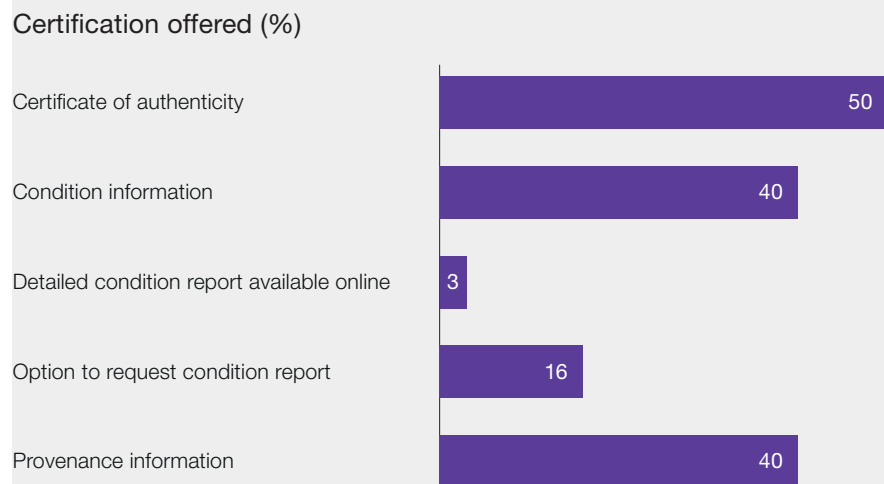
Most hesitant art buyers (60%) said a lack of information about an artwork's provenance was a serious impediment to them buying it, with more than half (51%) afraid it could be a fake. Artmyn and 4ARTechnologies can create a unique digital DNA profile for a piece, including certificates of authenticity, sale catalogues or provenance information. Few of these technologies are currently used by online art sites, however, their adoption would likely generate more buyer confidence, attract more people to the market and ultimately enable artworks to fetch higher prices.

We are also starting to see new market ecosystems for the creation, sale and ownership of digital art. The recent growth of non-fungible token (NFT) platforms, such as Nifty Gateway, helps digital artists sell their work, which is uniquely identifiable on blockchain and cannot be copied or forged, so buyers know without a shadow of doubt it was created by the artist. A digital artwork by Beeple represented by an NFT sold for a record-breaking sum of \$6.6 million through Nifty Gateway in February 2021¹ – a record that was smashed just a month later when Christie's sold an NFT of one of his works for \$69 million.

¹<https://www.coindesk.com/nft-record-sale-ethereum-artwork-beeple>.

The online art buyer journey (cont.)

Certification offered –
70 online art platforms
reviewed (%)



ONLINE EXPERTISE

The Covid-19 pandemic has forced the art market to go online, but the human touch remains important: 70% of new art buyers and 66% of millennial buyers said they would feel more confident in buying online if they could talk to someone during the process. Although live chat functions are now commonplace online, they are yet to be fully embraced by the art trade. Only 19 (27%) of the 70 online art platforms we researched offer a live chat option for their visitors. But online viewing rooms (OVRs), such as Art Basel's, are increasingly incorporating this function, so more platforms are likely to follow suit soon.

'mystique' around an artwork's value is standard practice. But while that might have worked in galleries, it doesn't go down well with a new generation of online art buyers: 41% of hesitant online millennial art buyers and (55%) of new art buyers said that the lack of pricing transparency was a major reason for not buying art online.

The art market's move to online has now forced reluctant galleries to display prices, or at least price ranges, for their artworks. Nearly all (93%) of the online art platforms covered in our research provide clear pricing. Half would also provide prices of similar artworks sold on the platform, and 54% would display prices by comparable artists.

Although the art market seems to finally be lifting the pricing veil, there's still a long way to go before buyers can be confident that they're getting value for money. As each work of art is unique, it's often hard to know what constitutes a fair price, particularly without the ability to compare it with what similar works have fetched in the past, or at least having more guidance on what drives prices.

3. VALUATION AND PRICING

AM I PAYING A FAIR PRICE?

How do you know if an artwork is worth its asking price? First, you would need to know its price. This might sound obvious, but publicly available prices are a relatively recent phenomenon in the opaque art market, in which creating a

Only 27%

of the platforms we researched offer a live chat option.

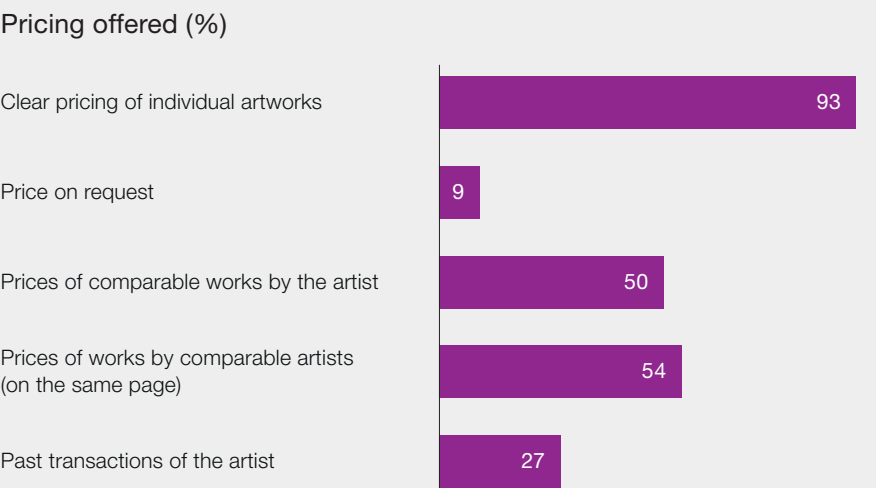


WHILE THERE IS A LACK OF CLARITY ON VALUATIONS, THE ONLINE ART MARKET WILL FIND IT CHALLENGING TO GROW FURTHER.

Only 19 of online platforms questioned (27%) provide some form of price guidance tool (such as price history), most of which are online auction platforms. Some online art platforms are beginning to fill that information gap. For example, Artsy provides information on artists’ reputations in its online catalogue entries, including whether they are represented by internationally recognised galleries, collected by major museums and have had solo exhibitions.

However, comparative pricing tools are still thin on the ground, unless you use one of the traditional auction house’s online platforms, which give you access to past prices paid for an artist’s work. In our research, we did not come across any online art platform that provides past prices of similar artworks sold. Buyers might have access to one of the auction price databases to help them, but these are only useful if the artist has already sold pieces by auction. While there is a lack of clarity on valuations, the online art market will find it challenging to grow further.

Pricing offered – 70 online art platforms reviewed (%)



The online art buyer journey (cont.)

4.TRANSACTION

WHAT IF I DON'T LIKE IT?

No-quibble return policies encourage people to buy online. According to a Facebook IQ online shopping study in August 2020¹, 42% of adults worldwide wanted free returns as a loyalty programme perk, while the UPS Pulse of the Online Shopper survey states that four-out-of-five online shoppers highlight free return shipping as important when choosing an e-retailer². Over half (56%) of Gen-Z shoppers and millennials (59%) would never shop with a retailer that didn't offer free returns, according to the IMRG Consumer Delivery Review 2019/20³.

Over half (56%) of art buyers had been deterred from shopping online because of a seller's returns policy, according to the Hiscox online art buyer survey in 2020. New art buyers were particularly sensitive: 62% said they had decided not to buy art online due to a site's unfavourable returns policy.

Although there is a temptation for an online art seller to use its returns policy to deter clients from sending

pieces back, research shows that 92% of customers will buy again from a vendor if it makes it easy to return unwanted purchases⁴. Introducing a generous returns policy could be a farsighted move that leads to an increase in sales which far outweighs any extra costs and aggravation.

So, how is the online art market doing? Our research reveals a variety of practices among online art sellers with only half of those we looked at appearing to provide a return guarantee, where 36% require the client to cover the shipping cost. Only 14%, including Zatista, Artsper, Singulart, UGallery and Artfinder, offer free returns within a 14-day period.

Using the latest technology to provide detailed representations of an artwork and its condition could help reduce the number of returns. But they are a fact of life for any business. By providing customers with a positive experience if they decide to return their purchases will help, rather than hinder, an art platform's long-term reputation and growth.

Return services offered – 70 online art platforms reviewed (%)



CAN I PAY LATER?

People in their 20s and 30s see ‘buy now, pay later’ schemes as an integral part of online shopping. Nearly seven-out-of-ten UK millennial consumers use point of sale (PoS) credit finance, while over half of shoppers would use it for a purchase of over £250 – regardless of whether they could afford to pay the full price, according to research by Kearney⁵. Some (12%) would use credit to trade up and buy a more expensive product. Over half (53%) of millennial art buyers we surveyed said that PoS credit would encourage them to buy more art online. However, our research showed that only ten online art platforms offer customers the option to repay in instalments through providers such as Own Art, Affirm, Klarna, Deko and PayPal Credit. It would seem art sellers are missing a trick by not offering credit to entice buyers, particularly those under 35, to take the plunge.

Most (57%) are particularly worried by the threat of their financial details being hacked, followed by payment/invoice interception (50%) and data theft (47%).

The art market’s migration online is here to stay, so it’s in art sellers’ interest to ensure they are cybersecure, as those that earn a reputation for having the highest security are likely to gain a competitive edge over their rivals.

WHAT ABOUT INSURANCE?

Insurance offers people peace of mind and 39% of hesitant buyers said that not being able to protect an artwork at the point of sale put them off buying art online. Offering an insurance option when buying an artwork would encourage reticent buyers, yet fewer than one-in-three (30%) of the 70 online art sales platforms we researched offer customers the chance to buy insurance at the checkout; 70% offer no insurance option at all.

IS IT SAFE TO PAY ONLINE?

Among art buyers that we surveyed, 41% are concerned about the risk of cybercrime when they register for online art websites and platforms.

¹<https://www.facebook.com/business/news/insights/the-future-of-shopping-has-come-early-perspectives-from-the-industry>.

²<https://www.ups.com/us/en/services/knowledge-center/article.page?name=why-building-a-returns-policy-is-crucial-to-scaling-your-startup&kid=art16b4d42b3b3>.

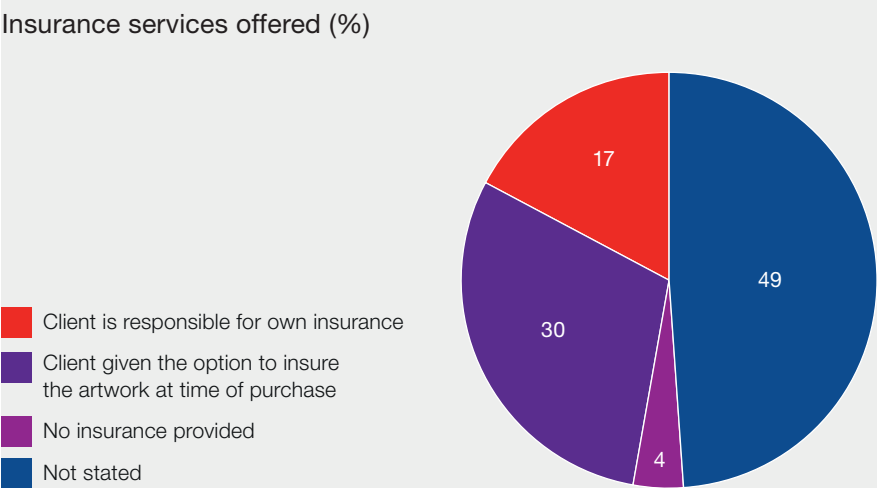
³<https://www.imrg.org/uploads/media/default/0001/09/>.

⁴<https://www.invespcro.com/blog/ecommerce-product-return-rate-statistics/>.

⁵<https://www.credit-connect.co.uk/consumer-news/banking-and-loans/over-60-of-millennials-are-using-buy-now-pay-later-services/>.

The online art buyer journey (cont.)

Insurance services offered – 70 online art platforms reviewed (%)



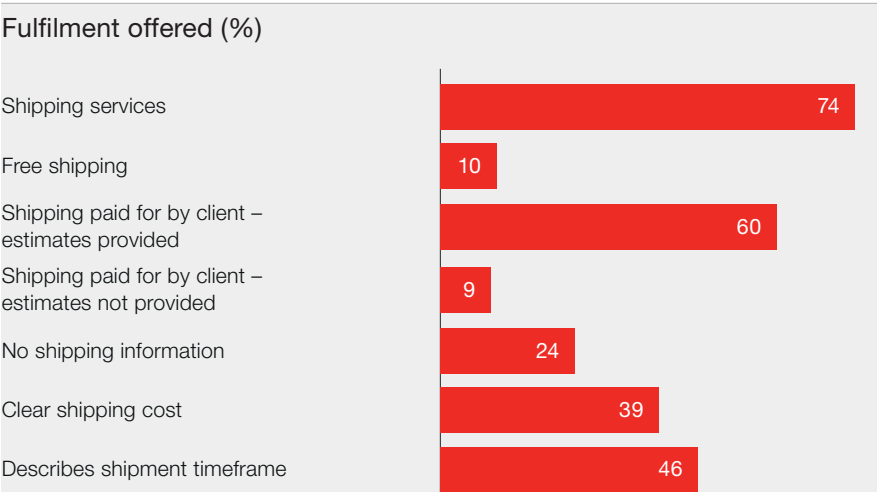
5. FULFILMENT

WHEN, AND HOW MUCH WILL IT COST, TO BE DELIVERED?

Shipping is likely to become a battleground between online art platforms. Of hesitant online art buyers, 41% said that concerns around the cost and length of delivery time were key reasons for abandoning an online art purchase or not buying art online. Shoppers’ expectations have been raised by online retailers that offer free and next-day delivery: 70% of hesitant online art buyers say free delivery

would encourage them to buy. But only seven of the online art platforms (10%) we looked at offer free shipping. The majority (60%) explain how purchases will be delivered and how much it is likely to cost, while the remainder do provide shipping services, but it isn’t easy to work out what the total cost (including delivery) will be, as buyers need to contact courier firms directly to arrange delivery.

Fulfilment offered – 70 online art platforms reviewed (%)



Conclusion

In the space of 12 months, the online art market has transformed from being a niche, to the new normal. But that digital revolution was brought about by a global pandemic, and, as a result, the online art business has suffered growing pains.

Hesitant online art buyers want a smooth customer experience which they can understand and trust. Younger shoppers, in particular, have high expectations, and hold every seller to the gold standards set by online shopping leaders. Over two-thirds (68%) of millennials demand a seamless, integrated service regardless of channel, according to Accenture – in other words, they want the same service online as they would get in person or over the phone.

But the art market is struggling to adapt to online retail's 21st century demands. The temptation has been to bring their familiar old ways of doing business onto the internet, but our research suggests that rule book will have to be rewritten. Online art sellers need to create a framework by which they can consistently impress buyers; now, all too often, they leave them wanting more.

The pandemic has caused people's shopping behaviour to change at an unprecedented speed. Lockdown has made them rethink their values and priorities, while many are pursuing different interests, Accenture asserts. And, although some people are worse-off, there are others who, thanks to the lockdown, have more disposable income than before.

The online art market has a golden opportunity to create lasting growth

if it can get the customer journey right. It has made great strides in 2020, but we expect more online art sellers to raise their game to meet buyers' expectations in 2021. No-quibble returns policies and free shipping could become the new battleground, while there are sure to be increasing efforts to make pricing simpler to understand. Adopting the customer-service standards of the e-commerce trendsetters would reap lasting dividends for the online art market.

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