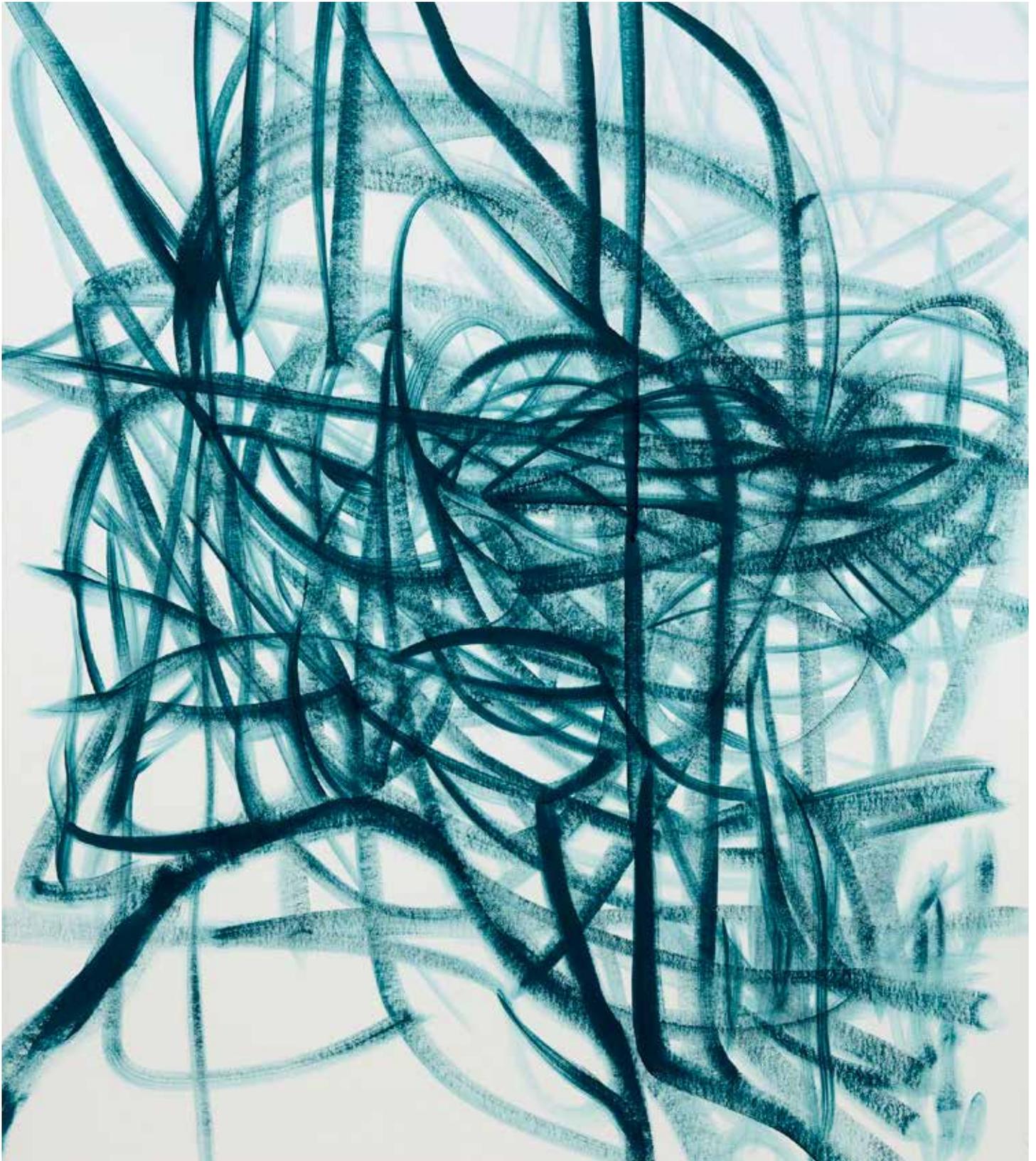

Hiscox online art trade report 2020

PART TWO: BUYER BEHAVIOUR



Cover artwork:

Nigel Cooke, *Gazing Head*, 2019 | Acrylic on cotton blotting paper | Courtesy of the artist and Pace Gallery

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Introduction

I wrote in the foreword to the last iteration of this report, that we waited with baited breath to see what happens next. The answer is pretty clear – COVID-19 has turbo-charged the online art market.

Its transformation has been quicker and more successful than anyone would have imagined. Faced with no other option, the market has embraced that change, illustrating the creativity and guile that courses through the market's veins. For me, this is also backed-up by anecdotal evidence – whenever I speak with a dealer and they reflect on the impact of the pandemic, they nearly all remark that the effects have not been as bad as they expected.

I have no doubt that there will be much pent-up demand to physically see art, as there is to eat out, go to concerts, see friends and all the rest, but I believe, and this report shows, that we have reached a watershed moment in the development of the online art market.

What used to be a tentative foot in the door, is now a large presence in the room. Next stop, consolidation?

Robert Read

Head of Art and Private Clients
Hiscox

Key findings

NEW ONLINE-ONLY ART MARKET BOOSTS BUYER CONFIDENCE

A majority of millennial art buyers (54%) and new art buyers (60%) said their interest and confidence in buying art online had increased as the art world switched to virtual sales in the COVID-19 global lockdown.

YOUNG AND NEW ART COLLECTORS TAKE THE PLUNGE

More than eight-out-of-ten (82%) of new art collectors (who have been buying for fewer than three years), had bought works online between March and September, up from 36% in 2019. Nearly seven-out-of-ten (69%) of millennial art enthusiasts, who are under 35, said they'd bought art online during the same period. They splashed their cash during lockdown: two thirds (66%) of millennials had bought between two and five artworks, while 7% had bought more than six pieces.

ONLINE AUCTION SALES JUMP

More than half (55%) of online art buyers purchased works through online auction platforms, up from 37% last year. A majority of millennials (53%) had bought art through online auctions, compared to 35% in 2019. Online only art sales in the first eight months of this year at Sotheby's, Christie's and Phillips jumped to \$597 million.

POSITIVE OUTLOOK FOR ONLINE ART SALES

Nearly four-out-of-ten (39%) online art buyers said they were likely to buy more art over the next 12 months than they had in the previous 12 months, whereas only 13% said they would probably buy less; 49% expected to buy the same amount.

SUPPORTING STRUGGLING ARTISTS

More than a half (55%) of art buyers bought artwork online during the period primarily because they wanted to help artists and galleries struggling during lockdown. A quarter of those we surveyed (25%) said they had bought art directly through Instagram fundraising initiatives, such as the Artist Support Pledge.

INSTAGRAM CONSOLIDATES ITS LEADING ROLE IN ONLINE ART

Over two-thirds (68%) of all respondents said Instagram was their social media platform of choice for art. Nine-out-of-ten (92%) of new art buyers and millennials (87%) said they used it for art-related purposes. It's becoming an increasingly important sales platform, with 35% of millennial art buyers saying they had bought art on Instagram.

55%

of those surveyed purchased works through online art auction platforms, causing online auction sales to jump.

ART WORLD'S SWITCH ONLINE MAY BE PERMANENT

In this year's online art buyer survey, we asked if COVID-19 would be the catalyst to ignite the smouldering online art market. Yes, is the answer. Most of them (56%) believe the art market's move online will become permanent, compared to 25% who thought it would only be temporary.

Nearly half (48%) of the art buyers we surveyed however, said they preferred going to galleries and auctions, up from 36% in 2019. The number who said they preferred the online experience fell to 15%, suggesting signs of online fatigue as well as a longing to return to the physical art world. Ultimately we're likely to see the shift towards a hybrid clicks-and-bricks model continue as art sellers exploit the best of both worlds.



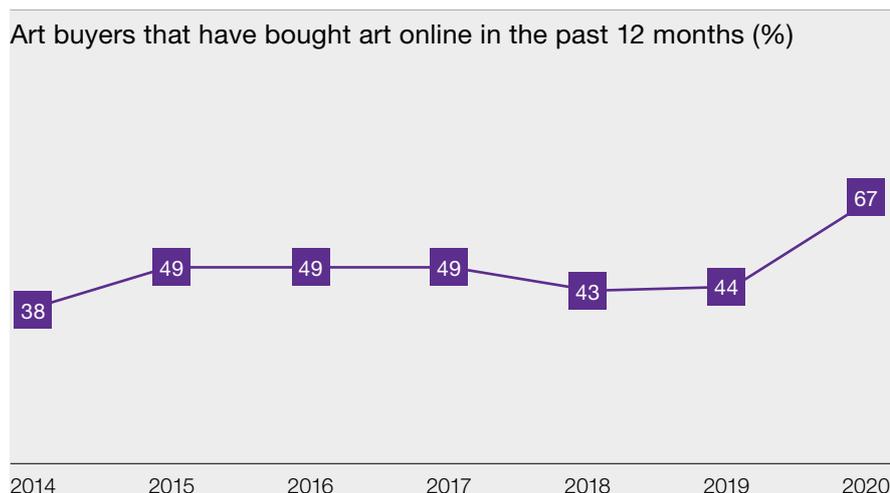
EFFECTS OF THE COVID CRISIS

COVID-19 has had a major impact on the art industry, as we reported in part one of the Hiscox online art trade report 2020. This second part, based on research conducted in September 2020, looks at how online art buyers' behaviour and habits have changed during the pandemic and what this could mean for the art industry.

Five themes emerged from our research that are likely to shape the online art market's future. These are outlined in the sections that follow.

Changing online art buying behaviour

Art buyers that have bought art online in the past 12 months (%)



INCREASED ONLINE ART BUYING IS SET TO CONTINUE, OFFERING THE ART MARKET A DIGITAL LIFELINE.

Over two thirds (67%) of art buyers we surveyed bought art online between March and September, up from 44% in 2019. New buyers have led an online art spending spree; those that have been collecting for less than three years were particularly active, with 82% buying art online during the period.

The art market's enforced embrace of the internet has increased confidence in online art buying, which is one of the thorny issues we previously identified as having held the online art market back. Four-out-of-ten (41%) art buyers said their interest and confidence had grown during the period. Perhaps crucially, the majority of younger art buyers (54%) and even more new art buyers (60%) said they were now more confident buying online.

The willingness of those who have not previously bought online, to do so has increased – potentially overcoming another big obstacle in the online art market's growth. Four-out-of-ten hesitant art buyers (41%) and new art buyers (42%) said they are likely to buy art online in the next 12 months.

Increased online art buying is set to continue, offering the art market a digital lifeline, with 39% of art buyers likely to buy more art over the next 12 months than in the previous year, while only 13% expect to buy less. Almost half (49%) said they would continue to buy the same amount – which has increased, according to our research.

Art lovers are buying more over the internet, with 70% saying they had bought as many as five art works online during the period (March to September), up from 60% for the entire year of 2019. Young male art buyers, aged under 35 years were particularly active, with nearly 72% saying they had bought at least two pieces during the pandemic compared to 63% young female art buyers.

Visiting online art platforms offered buyers a welcome distraction during the initial lockdown, with 72% visiting online art and collectible sales platforms weekly during the period, up from 54% in 2019. Interestingly, a larger share of art buyers aged over 35 (75%) said they had frequently visited these sites than millennials (65%).

67%

of art buyers we surveyed bought art online between March and September, up from 44% in 2019.

Buyers by average price per painting bought online (%)



72% of art enthusiasts visited online sales platforms weekly since the pandemic, an increase in browsing compared with 54% in 2019.

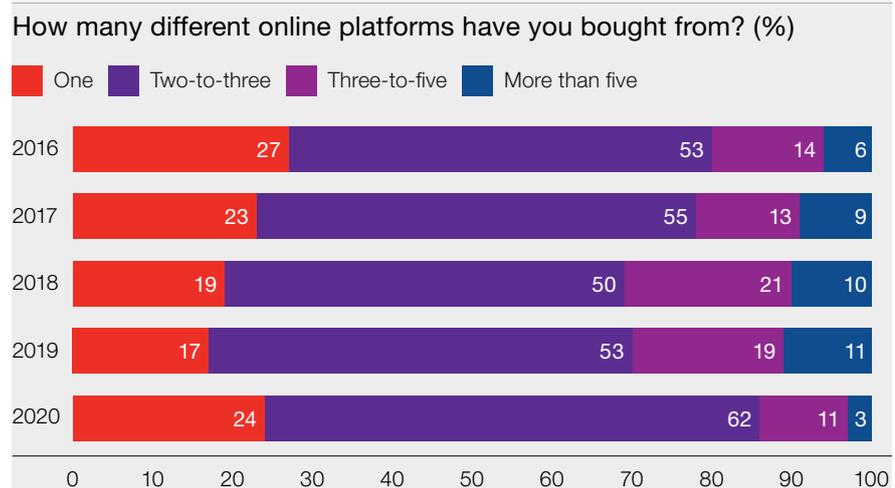
High-spending art buyers are now entering the online market, in another positive sign for the future. Nearly nine-out-of-ten (86%) of those who spend more than \$50,000 on art a year visited online art sales platforms weekly during the period, up from 69% in 2019. They are also spending more time browsing than they did pre-COVID. More than half (54%) said they spent 20 minutes or more per visit, up from 40% in 2019.

This is already having a major impact on prices paid for art works online. Between March and September, 29% of online buyers said the average price they paid for a painting online was \$10,000 or more compared to 20% in 2019. 11% of online buyers said they had bought art online above \$50,000 (compared to 4% in 2019).

This survey finding is supported by average prices in online-only auctions at Sotheby's, Christie's and Phillips, which jumped from \$8,000 in 2019 to almost \$24,000 in the first eight months of this year.

Changing online art buying behaviour (cont.)

How many different online platforms have you bought from? (%)



Buyers are also focusing on fewer online platforms. Those who have bought from only one during the period increased to 24% (from 17%), while 62% bought from two or three, an increase from 53% last year. Those who have bought from more than three dropped to 14%, from 30% in 2019. This could mean the consolidation in the online art industry, which we forecast in part one of the report this year, is gathering pace.

Online auction platforms have proven to be the most popular, with more than half (55%) of online shoppers buying art on one of these during the period. This explains the jump in online-only sales at Sotheby's, Christie's and Phillips between January and August this year, where online sales increased to \$597 million from \$168 million¹.

¹ArtTactic RawFacts Auction Review – Online-Only Auctions January to August 2020.

Pio Abad, *Silk Twill scarf depicting I.R.M as the reincarnation of Semiramis, surrounded by Filipino artefacts and objects that mistakenly refer to Ancient Egypt instead of Assyria, 2012* | Hand embroidered silk twill, gold frame | Courtesy of the artist



New generation of collectors start to shape the online art market



A KEY CRITERION FOR CHOOSING AN ONLINE PLATFORM FOR UNDER-35S (50%) AND NEW COLLECTORS (60%) IS ITS 'FRESHNESS', DEFINED AS ALWAYS HAVING NEW AND INTERESTING ART FOR SALE.

The art market's move to digital has encouraged a new generation of art buyers to take the plunge. More than eight-out-of-ten (82%) of those who started collecting in the past three years bought art works online during the period of March to September, many more than last year (36%). Almost seven-out-of-ten (69%) millennials also said they had bought online during this period compared to 40% in 2019.

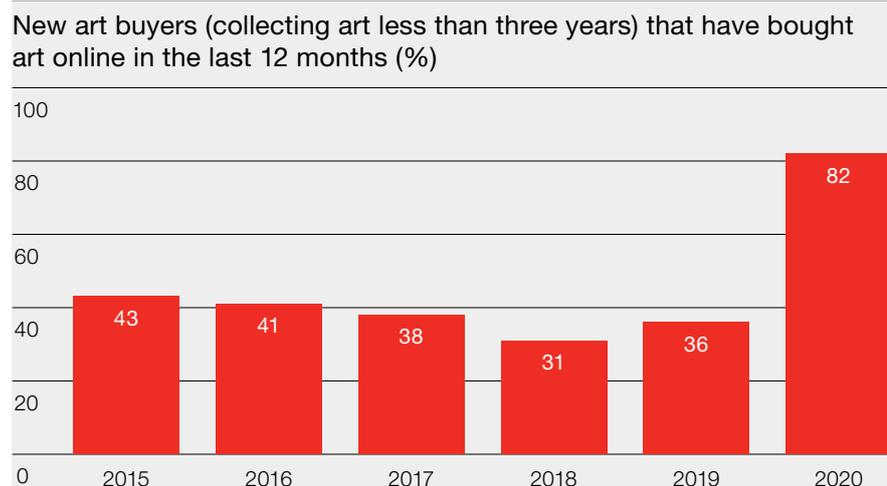


COVID-19 has fuelled an increase in online art buying, with 41% buying more art online during the pandemic than in the previous six months. A majority of new art buyers (57%) also acquired more art online than during the previous six months.

A key criterion for choosing an online platform for under-35s (50%) and new collectors (60%) is its 'freshness', defined as always having new and interesting art for sale. This suggests they are looking for a different experience than the static online exhibitions popular among galleries; it could also explain their interest in online auctions. Sellers will have to present their art on the web in a more dynamic, exciting way to catch the eye of a growing number of these online art buyers, whose expectations are rising as they spend more time browsing.

New and younger buyers still prefer online marketplaces, with 71% of new art buyers buying from the likes of Artsy, Artnet, Artspace, RiseArt or SaatchiArt. Over half (56%) of younger collectors also preferred these platforms, though that number was down from 2019 (66%).

New art buyers (collecting art less than three years) that have bought art online (%)



Compassionate consumption



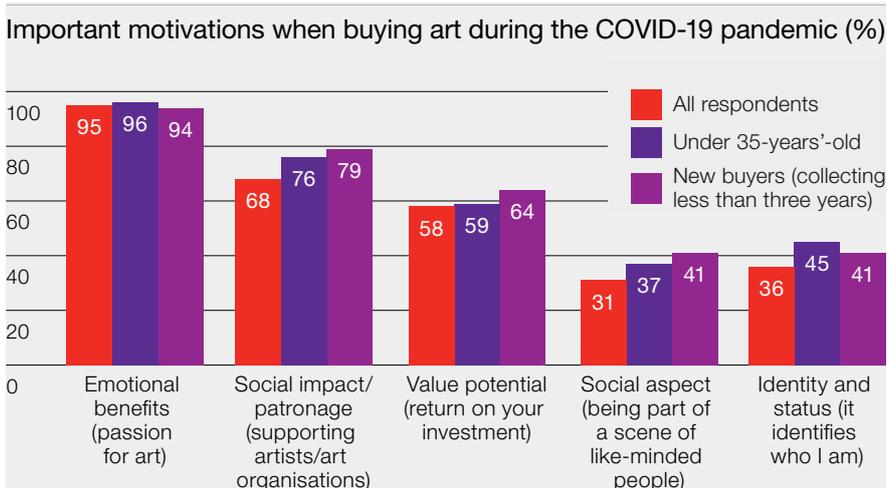
The COVID crisis has changed collectors' reasons for buying. Now, many buyers want to help the struggling arts scene through the pandemic. Supporting artists, through social impact and patronage, ranked as the second biggest reason when buying art online (68%). This motivation was particularly strong among the under-35s, over three-quarters (76%) of whom said this was their main reason, as well as new collectors (79%).

During lockdown, buyers had more time to explore the art scene online, which helped boost sales. Half of younger buyers said this was the main reason they made more purchases during the period; nearly a third (32%) of them also see the current market as a great opportunity to buy, with less competition for work they like.

The strong sense of empathy supports our earlier findings that buyers are increasingly motivated by wanting to support artists, rather than buying for personal satisfaction or for investment.

More than half of art collectors (55%) bought art works online to directly support artists and arts organisations. A quarter said they had bought art directly through fundraising campaigns' Instagram pages, such as the Artist Support Pledge; this was even higher among younger collectors, over a third (36%) bought art through these online channels and campaigns.

Important motivations when buying art during the COVID-19 pandemic (%)



Keeping customers happy



ONCE THE ONLINE ART BUYING EXPERIENCE IMPROVES, ATTENTION WILL THEN SHIFT TO OFFERING BETTER FULFILMENT AND AFTER-SALES CUSTOMER SERVICE.

With many countries enduring multiple lockdowns, collectors are left with few choices but to buy art over the internet, meaning the online art market is becoming ever more competitive. Nearly half (47%) of new art buyers said they ‘never’ or ‘rarely’ felt any loyalty towards the online platforms they bought from (up from 40% in 2019). As many younger art buyers (45%) said the same (up from 35% in 2019).

If customer loyalty, a critical currency in the art market, is decreasing, traditional galleries and auction houses face a challenge in building a loyal following among online buyers.

Our research highlighted several potential solutions.

that allow real-time conversations between buyers and sellers on online art sales platforms. We expect these soon to become standard.

FULFILMENT WILL BECOME KEY

Once the online art buying experience improves, attention will then shift to offering better fulfilment and after-sales customer service. Those platforms with the best and most seamless customer journey will be the winners. Nearly seven-in-ten (68%) respondents said that secure and cost-effective shipping and delivery is key when choosing which platform to use, while four-in-ten (41%) said they were worried about how artworks they buy will be packaged and shipped.



WITH MANY ART BUYERS INCREASINGLY FEELING THE FINANCIAL STRAIN, 41% SAID THAT A PAYMENT PLAN WOULD MAKE THEM FEEL MORE CONFIDENT AND INTERESTED IN BUYING ART ONLINE.

FOCUS ON THE MOBILE EXPERIENCE

Now, more than ever, consumers rely on their phones. More respondents said they were using their mobiles when buying art online than in 2019 (35% up from 24%). That trend is even more pronounced among younger buyers: 38%, compared to 32% in 2019 and 23% in 2018. So, it’s increasingly important for the art world to make it exciting and easy for people to view and buy works over their phones.

PAYMENT PLANS

With many art buyers increasingly feeling the financial strain, 41% said that a payment plan would make them feel more confident and interested in buying art online.

CONNECT WITH THE ONLINE BUYER

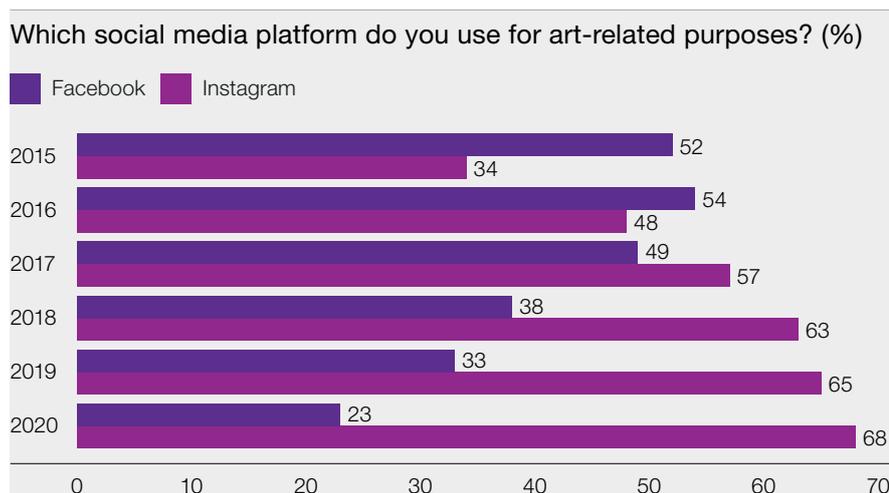
Over two thirds (67%) of those surveyed said the option to talk to an expert would make them more confident and willing to buy art online. So, interactive customer service should become a core part of the online art buying experience. We are starting to see innovations

Andrew Cranston, *Dream of Rockall*, 2020 | Oil and varnish on hardback book cover | Courtesy of the artists and Ingleby Gallery



Social media's growing importance

Which social media platform do you use for art-related purposes? (%)



Instagram has strengthened its importance in the art world, with 68% of art buyers saying it is their preferred social media platform for art-related purposes. It was particularly important for new art buyers, 92% of whom said they used it, and younger art buyers (87%). Facebook has become less relevant, with only 23% of buyers saying it was their preferred social media channel in the art world (33% in 2019). LinkedIn is an important channel for new buyers to develop their art world network and to get in touch directly with artists; 35% of them rated LinkedIn as either important or very important to them.

A quarter of online art buyers used Instagram to buy art during the period of March to September, with millennial buyers (35%) and new art buyers (38%) being particularly active. Most (87%) use it to discover new artists and to find art to buy (86%), making it an important selling platform for the art market. Already we see key art market players, such as Christie's and Sotheby's, using the 'swipe-up' function on their Instagram Stories, linking potential buyers directly to the art works or collectibles that they fancy.

Nine-out-of-ten (91%) people who had bought art through social media during the period said they were motivated primarily by their passion for art, while 84% said they had also done so as an act of patronage or support for an artist or art organisation – significantly higher than among general online art buyers (68%). Social media has become an effective fundraising tool and could become a good way for artists to generate income in future. A third (33%) of all respondents said they were influenced by social media when buying art; this was higher among younger buyers (42%) and new art buyers (49%). But, most remain unconvinced of social media as a 'tastemaker', saying it often suffers from hype and speculation.

Artists themselves are now seen as the main influencers on social media, according to nearly three-quarters (73%) of survey respondents (up from 67% in 2019). Galleries, museums and collectors have all seen their influence slip since last year's survey. More artists are likely to see social media as important in building their careers, by cultivating their own following without the input of traditional tastemakers.



...58% OF PAINTINGS
GENERALLY SOLD
ONLINE DURING THE
PERIOD WENT FOR
BELOW \$5,000 AND
ONLY 36% FOR
UNDER \$1,000.

WHAT DO PEOPLE BUY ON SOCIAL MEDIA?

Most look for paintings (74%), followed by prints (66%), photographs (44%), drawings (41%), sculpture (27%) and new media (21%). Social media purchases are typically of lower value than the art generally bought online, with 67% of paintings sold for less than \$5,000 – most for under \$1,000. Whereas, 58% of paintings generally sold online during the period went for below \$5,000 and only 36% for under \$1,000.

The price difference is even more notable in the case of drawings, where 80% of those bought through social media were for less than \$500, compared to 52% in the overall online art market. Social media campaigns such as the Artist Support Pledge (where works sell for a maximum of £200 or equivalent) might have contributed to this.

If you have bought art during the COVID-19 pandemic, what type of medium have you bought?

Medium	Online website	Social media
Paintings	82%	74%
Prints	71%	66%
Drawings	62%	41%
Photographs	54%	44%
Sculpture	38%	27%
New media art	17%	21%

What is the average price of a painting bought online during the COVID-19 pandemic?

Paintings by price	Online website	Social media
\$100 and less	5%	4%
\$101–£500	13%	33%
\$501–£1,000	18%	15%
\$1,100–£5,000	22%	15%
\$5,001–£10,000	13%	15%
\$10,001–£25,000	11%	7%
\$25,000–£50,000	8%	7%
\$50,000 and above	11%	4%

Percentage of online art buyers.

The future of the online art sales market

WILL DIGITAL FATIGUE PUSH ART BUYERS BACK OFFLINE?

There are signs that online fatigue is setting in – as many art lovers long to return to galleries and museums. Nearly half (48%) of those we surveyed said they preferred the physical experience of buying art, up from 36% in 2019. Only 15% said they preferred the online experience, compared to 21% last year. Even younger buyers are showing signs of weariness, with only 18% saying they prefer the online experience (down from 29%).

This is a reminder of the enduring power of seeing art in the flesh. The pandemic may have boosted confidence and interest in art for some audiences, but many art lovers will return to exhibitions as soon as the art world is able to enjoy some form of normality. Art shows are still important in cultivating a younger generation of art lovers. The vast majority (86%) of under-35s bought art in a physical environment before buying online, up from 77% in 2019.

SO WHERE DOES THIS LEAVE US?

The impact of COVID-19 has clearly impacted the behaviours, expectations and motivations of many art buyers. Neither an exclusively online or entirely bricks and mortar approach will sufficiently cater for the needs of this evolving market. More likely, the online art market will continue to depend on the physical infrastructure in creating trust and encouraging online sales. The art world's shift towards a clicks-and-bricks model (where online sales complement those made in galleries), which was born out of necessity during COVID-19, is likely to continue after the pandemic subsides.

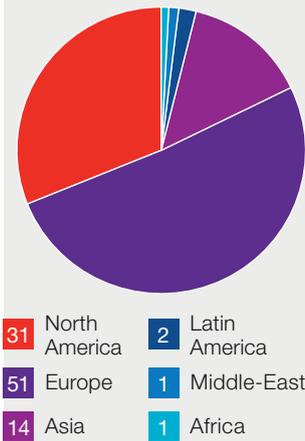
Methodology



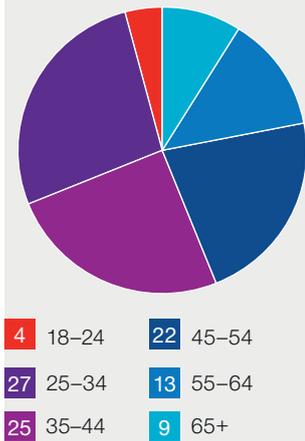
ONLINE PLATFORM SURVEY FINDINGS

Sample structure
Findings are based on responses from 552 art buyers surveyed by ArtTactic during September 2020. The aim of this survey was to explore how online art buying behaviour has been affected by the COVID-19 pandemic, so figures relate to the period between March and September 2020.

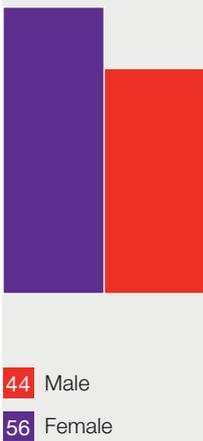
Respondents by region (%)



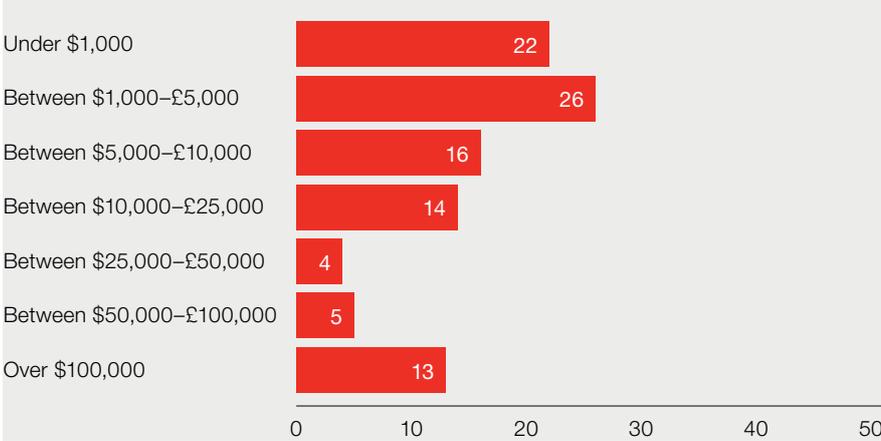
Age (%)



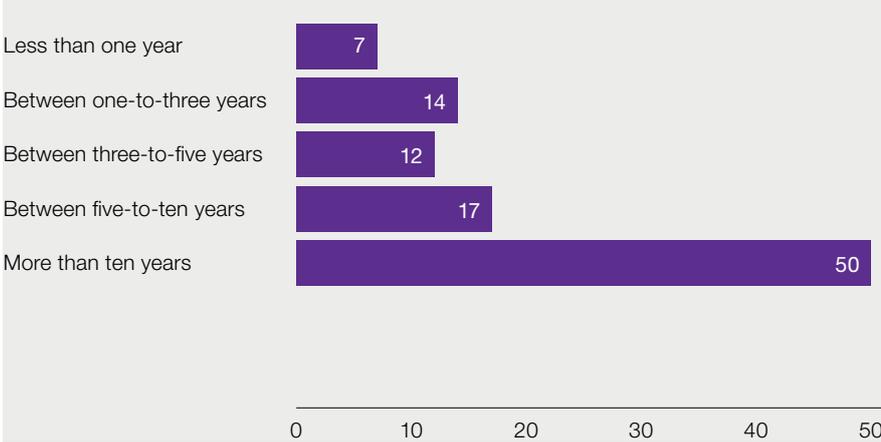
Gender (%)



How much do you spend on art and collectibles a year? (%)



How long have you been collecting? (%)



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