Yi Wen ChenAttention Economy The Impact of Digital Marketing on Online Auction Business

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Arts and the Market
Attention Economics

The Impact of Digital Marketing on Online Auction Business

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Abstract

Purpose – The research aims to provide the overview of digital marketing application in auction houses and future suggestions to marketing departments in auction houses by analyzing consumer purchase behaviors based on the theories of Attention Economy and Purchase Funnel, and the operation of digital marketing tools in other industries.

Design/methodology/approach – The data comprised by interviews with 12 people in the art world including managers in auction houses, marketing specialists, online auction bidders, online auction partners, and auction social media followers.

Findings – Digital marketing plays a significant role in triggering awareness of young potential art buyers to collect artworks and further enhance the brand familiarity to increase the transfer of awareness to attention. The pivotal factors to make real purchase in online auction are quality of artworks and positive experiences of navigation and interaction during the process.

Research limitation/Implication – To gather the inner data is not available due to the confidential policies of auction houses and the quantitative research should be based on accurate data which is not applicable. Hence, the paper primly summarized observations and assumptions based on qualitative research.

Originality/value – The past studies focus on art online auction, consumer behaviors, digital marketing and attention economy individually. Associating significant previous results, this paper is among one of examinations summarizing the current situation and providing practical digital strategies for online auction business.

Keywords Attention Economy, Purchase Funnel, Online Auction, Digital Marketing, Social Media

Paper Type Research Paper
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1 Introduction

The new technology sprung out within past hundred year and grow with plural speed in recent twenty years. People are abused by massive information coming from multiple medias, from radios, television, newspapers and magazines after World War II to emails, websites, apps, and social medias in nowadays. Updated digital devices such as computer, Internet, smartphone, social media platforms and the like transformed our life to absorb and deal with occasions, people and knowledge happening around. Around 2 billion people use smartphones across the globe, with over half the population in developed countries relying on them daily and people spent 5.05 hours each day using their smartphone. (Andrews et al., 2015) In the U.S., people check their Facebook, Twitter, and other social media accounts a staggering 17 times a day, meaning at least once every waking hour. (Chang, 2015) In contrast to a great amount of data we accept every day, our strength and focus are limited which force our brains to filter and prioritize information. At the moment, this limited focus of every human being became rare resource, which was the “attention” proposed by Awareness Economy.

Understanding and managing attention is now the single most important determinant of business success. (Davenport and Beck, 2001) Thinking of our daily life, when we put efforts to follow a person or a product because of our personal demand whatever physical or psychological, the intrinsic value of the person or the product absorbed grows in our mind. The similar situation can be seen on celebrities, well-known brands, and also specific artist or artwork. Artrank (f. 2014, artrank.com) using machine-learning algorithms, including presence, auction results, market saturation, market support, representation and social mapping (PASSRS), based on attention economy theory to help their clients discover collecting opportunities by forecasting intrinsic value of emerging artists. The algorithms facilitated a 4200% return on investment over a 16-month period which indicates the positive correlation between people’s attention on the artist and his/her intrinsic value.

The awareness of people is the new currency which highly influences art value, especially in this generation with a great amount of new digital technology. In recent five to ten years, online platform and marketing have started to show their impact on generating new clients and new
business whatever for auction houses, galleries, museums, and institutions. Art world realized the importance of digitalization and transformation of their traditional business model. The new art tech companies, such as Artnet (f.1979, artnet.com) and Artsy (f. 2010, artsy.net), established became the threat to conventional art market players. People suddenly jumped on the boat called new technology without knowing how to drive it well, as it looks like a simple instrument and cost low. However, the fact turned out that it is never an easy cheap investment as people thought and the struggles of developing online business never stop bothering most of participants in the art world, even in nowadays.

In order to solve practical issues, scholars have already dedicated enormous efforts to do researches on cultural economics to define the features of art and other intelligent assets as products and consumer behaviors to understand how customers make their purchase decisions.

Since the beginning of twenty-first century, as the popularity of online platforms and social media, academics initiated to explore online business including non-art auction, digital marketing, social media as well as awareness economy. However, the resources focus on online art market, specifically about art auction and its digital marketing development and application are extremely rare. Even though some recent published art market, for instance, TEFAF Art Market Report (McAndrew, 2015, 2016) and Hiscox Online Art Trade Report (Hiscox and ArtTactic, 2016) has summarized some observations of online art market, but it only illustrated the figurative facts in general without further discussions on practical applications based on academic theories.

Observing the academic insufficiency of providing comprehensive perspective of online market and its digital marketing strategies for auction houses, the research would firstly focus on summarizing current situations perceived in online art platforms, the market and strategies practiced by auction houses, based on existing public data, personal observations and market survey interviews. Associated with the summary and theoretical analysis of attention economy and consumer behaviors, analyzing difficulties and providing the possible digital marketing improvements for online auction business is the main purpose of this paper.
2 Literature Review

2.1 Theoretical background

Marketing thinking and strategies are undoubtedly established on two stones, one is product and the other is targeted customers. To understand what role work of art plays in economics and how consumer behaves in the real world is essential before discussing any marketing related topics.

2.1.1 Defined Art as a Product

Cultural Economy

Cultural economics or Economics of Arts defined as the economics of creation, distribution, and the consumption of works of art and literature, was considered impossible to be valued by classical economist, Adam Smith. Nevertheless, later Alfred Marshall proposed that the demand for a certain kind of cultural good can depend on its consumption: The more you have listened to a particular kind of music, the more you appreciate. Since then, many essential key words in cultural economics were introduced, for example, cost disease by Baumol and Bowen (1966), additive goods by Gary Becker (1988), and public choice by Alan Peacock (1969). Works of art is classified as cultural good which has its features in terms of economics. Termed as a kind of luxury good in economics, artwork acquires its nature that people demand proportionally more of as their income rises. Luxury good has high income elasticity of demand, meaning that much wealthier people are, more luxury good they consume. In addition, artwork, though is seen as a kind of luxury good, cannot be classified as commodities like a Channel handbag due to its unique nature which makes its price usual associates with the interplay of demand and supply, as well as, the consumer preferences (McAndrew, 2007).

Art Prices

How an artwork can reach such a high price is always controversial and was debated among scholars in the past. When artist was considered as a craftsman, artwork was valued on the material expenses, labor and risk. It was changed started from 17th century, Lenardus Lessius distinguishes three other categories of factors: the scarcity or abundance of goods along with the need for them and their usefulness, the price of good will vary according to the buyers present
and the amount of money available, and the particular mode of selling a good affects the price. In 1776, Adam Smith, pioneer of political economics, finds the price formed in the case of rare objects, such as certain sorts of paintings, is determined by strength of desire and means to pay and under these two primary factors, price might deviate considerably from materials costs or from materials plus labor. Meanwhile, the painter Sir Joshua Reynolds (1723-92), ascribed to price driven by fashion or “fancy” - that is, prices not anchored in costs (Marchi and Goodwin, 1999). Moving to 20th century, Jean-Jacques Rousseau proposed that the pay for artists’ services is indecently liberal because the high prices per se increase the value of the services of the artists (Amariglio, Childers, and Cullenberg, 2009). Marc Shell (1995) remarks that the participation of economic form in painting and in the discourses about painting is defined by the interaction between economic and aesthetic symbolization and production. The qualities of objects that we find pleasurable and which therefore shape our preferences was proved influence value of artwork as well (Berlyn, 1960, 1974). In summary, art price consists of complex factors including cost, income, market demand and supply, ingenuity, characteristics of works and artists, and the like.

However, the traditional discussion of art price formation seems insufficient to support the incredible high price achieved by few well-known contemporary artists in this new generation. Jeff Koons achieved 81.8 million auction revenue between July, 2014 to June, 2015, ranked as one of top 3 artists in the world (Artprice, 2015). In 2008 just after Lehmann Brother claimed bankruptcy, Damien Hirst’s one-man auction held in Sotheby’s made 111 million GBP blowing everyone’s mind (Sherwin, 2013). How these unimaginable high prices were reached? According to many collectors, dealers, curators and auction specialists, Koons has masterminded his fame and fortune through a combination of charm, guile, and a talent for creating expensive art that inspires critical debate (Thomas, 2005). Damien Hirst is always famous for his self-promotion through his artistic career by continuing to find new ways to turn his artistic reputation and notoriety into successful sidelines (Holmes, 2007). Both Koons and Hirst are good at their own brand building in order to catch people’s eyes and gain important supports in their early career. The importance of being absorbed in people’s mind turned out the influential factor to art price existing all the time but being ignored in previous researches in terms of estimating art value.
In recent decade, because of new technology leading us to information era, people gradually began to notice that attention of human beings became a strong drive of intellectual properties including works of art and may be possible to measure and manipulate in certain degree in nowadays or near future.

2.1.2 Consumer Decision - Attention Economy & Purchase Funnel

Attention Economy

Herbert A. Simon was perhaps the first person who articulated the concept of attention. He wrote: "...in an information-rich world, the wealth of information means a dearth of something else: a scarcity of whatever it is that information consumes. What information consumes is rather obvious: it consumes the attention of its recipients. Hence a wealth of information creates a poverty of attention and a need to allocate that attention efficiently among the overabundance of information sources that might consume it" (Simon, 1971). Attention economy was theoretically proposed by Thomas H. Davenport and John C. Beck (2001).

In their book, The Attention Economy: Understanding the New Currency of Business, defined attention is focused mental engagement on a particular item of information. The reason to explain attention can be economy is that it reached the criteria as a scarce resource having organizational and individual participants to create supply and demand. The amount of information increases, the demand for attention increases. The mismatch of demand and supply has already led to a widespread attention deficit, which may only get worse. More information will be ignored, and many key business issues will not receive the benefits of concerted human attention. Another feature of attention economy is increasing returns which means the more we have of it to begin with, the easier it is to get more. The obvious example like Super Bowl, firms were willing to spend a several times of their annual revenues to get people’s attention when their watching Super Bowl. Because Super Bowl is the well-known game attracting more than 100 million people in the U.S., that makes it gain new attention more easily.

Internal attention market is another concept they brought up. They believe that the sources of information supply have multiplied, whereas the sources of attention supply have not expanded
and may even have shrunk. Because of more personal time consumed by works (e.g. checking and replying emails) and the supply of information against the limits of attention, people more focus on, and more rapid process of informational messages which leads to inefficient allocation of attention by skipping what all the messages mean.

To catch people’s attention, company has to firstly pay attention to its customers. “Satisfying the customer” has new meanings in a society in which technology is enabling companies to give attention to customers at an unprecedented level. Another book, The Experience Economy, Joe Pine and Jim Gilmore (1999) argue persuasively that organizations need to offer rich and compelling experiences to their customers if they want to attract their attention.

Understanding how attention involves in customer decision making process is an essential mean to compete with others in an overabundance of information competition. In brief, items come into our awareness, we attend to a particular item and then we decide whether to act. Attention occurs between a relatively unconscious “narrowing phase”, in which we screen most of the sensory inputs around us, and a decision phase, in which we decide to act on the attention-getting information. In each phase, as a decision maker, it requires people more and more efforts when it processes from awareness to action. In information explosion era, people are usually aware of many things happening around, however, they do not pay attention to them, which points out the difference between awareness and attention.

![Attention Model](image)

Figure 1 Attention Model

*Purchase Funnel*
To elaborate how attention processes, purchase funnel may offer more details of the mindset of people directly or indirectly influencing their purchase behaviors. The concept of purchase funnel was firstly proposed by Elias St. Elmo Lewis (1898) based on the idea that for a sale to occur, every consumer must take the same steps toward a purchase. No matter what the product; no matter who the person is, the journey is the same. The model classified consumer decision making process into four stages: Awareness, Interest, Desire and Action (AIDA). Afterwards, numerous and various researches sprung out to evolve AIDA model. In 1911, Sheldon extended the model with a fifth phase, ‘permanent satisfaction’ to stress the importance of repeat sales.

Recently, Forrester Research Inc. (2007) and McKinsey & Company (2009) proposed the traditional purchase funnel with slightly difference on five primary stages: Awareness, Consideration, Preference, Action and Loyalty or Awareness, Familiarity, Consideration, Purchase and Loyalty. The difference occurred may be because the model is based on practical sale experiences and scientific insights rather than traditional academic research, but their concepts were similar that was summarized below from my personal view.

1. **Awareness**
   Assumed customer has had no previous contact with company or brand, they can be aware of a company or brand with or without purchase desire by receiving messages from multiple communication channels, such as advertisements, word of mouth and independent discovery. At the point when people starts to think about buying something from a company or brand, the purchase trigger is initiated. The reason can be because of demand discovery, change of circumstances, encounter of an event or buying power increase.

2. **Familiarity**
   At this stage, customers have already decided what product or service they need and have several choices on companies or brands in their mind. Because of unfamiliarity, they are likely start reading reviews, learning the features, making comparisons, asking for opinions, and using the internet to research their options in detail. This phase of the process can be lengthened or shortened depending on the value of the product – people
are likely to dedicate much more time and efforts on searching their dream home rather than a pack of potato chips.

3. Consideration & Preference
   After research, customers start to conduct serious consideration and narrow down their choices to 2 or 3 preferential brands, and deciding between the most likely purchases. At this stage people may spend more efforts to go to take test, join a product demonstration, interact with salesperson or ask the opinion of people who have already purchased.

4. Decision/Purchase
   Final decision on the brand and product and whether they can afford it. Then taking the plunge, online or in a more face to face environment.

5. Loyalty
   Once the consumer has bought, they will very quickly form an opinion on the product and their experiences during the whole purchase process. If they are pleased with their purchase, there is a high likelihood they will consider buying from the company or brand again in the future depending on their needs. Converting an existing customer is always easier than cultivating a new client. Meanwhile, if the opinion is outstanding positive, customers may spread the news of the brand via word of mouth promotion and positive reviews, which was motivated incredibly fast by easy access to Internet and mobile devices in nowadays.
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Figure 2 Purchase Funnel (Forrest, 2007)

Figure 3 Purchase Funnel (Court et al., 2009)
Besides, both Forrester and McKinsey added their own perspectives on purchase funnel in new digital era. Forrester advocated that modern purchase funnel is more complex than before and brand advocates as contributors became essential as the introduction and popularity of social medias. It also provided the method to measure the “engagement” of advocates when applied to social medias.

McKinsey, on the other hand, emphasized that consumer decision journey is a circulating process, affected by the interaction among different stages and the experiences of each time purchase from the same company or brand. It argues that to understand the “trigger” initiating people’s purchase desire and to pay attention to all customers’ “touch points” are the keys to motivate sales whatever for amounts or speed (Court, et al. 2009).

As what Lewis mentioned “No matter what the product; no matter who the person is, the journey is the same”, in terms of purchasing artworks, the consumers should follow the similar path as purchase funnel model assumed when they are considering and making their decision of buying new works of art.
2.2 Online Art Auction Models

Another essential part of this paper is the online auction business existing in current art market. There are many previous researches digging into retail auctions, such as Yahoo, eBay and Yahoo auctions in terms of technology addition of online auction bidders (Turel, Serenko and Giles, 2011), reduction of auction commissions increases the total value of bids (Yao and Mela, 2008), the initiation of motivating people to bid online (Schlaegel, 2014), information asymmetry (Shen, Chiou and Kou, 2011) and so on. However, narrowing down to online art auction, the resource became extremely handful. The most related research was conducted by Mayukh Dass, Srinivas K. Reddy, and Dawn Iacobucci (2014) that they found few pivotal bidders have powerful influence on the outcome of fine art auction and network patterns was proved effective to understand auction processes and results.

Beginning from 2015, TEFAF executed the overall detail fact checks on online art market, offering of the relative complete picture of online models, market players, results, promotion and challenges (McAndrew, 2015). Based on the report information and personal observation, the online art auction models can be categorized primarily into two, one is Bricks and Clicks and the other is Online-only. Online-only model is able to be segmented into consignment model and partnership model.

2.2.1 Bricks and Clicks

Bricks and Clicks indicates online extensions of offline auction houses. Traditional bricks-and-mortar auction houses such as Christie’s, Sotheby’s, Phillips, Bonham’s, Heritage and others provide mechanisms for buyers to bid and pay online alongside live and phone bidders in traditional offline auctions and there is an access to, or exhibition of, the works prior to the sale. (McAndrew, 2015). Among, Christie’s and Sotheby’s with primitive powerful reputation run their Christie’s Live and Sotheby’s Bidnow better enough to beat other competitors. Both of them are also developing their online-only auction platforms. However, Christie’s performs better than Sotheby’s mainly because it entered the market much earlier than Sotheby’s, even though Sotheby’s was the pioneer joining online art auction market by partnering with Amazon in 1999 and eBay in 2003.
2.2.2 Online-only

Online-only model refers that those auction houses only hosted online and there is often no or limited access to, or exhibition of, the works prior to the sale. The dominant online-only auction houses have Artnet, Artsy, Auctionata and Paddle 8. The majority of auctions is happening online without any offline preview or auction conducting before or at the moment. Low inventory or no inventory is in contrast to traditional auctions. The model of online-only auction houses is slightly different from each other, which is shown on inventories and the control on consignments. Here I named them as consignment and partnership auction models.

Consignment

Artnet was the first company which started the online-only auction. The business model they conduct till today is taking consignments from collectors, dealers, galleries or any other art institutions or individuals like traditional auction houses. They have its own storage to keep consignment works and allow to access by requirements if potential buyers ask. In another word, it has control on consignments, including price setting and work information but meanwhile, the cost is higher caused by inventories and storages.

Partnership

Partnership became more and more popular after Artsy conducted successfully as one of its major profit source. It is welcome by many non-profit organizations and traditional auction houses without enough capitals and resources to develop their own online platforms. Non-profit organization frequently has benefit auctions for fundraising and in order to attract more bidders, online auction partnership became one of marketing choices to raise bids and total values. The advantage of partnership model is the unnecessary of inventories and storage. Auction house like Artsy only provides their online platform but has no control on the consignments or data of the artworks. The partners owned the consignment rights to organize the auction and online auction house provides subsidies in terms of online auction sector. Nevertheless, as the control on consignments is weak, the collaboration quality with partners became the key of success.
There is also online-only auction house combing both of business models to operate their online auctions. The explicit example is Paddle 8 (f. 2011, paddle8.com) which just merged with Auctionata (f. 2012, auctionata.com) in this year. Paddle 8 focus on only online auctions, therefore, it has more resources to invest in their auctions that they do both consignment auctions and partnership auctions. Its official website lists the auctions separately in two sectors: One is their theme auctions and the other is benefit auctions, which obviously embodied the combination of two different business operations.

2.3 Digital Marketing

Besides the online art auction model, the understanding of current digital marketing tool builds the basic of analyzing digital marketing strategies later articulated in this paper. Digitalization is trendy in our daily life and has influenced and reshaped how we search information, purchase somethings, receive messages, communicate, make decisions and as well as how company or marketer promote their products and brands to attract their potential customers. Digitization, and especially social media, have been claimed to transform consumer behavior (Kaplan and Haenlein, 2010), with important consequences for firms, products and brands (Muntinga et al., 2011). People spend a great amount of time seeking search engine, browsing social media and drowning in emails even unconsciously as I have mentioned in the introduction. Marketers always ask people, if you want to find something, how do you get the answer? People always say “Google it.” It seems like if company doesn’t come up on google page, it doesn’t exist. Few years ago, Google even published the new theory named “Zero Moment of Truth” (ZMOT). When people start to grab their laptop, mobile phone, pad or any their wired devices to learn about products or services, they are trying or buying (Lecinski, 2011). Digital marketing became a prevalent term in shaping business brands and marketing products and services from 1990s. It can be defined as a new approach of marketing which utilizes digital technologies to market and promote products and services mainly on Internet but also including mobile advertisements and other digital medium. There are various ways to classify digital Channels. Among, the way of which party control the channel (company or target audience) is the most effective thinking to analyze the topic from my personal view. It has two categories, one is one-way communication and the other is two-way communication.
2.3.1 One-way Communication

One-way communication including website, e-mail, search engine optimization (SEO) and search engine advertisement (SEA). Company’s website can be described as the home of the brand in the online environment (Christodoulides, 2009). E-mail can be used for various marketing purposes including sharing information, promotion, building and maintaining relationships and guiding customers to websites (Simmons, 2007). Even though email is a two-way communication as its nature. Nevertheless, in most of cases, it is used as an one-way channel to use as newsletters or advertisements. Both website and email offer companies a strong power to control the messages delivered through the channels.

SEO, the process of optimizing the rank of company’s website in organic search results, and SEA, paid advertisements on a search engine’s results page related to some keywords. Their purpose is to inform people of the products or services available, and they are crucial to a company’s visibility on the web. Hence they are belonged to one-way communication but company has less control on it as once it is posted, company cannot change their decision in certain period. Also company is not able to know exactly where, when or what their potential customers want to see on the website or product advertisements, so company can only react passively when conducting SEO and SEA strategies.

2.3.2 Two-way Communication

The rise of social media turned the relationship between company and target audience upside down. In the traditional marketing channels or in one-way channels, people are known as audience who now seized control. In academic circles, they are “prosumers,” who are demanding the right to participate within the culture. Social media granted people power to make meaning, to choose, to share and, in the aggregate to affect industry practice. (Webster, 2014) The essential nature of social media requires company marketing to take the form of two-way communication with customers instead of monologues from the company. Naturally, in social media channels the company has less control over its brand. In social media, audiences do not expect sales pitches and marketing messages but real information generated by conversations around the brand (Christodoulides, 2009; Weinberg and Pehlivan, 2011), and they expect authentic stories to be told (Fournier and Avery, 2011). It has been stated that post-internet branding is about “soft selling”, co-creating value and managing customer relationships not
attempting to directly drive sales (Hennig-Thurau et al., 2010; Rowley, 2008). Meanwhile, interactivity on Internet seems to have a positive impact on a company’s online performance by increasing customer’s attention, developing stronger relationships and thereby increasing overall satisfaction (Simmons, 2007). Social media is likely to be a successful tool for brand building as well as engaging customers and building unique customer relationships.

3 Overview of Global Online Market & Auction Business

Online market has grown fast in recent years. Hiscox online art trade report (2016) articulated that starting from 2013, online market grew averagely 1 billion every year. Until 2015, it has already reached 3.27 billion globally. TEFEF Art Market Report (2016) has even higher estimate of online market value, 4.7 billion, up 7% year by year, taking 7% of all global art and antiques sales by value. The stunning growing speed and value amount attracted wild applications and discussions of online art business and digital marketing. According to research from McKinsey, sales in online luxury sector are growing at least twice as fast as the offline luxury market. They estimated that pure online sales represent around 4% of the global luxury market but this could grow to between 6% and 7% by 2018. Based on luxury growing rate, Hiscox estimated that the online art market will be worth 9.58 billion by 2020.
The rise of diverse online art platforms is in recent three to five years, however, the online sales were created for both consumer and B2B industries from the beginning of dot-com era. The successful examples include Amazon (f. 1994, amazon.com) and eBay (f.1995, eBay.com). In the art and antiques sector, some of first successful online companies focused on lower-end market for prints and reproductions, such as Art.com. Artnet, as one of earliest market players, launched its online fine art price database in 1995, providing online access to images and auction prices bring transparency to an opaque marketplace. Other companies such as Artprice and Artfact had launched in the late 1980s and also began to selling data online during 1990s. E-commerce were made by incumbent offline companies, starting from the unsuccessful online auction platform partnership by Sotheby’s and eBay. Heritage auction conducted its first online sales in 1999. In last five years, there has been a rapid expansion in the number of companies launching in the online sector, involving various business modes. Christie’s introduced its online biding in 2006 (Christie’s Live) and launched online-only sales in 2012 and it now holds regular sales of wine, art and collectibles. Sotheby’s launched its own online sales platform soon afterwards (Sotheby’s BIDnow). In addition to the extension of traditional auction houses, Artnet
launched its first standalone online-only auction platform in 2008, and in the following four years, Auctionata, Paddle8, Artsy, Saatchi Art and many others were founded.

### 3.2 Major Market Players

<table>
<thead>
<tr>
<th>Company</th>
<th>Visitor rank</th>
<th>Purchase rank</th>
<th>Visitor experience rank</th>
<th>Buyer experience rank</th>
<th>Average rank</th>
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</table>

Figure 6 Hiscox Online Art Platform Ranking 2016

In 2015, the top major players of online auction market are Christie’s Live, Artsy, Artnet, Sotheby’s BIDnow, and Paddle 8, based on the average rank of visitor rank, purchase rank, visitor experience rank and buyer experience rank (Hiscox, 2016). Both Christie’s and Sotheby’s have invested heavily in their digital presence and in the adjustment towards catering for new art and collectible buyers who increasingly prefer to buy online. Both houses rank the highest when it comes to visitor and buyer experience, which suggests that the trust and credibility these companies have built in the offline market transfers to the online art buying environment.

Sotheby’s reported online sales exceeding $100 million in 2015, a first for the annual online total. 32% of online bidders were new to Sotheby’s, and the number of online buyers increased by 39%. Christie’s reported total online sales of just under $40 million with online buyers up 10%. Christie’s also holds regular online-only sales which held 50 sales in 2013 and this rose to 78 in 2014, totaling $35.1 million up 60% in US dollar terms on 2013. Some 32% of buyers from 69 countries and 42% are under the age of 45 years, which shows its influence on young art collectors.

Artsy and Artnet, on the other hand, come in at second and third place respectively. Artnet is cited as being the most frequently used platform, but Artsy rates more favorably when it comes
to user and buyer experience. Although the ranking suggest that the traditional auction players are addressing the online opportunity effectively, the advent of online auction players such as Artnet, Artsy, Paddle8 and Auctionata aggressively pursuing market share, implies that the Christie’s and Sotheby’s dominance in the traditional art market is going to be hard to replicate online.

3.3 Online Auction Price

When it comes to price range, it is various depending on auction platforms concerning their trustworthy and reputation. In general, about 90% of sales were sold under 100,000 dollars which is considered as middle- and low-end markets. Bricks-and-Clicks auction house like Christie’s and Sotheby’s usually can sale much higher online compared with other market players, because of their strong and positive reputation and profession. Online-only auctions most of lots are within the price range between 1,000 to 10,000 dollars but it also depends on auction theme and genre. Paddle 8 averagely has more low-estimated lots under 1,000 dollars based on my observation. The price ceiling is undoubtedly one of the issues for online auction business, as art is a high-cost investment and people prefer to see artworks in person in traditional way. The online art experience and transection are new to collectors and trustworthy, transparency, and information asymmetry affected a significant degree of adopting new art collecting mode.
4 Analysis of Online Art Buyers

4.1 Regular Art Collector

Art regular collectors are between 45 to 65 years old. They usually buy art primarily for their love and passion of art, in few sectors. However, they also consider the future value of collecting specific artists and artworks before they make decision on a great amount of money. Spending 5 to 10% of their annual income is an average rate for regular art buyers. The interesting thing is that these art collectors buy artworks through multiple platforms, not only from dealers, auctions and art fairs, but also online platforms (McAndrew, 2015). Different from what people usually thought that online mode is belonged to young generation, elder art collectors do buy artworks on Internet.

4.2 Online Art Buyer (Generation Y)

Nevertheless, it is true that much greater amount of young collectors buy art online than elder people. The online art market is dominant by young people under 40 years old and among them,
19% are new first-time art buyer, according to the investigation of Hiscox (2016). Young collectors, Generation Y (18 to 35 years old), feature that they buy artwork for their passion and love of art, same as regular art collectors, they usually use 1 to 3 different online platforms to search and buy artworks, half of them bought at least the same amount of artworks from online platforms compared with last year, and half of them will probably buy more in coming year. The factors drive them to buy something from specific platform are quality of artwork, searchability/navigation, and reputation of the platform. Regarding to the top players in the market, such as Christie’s mentioned before, offer the best artworks, best experience through their website design which is easy to search with sufficient details of works, and great reputation.

The most essential point here is that online art sale mode attracted a lot of new clients to become regular art buyers and the repeat buying rate is high even though they may not be loyal to only one brand. Another exciting discovery of these buyers is that they are heavy user of social media and they agree that social media have influenced their online purchase decision.

### 4.3 The relation between social media and online art buyers

Generation Y is used to new technologies such as laptop, mobile phone, social media and any other digital devices and also they are frequently using them even without consciousness. The social media was proved by the investigation that more people in 2016 acknowledged that social media influenced their art purchases at 31%, up from 24% in 2015. This influence remains particularly high in the new art buyer segment, where 38% of new collectors said that social media does impact their collecting habits and their decision on when and what to buy.
The findings also suggest that Facebook and Instagram remain the preferred social media platforms for art buyers over the past two years. Among art buyers, Instagram experienced a significant jump in popularity – from 34% of respondents using it in 2015 to 48% in 2016. The same trend was found among younger buyers, where 65% said they used Instagram for art-related purposes (up from 48% in 2015). With 400 million monthly active users, Instagram has become the fastest growing mobile photo-sharing app in the world, and is increasingly used by artists, galleries, museums and auction houses. The reason for Instagram’s success lies in the nature of its visual content, with photos liked twice as much as text updates and videos shared 12 times more than links and text posts combined. No wonder the art world is jumping on this visual bandwagon.
However, Instagram is also becoming a revenue generating platform, particularly for the fashion and accessories world, with Like2Buy and Soldsie among a few companies that allow people to buy items which feature on your Instagram feed (Hiscox, 2016). It is possible to see, in the near future, art world may consider to adapt similar strategies as those fashion companies.

5 Current Digital Marketing Application

The current application of digital marketing in online auction market is similar but the performance and the result are not satisfied for almost every auction house. People are struggled in terms of operation of digital marketing and social media and in this part, based on the interviews with 12 professionals in the art world, the overall situation of digital marketing strategies, results and difficulties will be articulated.

5.1 Methodology

The methodology is established on qualitative research of semi-structured interviews on 12 professionals in the art world. The group of people include 7 people working or have worked for auction houses such as Artsy, Artnet, Paddle 8, Sotheby’s and Christie’s, 3 people are marketing specialists in art fair, museum and non-profit organization who collaborated with online auction companies before, and the rest are art collectors, one had bided online before.
The interview is average about 20 to 30 minutes and the questions are surrounding the companies’ business modes, digital marketing strategies, current online situation observation, social media experiences, online marketing insights, difficulties and the future online plan or thoughts.

5.2 Results

The interview result shows that people who are in auction houses now operating their online platforms and digital marketing strategies with constrains, especially on online auction sector. To explain it in detail, the digital marketing channel classification needs to be applied.

First of all, auction specialists or marketers still heavily rely on one-way communication channel such as inner email lists and personal contacts to attract major bidders on lots, it can be even applied in detail to match specific lot with specific potential buyer. The traditional auction houses rely on this channel much more than online-only competitors to find their bidders as the power of existing inner contact list and also the conventional habit in terms of auction marketing. Online-only auction houses commonly send out email newsletter or notice to their clients existing in their database, once there is an artist or artwork or genre tagged by clients before included in the auction, those clients with tags will be noticed by email before or at the time the auction is open. It is the major source of bidders in each online auction currently which indicates that auction houses still significantly depend on their old clients. The attribution of new clients is still limited as secondary resource.

For top auction houses, website design is basics but in terms of SEO and SEA, they are still exploring and measuring the results. But for relative small company, most of them haven’t invested in SEO and SEA as the budget is very limited.

In terms of two-way communication, social media, many of them just stepped into the pool in recent 5 years or less and some of them do not run them well regarding popularity and engagement of their followers. For auction promotion on social medias, some auction houses such as Artnet and Paddle 8 do it for every auction they release, but some of them like Sotheby’s, Christie’s and Artsy barely do it on their social pages. The effectiveness of social media
promotion results on raising auction bids or total value is vague and most of interviewees mentioned that they did not see obvious outcome in general when they are running the auctions.

The main reason is that they do not take social media as a tool to generate auction bids and value and at the same time, most of them have other business activities as well, so social media cannot be taken as auction promotion only platform. Even though Paddle 8 promote their auctions massively on their social medias, the performance on engagement and popularity turned out much worse than its competitors.

Another important reason is that companies are lack of resources or knowledge to evaluate the effectiveness of the social media investment. Therefore, many of them have no clues whether social medias really help them on the value of not only auctions but also their entire business. The top auction houses usually have more resources to do it but even for Artsy, they are struggled on measuring the digital marketing investment because of insufficient resources and talents. The big auction houses may perform better but many other companies run their social medias without knowing why they are doing it and also without organized strategies and plans, which is the worse from marketing view. They do whatever they want to promote on their platforms whatever related to auction or business intentions or not because the cost of opening a social media account is zero and many of them do it is because every other player in the market are doing it.

Although the general feedback did not show the positive relationship between social media and auction results, some interesting findings were brought out from inside and also from outside. First of all, everything is based on the quality of artworks, if the quality of works is great, the promotions on social media will speed up the increase of bids and value of promoted artworks whatever the artist or artwork is well known or not.

Secondly, social media promotions do provoke people’s interest to look after the artist and the works even though they may not have intention or desire to buy or bid on it at the moment. Many interviewees proved that some bidders asked the works after they saw the pictures or promotions on their social media platforms, most of time is Instagram or Facebook. Also there is an art
Attention Economics: The Impact of Digital Marketing on Online Auction Business

collector following Instagram mentioned that if he saw an artwork he likes on Instagram or other social media platforms, even though he may not buy the work at the moment, he will start pay attention to the artist or the account consciously or unconsciously in mind and if there is another chance he finds similar artworks by the artist from whatever online channels, auctions, art fairs or galleries, he may consider to make a purchase seriously.

Finally, social media is usually combined with company blogs called editorial content in online business marketing strategies. Soft content usually supports the engagement and popularity of the platform. For example, Artsy which in my opinion, one of the best social media operator in the market, composed their content on Facebook 90% by editorial contents and the rest is interesting interactive pictures, videos and Facebook Live, according to 100 samples I collected from their Facebook page. Artsy also do auction promotion by editorials of highlight works for each auction, which turned out the huge motivator of auctions on bids and prices of highlight works, according to its partners.

In conclusion, auction house run their digital marketing campaigns still rely on one-way communication channels, subsidized with SEO and SEA investment in order to reach out potential first-time buyers who have active interest in auctions, but the outcome of investment is still ambiguous. The two-way communication is for brand building, education and the attraction to passive potential new young customers. The performance of social media is not shown on the results of auction sales but it has potential to generate indirect and direct sales in the future if people apply digital marketing tools and knowledge well.

5.3 Difficulties

The difficulties of digital marketing concepts and strategies in practical case are three: the lack of resources, data collection and data analysis, and integrated marketing strategies. If these major problems can be solved, the improvements on digital marketing strategies and investment feedback will be able to deliver more effectively.
Lack of resources is the dominant problem in most of companies. Resources includes both digital marketing professionals, marketing professionals and capitals. People is the most important issue in terms of running digital marketing campaigns. Many big companies do not have specific person specializing in only digital marketing or social media content. In other industries, marketing departments of many big companies always has at least one person in charge of social media platforms and another one in charge of digital marketing. In the art world, many companies are unwilling to invest in it even the dominant players in the art world. The reason is obvious that art industry lagged back on digitalization compared with other industries and the transformation of digital prospective and application requires time to be delivered, especially the product is art which posed more limitation in contrast to commodities.

On the other hand, the difficulty of capital is always confronted by middle and small companies. Capital is the drive of the progress of corporations. Without investments on resources, a corporation is hard to grow in many aspects. How to gain funds, whether to invest and how to invest becomes struggled questions to many companies in the art world.

The data collection and mining is related to the resources. However, the point I would like to point out specifically here is that traditional auction houses face this problem much tougher than online-only auction houses. Because of the great amount of previous data, the digitalization of old data or application a new database, both Christie’s and Sotheby’s confronting, is a pain. On the other hand, the technologies or skills of online data collection and measurements is a new challenge for old conventional auction houses. It needs not only the new group of people to run it but also the entire transformation of the collaboration system among different departments. This is a time and money consuming challenge for a big company.

The final difficulty is integrated marketing thinking. Digitalization is not all for marketing and traditional marketing is still effective affirmed by enormous practices and researches in the past. Online and offline is necessary to balance in a way to maximum the marketing investment. However, some companies may not realize it and people in marketing department are possibly struggling in how to combine all their marketing strategies well toward the main goal of business progress. In fact, not every company is suitable to be digitalized at least at this moment even
though there is a trend, because of diverse issues such as business goals, target clients, marketing channels, and undoubtedly budget size. The best way to do marketing is not digitalization, but the business target and the strategies to reach it. Integrated marketing thinking supports marketers to decrease the cost of unnecessary investment and maximum the effectiveness through mutual influences among different marketing campaigns.

6 Conclusion: The Future Digital Marketing Strategies

The theories of attention economics and purchase funnel have already given some clues to effectively plan the strategies of digital marketing campaigns. In McKinsey’s report (2009), it proposed that in different stages of purchase process can be motivated faster or more effectively by different marketing tools and campaigns.

Figure 10 Most-influential touch points by stage of consumer decision journey

(Court et al., 2009)
In the initial consideration set as awareness stage, company-driven marketing dominates the highest influential rate to make people move on to next stages. Here I interpreted as one-way communication proposed before. Besides the traditional marketing campaigns articulated in the figure, email, website content and design, SEO and SEA are belonged to company-driven sector. Consumer-driven marketing cannot be ignored in the first stage, which I interpreted as two-way communication, including social media. Actually based on the interview result, I believe if the investigation including social media effect, the percentage of consumer-driven marketing will be higher than 21% at first stage, as reviews can be significantly increased by social media and other digital medias. Also recalling the analysis of online buyer and the interview result of the art collector, social media did trigger potential buyers’ interest or desire to consider buy specific artwork or research of artist and the brand.

Moving on to the second stage, attention, consumer-driven marketing became the pivotal motivator, taking over the share of company-driven marketing. Word-of-mouth was confirmed by art collectors in the interviews that initiated their first try on bidding online. In fact, word-of-mouth is always the essential effect in the art world to increase sales and engage people to buy artworks. Social media in digital era gradually became the influential tool as another way of word-of-mouth, as participants have power to share, comment and impact the industrial decisions. In the art world, people started to accept online art mode and the new generation is heavy user of digital medias, meaning that consumer-driven marketing and two-way communication will play more essential role in the future in terms of deciding specific buying platforms or brands.

The Closure stage, action, personal interaction is the key role without doubts. The deeper relationship between clients and company motivates people’s purchase decision all the time on whatever products or services. Regard of works of art, it is the sincere truth admitted by most of people in the industry. Special events, cocktail receptions, fancy galas and VIP services are all about creating the deeper personal relationships between collectors and the company. Collectors always enjoy the exclusive experiences so they are willing to invest and join different high-end clubs, memberships and become VIPs. The exclusiveness is what they desire to get and also what they hope the company can deliver through their services from all aspects. In terms of
auction, the pre-matching process before auctions is all about the personal relationships and interactions. However, the importance of consumer-driven marketing do not decrease that much which means the word-of-mouth or reviews are still influential in buyers’ mind and the company should notice about it. One negative comment can ruin numerous positive feedback, especially in digital era, messages disperse much faster than ever before.

In conclusion, push every stage by online and offline marketing strategies will be effective based on attention economics and purchase funnel which was practiced by many companies in the past. Nevertheless, before any marketing plan or practice, good product and the clear intention of marketing investment are the basics, in whatever industries. In the art world, the quality of artworks is every collector’s concern and it is one of the keys to make people buy online. The goal of marketing is a problem for many companies in art world, especially for social media campaigns. Low cost should not be the motivation to do any marketing campaign as it may be not cheap as people thought at the first place.

During the execution from first stage to last stage through the consumer purchase process, people should consider not only digital but also traditional marketing tools. For triggering people’s need and awareness to create first touch point, as well as increasing familiarity of second and third points, using social media is influential, but at the same time, offline campaigns such as the promotion event in art fair, may be able to increase the familiarity as well. Email communication combined with special event arrangement is a possible way to create and enhance personal interaction and relations in order to turn desire to real sale. The examples can be explored based on business need, budget limitation, and current situation of business performance.

Overall, the emphasis is digital marketing strategy is now an essential field to explore for online auction business, and it is the next step of the industry from my own perspective. The potential of it is existing but how to operate it through professional marketing thinking and practicing is what company should consider before they start investing. Through this paper elaborating and summarizing theories, market, clients, business models and current situation, the goal is to provide the overview and possible ways for marketers in the art world to think or rethink about the current situation of their digital strategies in this new fast-changing era.
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