

Analysis of the Indian Art Industry: An Organizational Perspective

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Abstract

Creative cultural industries are those that produce tangible or intangible artistic and creative outputs, and which have a potential for wealth creation and income generation. All cultural industries use creativity, cultural knowledge, and intellectual property to produce products and services with social and cultural meaning. Industries that make use of cultural assets and skilled creative people can significantly benefit from the use of online social networks.

Creative industries are typically characterized by a high level of product differentiation. For example, no artwork is like any other. Some of the products are reproducible, while others are not. The high degree of product differentiation is linked to symbolic content and also to the fact that cultural products contain some aspect of novelty that implies product innovation.

Key Words & Phrases: *Intangible output, Intellectual Property, Cultural Assets & Product Differentiation.*

The Study: A Brief

There have been many studies earlier in the areas of economic impact of arts [1] and usage of new technologies in arts [2]. However, the scope of the aforementioned research has been restricted to the USA and Europe. The Indian art ecosystem, especially its organizational aspects has not been studied in-depth. Individual galleries such as Saffron Art in India [3] have been researched. However, the entire art ecosystem has not been studied from the organizational perspective. We have attempted a realistic assessment of the visual art ecosystem in India and attempted to understand how online offerings can contribute to

art entrepreneurship, especially its dual impact on propagation of art and economic growth.

The study was restricted to online portals, specifically to those that were able to harness cultural and artistic talents and instill a sense of art, art appreciation and simultaneously becoming economically viable. A website in the form of a social network and its preference among stakeholders in the art industry was the area of focus. We studied an organization that has helped retain and propagate a specific traditional art form. How it has helped by making it contemporary and viable in terms of marketing and design. The specific aspects for its success were studied.

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The field of contemporary art is seen to be for a select few. As an investment option, it is often seen as an area for the niche elite. Only a few artists gain prominence. The method behind art appreciation and valuation is a very complicated process. A close-knit society for contemporary art works like a clandestine group. Online forums working in tandem with galleries and art hubs in India may help in making the art world more accessible to buyers. This may also bring in the much-needed transparency in the field of arts and eliminate hidden surcharges.

We also delved into questions: Is there an option for the young and the not so wealthy to look at investment options in art? Statistics show growth in the returns from art is much higher than returns from any other asset. It has also been able to weather the recession that seems to have hit other sectors hard worldwide. Auction houses have made it their closed fortresses. Can art buying and trading be made simpler?

We felt an online art house and more affordable rates

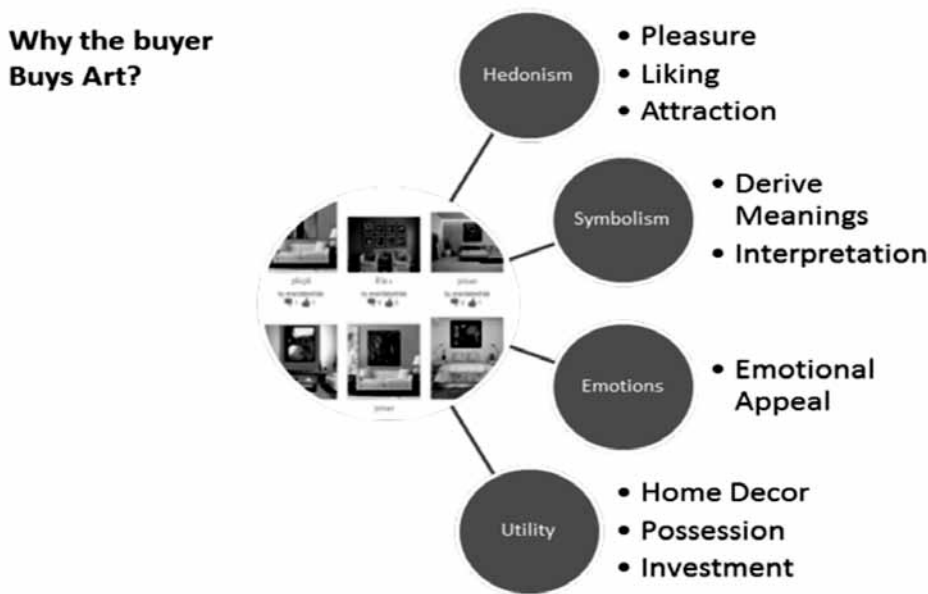
would help target art at the middle class level. With the emergence and adoption of internet based social networks, increase in income levels, greater interest and paucity of time for cultural artifacts the success of cultural entrepreneurship is going to depend on online offerings in the future. A counter point weakens the hypothesis - the experience/touch-and-feel aspect of the arts remains to be a big factor that dissuades consumers/users of such offerings in a developing nation such as India.

Different art galleries were studied. 'Depth interviews' with experts and veterans in the industry also helped us understand details better.

Categories of Art and Art Buyers

This paper predominantly pertains to the sale of modern and contemporary visual arts also known as fine arts. Created on aesthetic rather than decorative grounds, fine arts is to be understood and responded to on its own, without relation to anything else.

Traditional Art Buyer



based on Interview Inputs

Figure 1: Art Buyer Categories based on the Motivation to buy art - Obtained from interviews [4].

We have done art buyer categorization essentially to help segment the buyers based on psychographics, which will help target the buyers better based on the art categories discussed earlier. It may also help entrepreneurs position their offerings better. This categorization depicted in Figure 1 is arrived at based on interviews with art buyers, art enthusiasts and art gallery owners. We ascertained art buyers as they are currently. We tried to elicit their motivations to buy art. Abstracting out a general art buyer we tried to track down his/her intentions in buying art.

Characteristics of an art buyer and reasons why they buy, include: Hedonism, attraction and the pleasure derived from the art-work. It can also be a combination of emotions and sensory stimulus as against a pure pleasure-orientation. Emotional appeal defines another category of buyers, who feel direct and pure sensory stimulus – anger, fear, pain etc. Symbolism: Translation from the cognitive to abstract based on the interpretation and meaning derived, is a category we could identify as motive for the buyer. Utilitarian reasons include possession for status, as an investment option – monetary reasons, and as home décor – for decoration and as a means of making things aesthetically pleasing.

Although not completely compartmentalized, there is a broad level categorization that can be done for the buyers of art. There are the wealthy and passionate art collectors. Art collectors tend to use words such as beauty, attractive, pride and aesthetics, enhancing status etc. Associating with the finest creative minds increases their own self worth and their projected worth in the society.

For some collectors it is an obsession to collect art (hoarding behavior) leading to repeat purchases. The availability of wealth is another important factor leading to art buying in order to decorate the house and beautify it. Adding more glamour to beauty as one art collector put it!

Some buyers appreciate art and see it as an investment option; this includes corporate honchos. There are also buyers who see art purely as an investment option; for the increase in the valuation and they buy works of specific artists because their market value tends to

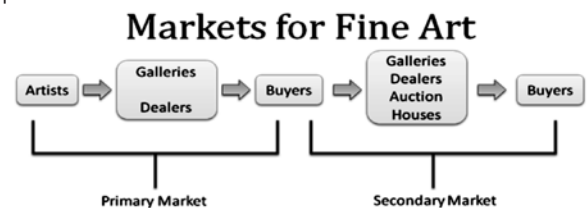
go up the most. Investment schemes are formed for art selection, art consultation and art advisory services such as by Religare Art Initiative – www.religarearts.com

Among the occasional buyers there are a few who get emotionally attached after seeing a certain artwork and they tend to love the aesthetics of the art work and thus buy it in order to possess it – these buyers are not repeat buyers. These occasional art buyers predominantly buy for home decoration or sometimes for gifting purposes. This number is now increasing with disposable incomes and residential complexes coming up at an ever-increasing pace. Bulk buyers are a separate category and buying happens through interior decorators or people assigned within an organization. Refer to Exhibit 3 given in Appendix for fine-grained details.

Apart from demographics and art-buying needs (demographics and psychographics sections of Exhibit 2 given in the Appendix), characteristics that define art buyers include the following. Often they like to often visit and gather at parties and socialize over drinks. Art buyers often are interested in several other performance arts activities such as viewing plays and music or dance recitals. Some of them are on the other hand very reclusive and introverted, as they like to stay in solitude and contemplate. Many are industrialists' wives who are naturally wealthy. Many of them may have diverse buying needs or indulge heavily in shopping or in gardening at home etc. Some of them have unique collecting habits and are connoisseurs of good things in life. These are based on perceptions and observations of the authors.

Analysis of Sales of Art

Traditionally the two most prominent modes of organized selling of art have been through art galleries and physical art auctions houses (auctions) apart from private sales.



From Saffronart.com: Bidding for Success (HBS CASE) by Mukti Khaire, R. Daniel Wadhvani

Figure 2: Markets for Fine Art [3].

The art market supply chain is shown in Figure 2

Ten years ago, Saffronart, an online store for lovers of art was started. Art websites online have since then caught on as they provide the benefit of increasing reach to a greater number of buyers. Art fairs such as India Art Summit which started in 2008 (now an annual fair) are another very recent phenomenon spurring art sales.

Offline Sale of Art

Art works are usually with the art gallery on consignment basis. So there is flexibility in terms of display and showcasing and contracts are used. Artists from different locations rarely come together and interact.

Apart from gallery, middlemen exist in the industry - connecting artists to galleries with their knowledge of the artists and art styles, they may also act as curators at times. Greater dependence is on trust, although contracts and agreements exist.

Key artists get famous and have international auctions and command higher prices for their work and are then promoted by the art galleries. Many art galleries may potentially try to attract such an artist. Artist loyalty comes into play here unless there is an exclusivity in the contract on the sale of an artist's works, which is a rarity these days. Loyalty among art collectors is definitely another aspect.

Exhibitions are often held for individual and group of artists. However, there is no artificial speeding up or any effort towards productivity, which may lead to degradation of quality. As mentioned, partnerships exist between different stakeholders, and this leads to benefits of such social capital including information, artworks and allied services, emotional support, socio-political influence – in essence weak ties and social organization-like structure.

Art galleries give artists independence and yet the artists cooperate with the gallery to sell their works. Therefore, it is a mutually beneficial symbiotic relationship.

Online sale of art

Online sales comprise of display of artwork on websites. Fixed price sales of art prints and artworks (standard

e-commerce model using a transaction gateway) and online auctions for bids online are the modus operandi. Mobile auctions along with website-based auctions are the norm. A new development has been entire art-fairs being conducted online using rich graphical website technologies and 3D look and feel (VIP Art Fair – January 2011). Such fairs are for the internet-savvy and are international in nature due to the prevalence of high-speed internet connectivity. High-resolution images are sent out via e-mail to potential buyers/patrons who often buy. Gallery reputation and the artist are most important when buying online as per inputs of art galleries.

Many world famous auction houses have online presence: Sotheby's, Christie's, Deviantart etc.

Indian Sites: although highly fragmented with hundreds of art galleries, the Indian art industry has only a few prominent online ones including Saffronart, IndianArtCollectors, Artjini, Artflute, Indian Art Collectors, IndianArtIdeas etc. More details of some of the aforementioned art galleries are part of Exhibit 1 given in the Appendix.

Art Transaction Processes

Transactions in the art world comprise of buying and selling of art. Artists and art entrepreneurs sell their artworks. The price of the artwork is either determined by the artist or in collaboration with the art entrepreneur as a fixed price. References for this pricing could be artists of the same style or genre. At times when it is not possible to determine the price of a piece of art, auctions are conducted to determine the worth of a piece of artwork especially if it is a new style of art. These auctions then go on to determine the relative worth of an artist's artwork. The auction results become a reference for setting the base price for future auctions. Often secondary art pieces are auctioned. An art collector possessing an art-collection, sells off some of his artworks to potential buyers or collectors, and this maybe done through an auction house or a gallery!

Analysis of the Survey and Interviews

We floated a survey to elicit answers on the art buyers' approach to buying art. The survey comprising of questions on mode, frequency, interest in art and art

buying, along with ratings for current parameters they look at before buying. Online buying parameters and online features were rated by the survey takers. Interest in socializing in online social network oriented website was also probed. This gave us an overview of the buyer's preference about the online medium and possibilities of innovation in that area. This survey was conducted in-person (offline) and online. People surveyed were artists, art buyers, IT/ITES and Marketing professionals and they are active users of Facebook or other online social networks.

We may aggregate the need categories based on the above statistic as:

- Status needs
- Home Décor
- Emotional connect to art/Passion for arts
- Impulse Buy/Loved Artwork

Online Art Buying - Salient features abstracted from survey

As per survey results put forth to art consumers and potential buyers the needs vary as follows:

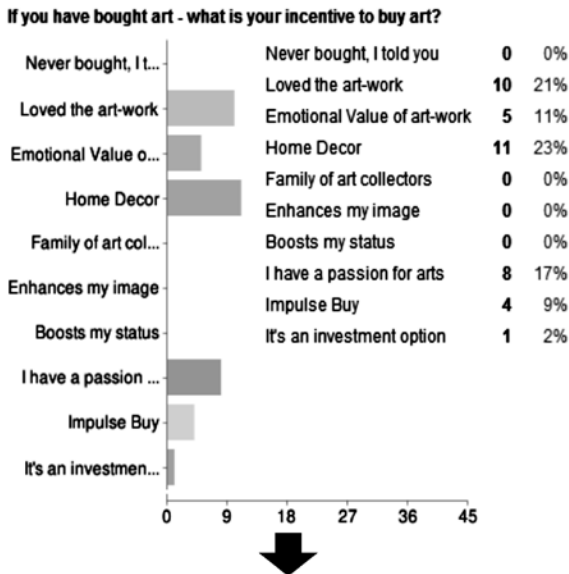


Figure 3: Needs and Benefits of Art

We found that a majority of the survey takers buy art because they love it or they prefer it as an accessory for home décor (See Figure 3). Availability of details and ease of use of websites are high priority for online buyers. This shows self-learning is quite significant for the buyers as they browse a website. Art gallery brand is not as important as the art galleries themselves make it out to be. In addition to ratings and comments, (social interactivity and knowledge angle) assurance of authenticity is very important for the art buyer.

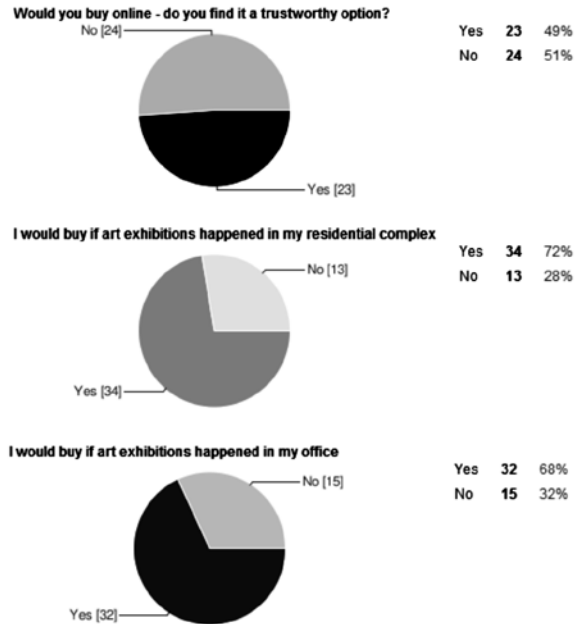


Figure 4: Some Relevant Customer Survey Results

A predominance of art buying for home decoration purpose is well reflected in the survey (Figure 3). Art buyers would prefer to purchase art through art galleries rather than the Internet mainly because of the missing 'touch and feel' aspect of seeing the art in front of them (Figure 4). However, they have a preference for self-learning and gathering knowledge from art websites and critic's reviews and comments. Interactivity has to be tempered with hassle free navigation and low complexity. We surmise that audio and video podcasts such as recorded talks streamed on the internet etc. can help increase buyer engagement (i.e. time spent) on the art gallery websites or on online social networks. This is evidenced in the conducted interviews.

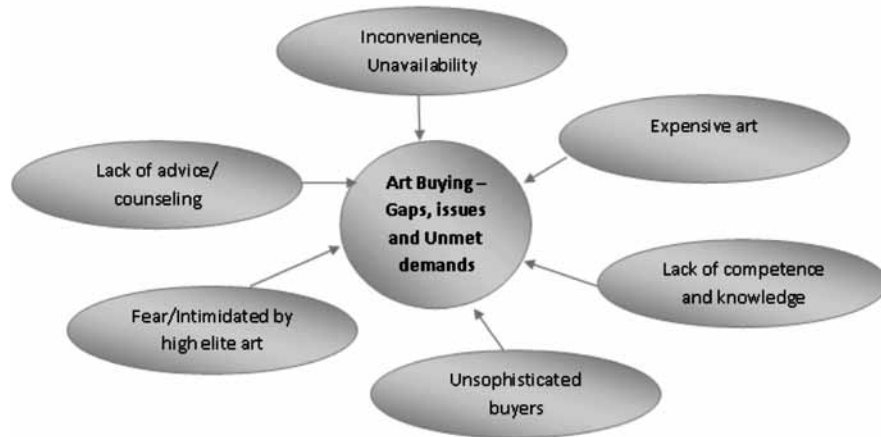


Figure 5: Unmet Needs and Issues - Extracted from Interviews

Artists seem to be open to using online websites and social networks but the art galleries need to set up the infrastructure in their view. This will help augment their sales from art exhibitions and auctions.

Art entrepreneurs have already started using some of the online methodologies to sell art. Some currently have up to 50% of their sales via the online mode. Authenticity being a key area, they would like to see some mechanism to register artworks online.

Buyers are keen to utilize online mechanisms for gaining knowledge and interacting with like-minded people. Few are of the opinion that it can only act as a preliminary stage. However, some art buyers have embraced online buying by means of viewing high-resolution images.

Art critics seem to be strong supporter of online social networks and discussion forums that will help popularize contemporary art as some organizations are doing. Critics under the umbrella of FICA (one such organization in India) are actively participating in the online discourse.

Figure 5 captures some of the key issues that have been extracted from the interviews regarding the gaps and unmet needs in the art buying process. In actuality,

References

1. Measuring the economic and social impact of the arts: a review by Michelle Reeves: <http://www.artscouncil.org.uk/media/uploads/documents/publications/340.pdf>
2. Web: Social Media in the Arts”, Theatre Bay Area: <http://www.artsjournal.com/newbeans/2011/06/social-media-and-the-arts-a-groundbreaking-new-study.html>

some of these issues deter art buying and as a result art acquisition is lower than the possible potential.

Often the art world is viewed as one for the elite crowds and acts as a psychological barrier creating a niche market as intended. Also as a result of the lack of competence in buying art and advice on artists and artworks, it is seen as a risky investment. The prohibitive costs go on to eliminate many potential buyers who otherwise have an interest in arts and love certain pieces. They may prefer to buy art reprints (printed copy of the originals) as an alternative.

Affordable original Indian art is looked-into on by certain art galleries such as Kynkyny in Bangalore as being a differentiator. It is yet to catch up in a big way in the market.

Conclusion

Creative industries thrive on creativity and autonomy is our conclusion. This unique nature of art galleries and cultural enterprises has some lessons from the organizational perspective. This is particularly beneficial to knowledge intensive organizations in general. The nature of command and control that needs to be broken to become more innovative in such organizations is what makes the application of this analysis particularly useful.

3. Saffronart.com: Bidding for Success by Mukti Khaire and R. Daniel Wadhvani, Harvard Business School: <http://www.hbs.edu/faculty/Pages/item.aspx?num=34718>
4. India Art Summit (2011, January 20). India Art Summit: Day 1 Recordings. Retrieved from IIM Bangalore - B Shekar - Personal Webpage: http://www.iimb.ernet.in/~shek/Audio_Rec_Several_Interviews_India_Art_Summit.mp3

Appendix

Exhibit 1: Art Galleries Online (from relevant websites mentioned in the column titled 'Art Galleries')

Art Galleries	Number of hits	About Them	Offerings	Price range	Types of art	Analysis
www.deviantart.com	5.5 million	Connection and communication between artists and fans on a massive scale. deviantART represents a breakthrough for the promotion and exposure of otherwise stranded artists in all corners of the globe.	www.deviantartsummit.com; Free and Premium membership; Welcome mail is really impressive and colorful, with options to sell artwork, write a journal, and buy stuff; the user becomes a "Deviant"	>\$1	Categories offered - Digital Art, Photography, Traditional Art, Film & Animation, Contests, Cartoons & Comics,	Browse Ad Free Access the Archives with wayback Premium Profile Page Widgets Easy to use Journal Skins Create Journal Polls \$60 Discount on Corel Painter 11 Become a Beta Tester
Artjini.com	368	India's largest online art store brings to the Indian consumer, for the first time, more than 150,000 poster images, tapestries and canvas transfers.	canvas, tapestries	Rs.900 to Rs.50,000. 90% range Rs.1500- Rs.3500	Good categories like Animation, Education, Famous faces, Fashion, Humor, Animals...	Option to frame
Artflute.com	1000	Artflute is an endeavor to build India's first Indian Contemporary Art community; Associated artists - 635; Number of artworks - 2500	Painting, Sculpture, Prints, Photography or Digital/Computer art, drawings, art collectibles; Select by color option - unique option, Custom service option Category of art by master experts	Rs.4,000 to Rs.120,000; Mostly in 20,000 to 40,000	Style - Abstract, Figurative, Landscape, Still-life, semi-abstract	Spotlight artist, social networking possible using orkut, FB, blogger, in.com. newsletter,
Saffronart.com	30	Founded in 2000, One of the most comprehensive and definitive sources of modern and contemporary Indian art, Saffronart provides a platform which enables access to purchase, view and become involved in the development of Indian art globally.	Auctions, Online sales, Exhibitions. Services - Art advisory, Art Storage, Appraisals and valuations, Mobile bidding Personal favorites,	Paintings - Rs.4500 to Rs.1crore Jewellery - Rs.25000 to Rs.1 crore	No particular categories	
Indianartideas.com	20	Endeavor to create a collaborative platform where Art lovers/ collectors and Artist can share their experiences and collections You can buy artworks directly from the artist and benefit from the dramatically lower service commissions charged by Indian Art Ideas.	Option to choose by palette color option; Paintings and sculptures; Collectors can sell their collections as well	Rs.3000 to Rs.13,65,000	Style - Contemporary art, modern art, traditional art, sketching Subject - People, scenic, places, religion, animals, botanical, abstract	Affiliating with them - Introduce an artist, you will receive 5% commission on the sale price for the first one year. Referral - Recommend a piece of art and you will receive 3% commission on the sale price

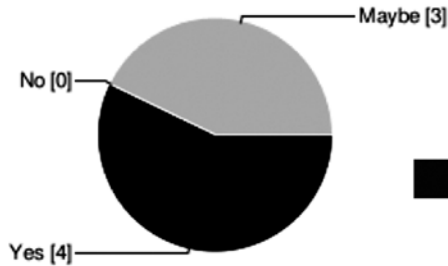
Exhibit 2: Segmentation Analysis Data (based on demographic and psychographic section of the conducted survey)

	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Segment 6	Segment 7	Segment 8 (Special category)
Demographic								
Age	26-40 yrs	26-40 yrs	26-40 yrs	26-60 yrs	26-40 yrs	26-40 yrs	26-40 yrs	Experience:1-3 and > 5years
Gender	Male & Female	Male	Male & Female	Male	Male & Female	Male	Male & Female	Perceive that they can charge their clients more if art is displayed
Income	Rs.5L to Rs.25L	Rs.5L to Rs.25L	Rs.5L to Rs.25L	More than Rs.25L	Rs.5L to Rs.25L	Rs.5L to Rs.25L	Rs.5L to Rs.25L	Willing to seek expert advice before buying art for their clients
Education level	Engineering & Management	Engineering & Management	Management & Science	Engineering	Engineering & Management	Engineering & Science	Management & Science	Interior Designers
Geography	All India	Bangalore	Bangalore	Mumbai	All India	Bangalore	Bangalore	Would be willing to go premium customized art-work
Behavior								No special preference for online display of art
Follow the art market	No	Some of them	No	Yes	No	No	No	
Bought art online	Yes	Yes	Yes	Yes	No	No	No	
Spending ability on Art	Rs.1000 - Rs.20000	Rs.200 - Rs.5000	Rs.1000 - Rs.5000	Rs.20,000 - Rs.100,000	Rs.200 - Rs.20000	Rs.200 - Rs.5000	Rs.1000 - Rs.5000	
Importance priority	Furniture Books Utility goods Entertainment	Books Furniture Entertainment Furniture	Entertainment Books Furniture Utility goods	Books Art Sports Goods	Utility goods Furniture Books Entertainment	Sports Goods Furniture	Utility goods Books Furniture Entertainment	
Art buying preference location	Residential complex & Office	Residential complex & Office	Residential complex & Office	Offline, Galleries	Residential complex & Office	Residential complex & Office	Residential complex & Office	
Psychographic	Sincere	Excited	Competence	Sophisticated	Sincere	Excited	Competence	Interior Designers
	Down to earth Honest Cheerful	Daring Spirited Imaginative	Reliable Socially active	Charming Upperclass	Down to earth Honest Cheerful Socially active	Daring Spirited Imaginative	Reliable Socially active	

Exhibit 3: Interior Designers analysis

- 100% feel that art enhances the look of interiors
- 70% perceive that clients of Interior designers can be charged more if there is art displayed
- 80% of the Interior Designers feel the lack of expertise in Art and will be willing to seek advisory services

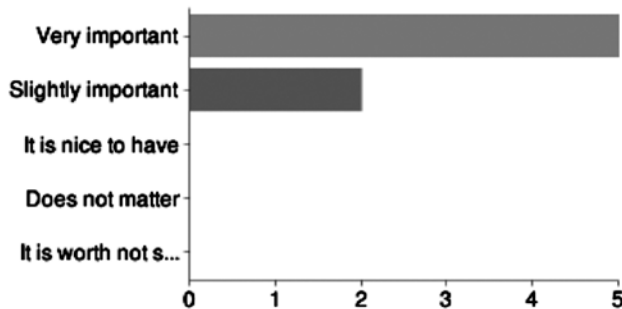
Would you prefer to buy customised art for a higher cost?



Yes	4	57%
No	0	0%
Maybe	3	43%

Possibility to charge a premium

How important is art to you when compared to all the different design decisions that you take as an interior decorator?



Very important	5	71%
Slightly important	2	29%
It is nice to have	0	0%
Does not matter	0	0%
It is worth not spending	0	0%

100% of Interior Designers feel Art is important. A sure target