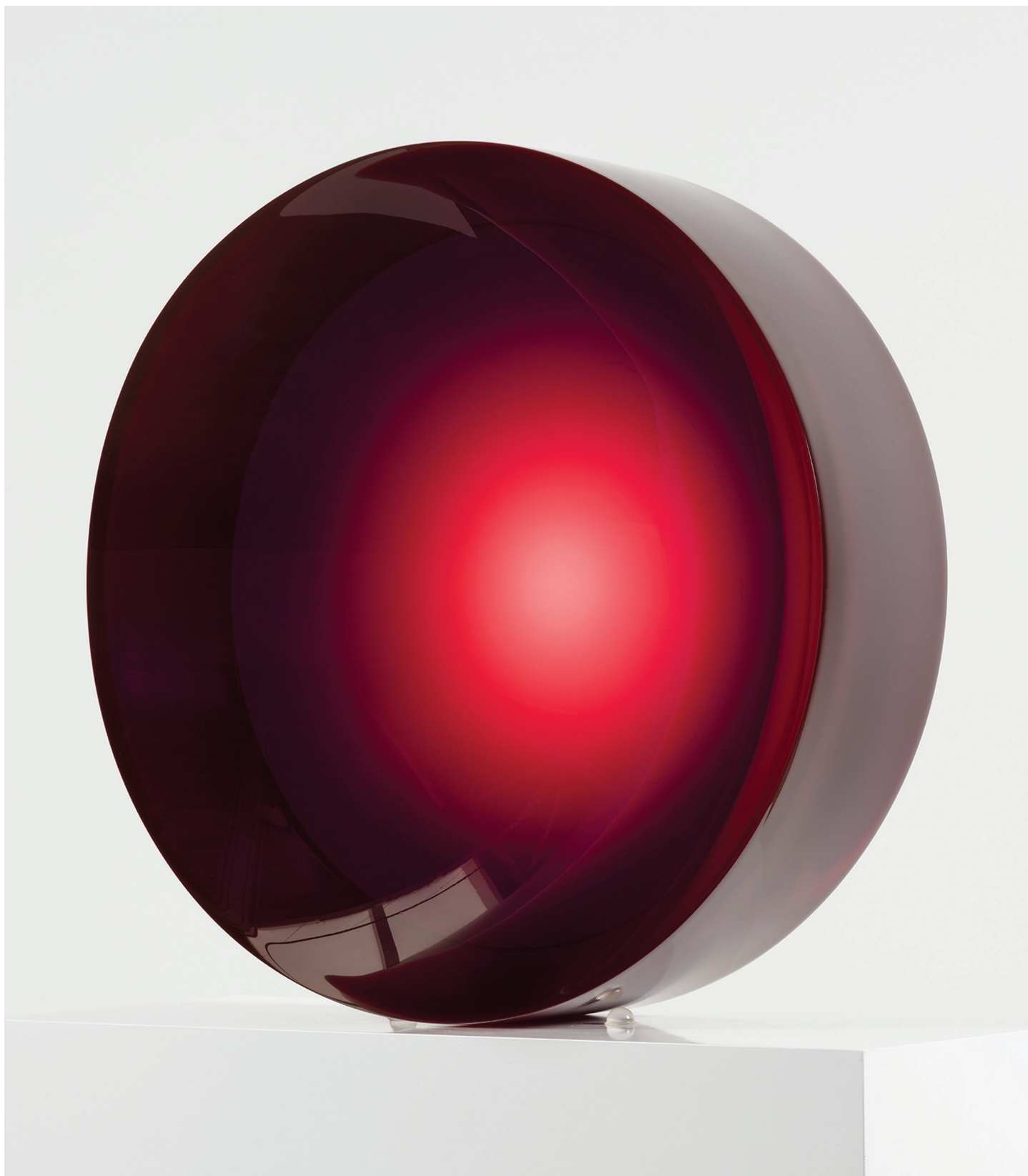


---

## Hiscox online art trade report 2021

### PART ONE



---

Cover artwork:

Fred Eversley, *Untitled (parabolic lens)*, (1969) 2020 | Two-colour, two-layer cast polyester | 19½ x 19½ x 6 inches | Courtesy of David Kordansky Gallery, Los Angeles.

---

INTRODUCTION	1
KEY FINDINGS	2
ONLINE ART SALES	4
ONLINE-ONLY AUCTION SALES	7
EVEN SPREAD OF SALES ON ONLINE PLATFORMS	10
ONLINE ART MARKET TIMELINE	12
ONLINE ART INDUSTRY TRENDS	16
CONSOLIDATION AND THE ONLINE ART MARKET'S FUTURE	19
BLOCKCHAIN AND CRYPTO PAYMENTS	22
PATRONAGE AND PHILANTHROPY	25
A GROWING FEAR OF CYBERCRIME	26
A 'NIFTY' WAY TO MAKE MONEY: THE NFT ART AND COLLECTIBLE MARKET	27
RECENT MARKET TRENDS	30
METHODOLOGY	34

# Introduction

The online art market has stormed ahead in the last 18 months and could treble in size compared to online sales in 2019. It is likely to represent nearly 25% of the overall market by the end of 2021.

Buyers and sellers have both got used to trading online and what used to be a brave new frontier in the art market is now business as usual. Darwin would indeed be proud of the way we have all adapted. It has also been good for the soul to see the art world physically opening up again and it was important that the first major art fair in Basel was a success.

The online art market will never fully replace the physical market but it will continue to grow until it reaches what we all hope will be a happy point of equilibrium.

The other big and certainly for me, totally unexpected, event that has exploded into view are NFTs. Activity has been up and down like a yo-yo but what is undeniable is that they are attracting a new breed of collector/speculator to the market and are here to stay. It will undoubtedly create a bubble in the short term and we can expect a few to make a fortune whilst many will end up shedding a tear before the NFT market settles down and becomes part of the mainstream.

In the meantime, I hope you enjoy the report.

**Robert Read**  
Head of Art and Private Clients  
Hiscox

## Key findings

### LOCKDOWN PROPELS ONLINE ART MARKET SALES TO NEW HEIGHTS

In previous reports we have asked when the online art market will take off. Now we can confidently say that it has. In fact, it's been given a rocket boost by the physical art market's lockdown due to the pandemic. Online sales were \$6.8 billion in the first half of 2021 and could hit \$13.5 billion by the end of this year.

### CONFIDENCE IS SKY-HIGH

The online art market is in buoyant mood, with a near-unanimous consensus (97%) among the platforms we surveyed that the next 12 months will be good. With online sales blossoming and lucrative new markets like NFTs to tap into, it's easy to see why they're so optimistic.

### SOTHEBY'S THE BIG ONLINE WINNER AMONG AUCTION HOUSES

Sotheby's emerged as the clear leader among the global auction houses in online sales. In the first half of 2021, it accounted for 65% of the \$671 million made by the big three – Sotheby's, Christie's and Phillips – from online auctions, continuing the dominance it established in 2020 when it was responsible for nearly 70% of the overall online sales worth just over \$1 billion. In the first six months of this year, the three have made nearly twice 2019's total of online sales.

### AVERAGE PRICE OF ONLINE SALES HAS JUMPED

Buyers are more confident in paying higher prices for pieces – another factor suggesting the online art market has finally broken through. The average price paid in online-only auctions held by the big three auction houses in the first half of 2021 was \$24,921 – almost triple that in 2019 (\$8,529).

### ONLINE SALES MORE EVENLY DISTRIBUTED ON PLATFORMS THAN FOR AUCTION HOUSES

Fine art still accounted for the largest share of online sales from the platforms we surveyed, (at 27%, down from 32% in 2020), while other collectibles held steady, but sales of furniture and decorative arts increased. This contrasts with the auction houses, where fine art accounted for 66% of online-only sales in the first half.

### NFTS ARE HERE TO STAY

NFT sales of crypto art and collectibles have already hit an estimated \$3.5 billion in 2021 (at the time of publication). Rather than a bubble that is ready to burst, we see the NFT market entering an exciting new phase, moving from images generated by individual artists to more mass-participation projects, such as CryptoPunks and Bored Ape Yacht Club, where feeling a part of something much bigger is as important as the art itself. The conventional art market ignores the rise of NFTs at its peril.



Raul Guerrero, *Hot Dog: The Weinerschnitzel*, 2006 | Oil on linen | 70 x 80 x 1½ inches (177.8 x 203.2 x 3.8cm) | Courtesy of David Kordansky Gallery, Los Angeles.



# Online art sales



ALTHOUGH THE ART WORLD IS ONCE AGAIN GEARING-UP TO HOLD ART FAIRS THIS AUTUMN, THE SHIFT ONLINE IS LIKELY TO LONG OUTLAST THE PANDEMIC; 56% OF ART BUYERS AND 65% OF ONLINE ART PLATFORMS SURVEYED IN 2020'S REPORT SAID THEY BELIEVED THE SWITCH TO DIGITAL SALES WILL BE PERMANENT.

After several years of anaemic or even declining growth, online art sales rocketed during the pandemic, benefitting as the traditional art market struggled to adapt to lockdowns and restrictions on social gatherings.

Sales in the first half of 2021 are up by 72% to \$6.8 billion – not too far off the total figure for all of 2020 (\$7.9 billion<sup>1</sup>), which saw a 64% increase on the prior year. They could reach \$13.5 billion this year, if they maintain the same growth rate for the second half of the year. The online art market in 2020, accounted for 15.8% of all art sales, up from 7.5% in 2019<sup>2</sup>.

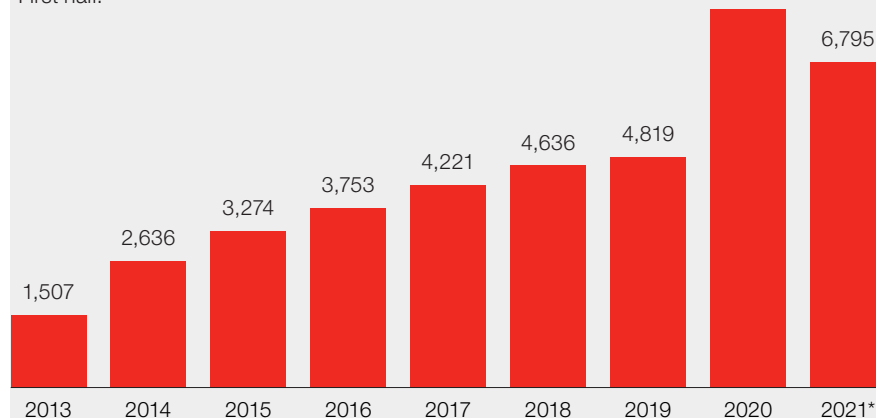
## 15.8%

of all art sales were accounted for by the online art market in 2020, up from 7.5% in 2019.

Online art sales  
(\$ million)

Online art sales (\$ million)

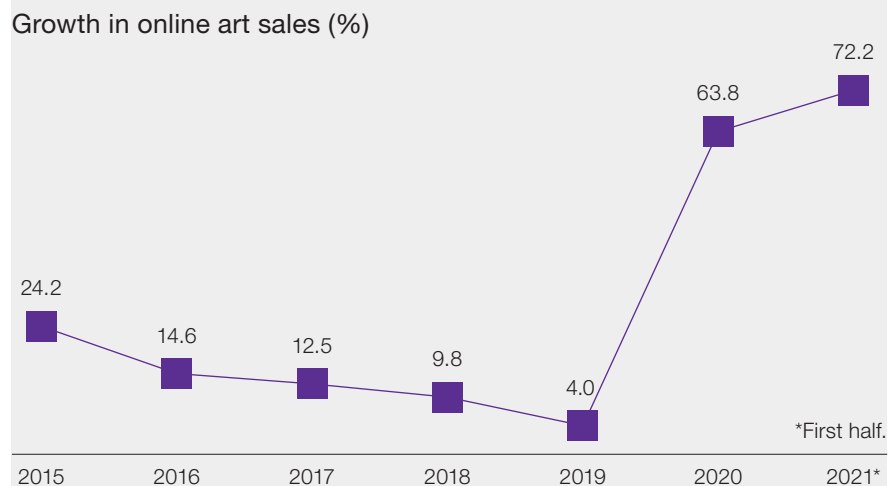
\*First half.



<sup>1</sup>Methodology: this figure is based on sales by 73 international online sales platforms (including the online sales from Sotheby's, Christie's and Phillips). It does not include online sales conducted directly through galleries' own websites or art fair's online viewing rooms (OVRs). The online sales estimate is therefore likely to be a conservative estimate of the overall online art market. The figure also excludes NFT sales, and a separate analysis of this market is provided on page 27 in this report.

<sup>2</sup>The market share is calculated using total art sales figures from Art Basel UBS – Art Market Report 2021. Due to the impact of Covid-19 on the physical art trade during 2020, the jump in the share of online sales, is reflecting a decrease in the overall annual sales total in 2020 combined with significant online sales growth, as galleries, art fairs and auction houses were forced to move sales online.

Growth in online art sales (%)



It's clear that the pandemic has triggered a systemic shift in the art market. Online has now become an essential sales channel in a world adapting to Covid-19. Art businesses that embraced technology have reaped the benefits in the past 18 months, in the process encouraging a new generation of art buyers, who prefer to browse and buy online, as they regarded the traditional art market as being intimidating and stuffy.

Mobile devices, such as smartphones and tablets, are becoming an increasingly important way to buy art. Mobile commerce accounted for an estimated \$3.1 billion, or 46% of online art sales in the first half of 2021. This was up from an estimated \$1.92 billion for the full year 2019 accounting for 40% of total online art sales that year. The online art market is gradually closing the m-commerce gap with the rest of the online retail sector, in which m-commerce sales account for 65%<sup>3</sup> of sales, according to eMarketer.



**THE OUTLOOK FOR THE ONLINE ART MARKET IS BRIGHT FOR THE NEXT 12 MONTHS, WITH 97% OF ONLINE ART PLATFORMS SAYING THEY ARE POSITIVE ABOUT ITS FUTURE, UP FROM 80% IN 2020.**

Although the art world is once again gearing up to hold art fairs this autumn, the shift online is likely to long outlast the pandemic; 56% of art buyers and 65% of online art platforms surveyed in 2020's report said they believed the switch to digital sales will be permanent.

The pandemic has been a catalyst for change and innovation. Art businesses have been forced to transform, adopting new digital strategies, such as online galleries, fairs, and auctions. The art market seems to finally be moving towards the 21st century.

Instagram remains the most important social media channel for sales, according to 89% of online sales platforms, up slightly from last year (85% in 2020). Facebook, the second-placed platform, has declined in importance, according to respondents, to 68% from 78% in 2020. A quarter of online sales platforms (26%) said YouTube was important for online sales (the same as in 2020).

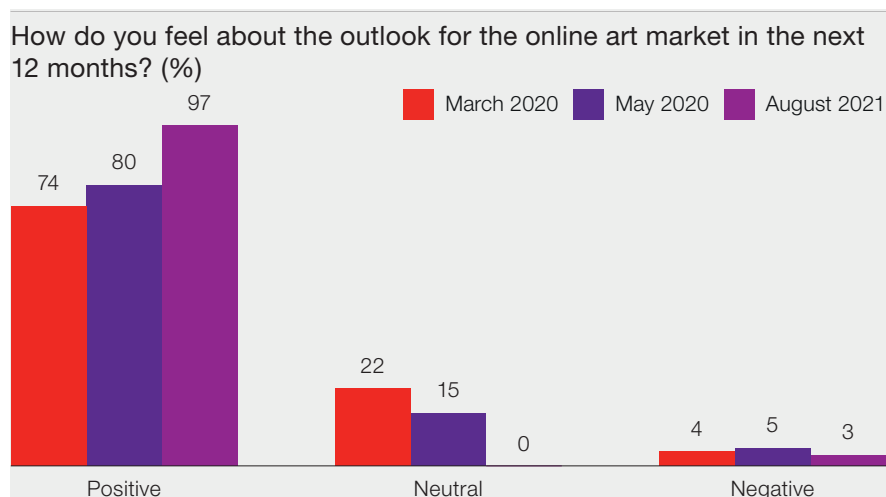
Live streaming has transformed auction sales into a spectator sport. More than 1 million<sup>4</sup> combined viewers watched Christie's live-streamed marquee week sales in 2020 through its website and social media channels.

<sup>3</sup><https://www.emarketer.com/chart/247774/retail-mcommerce-sales-share-worldwide-by-region-2021-of-total-retail-ecommerce-sales>.

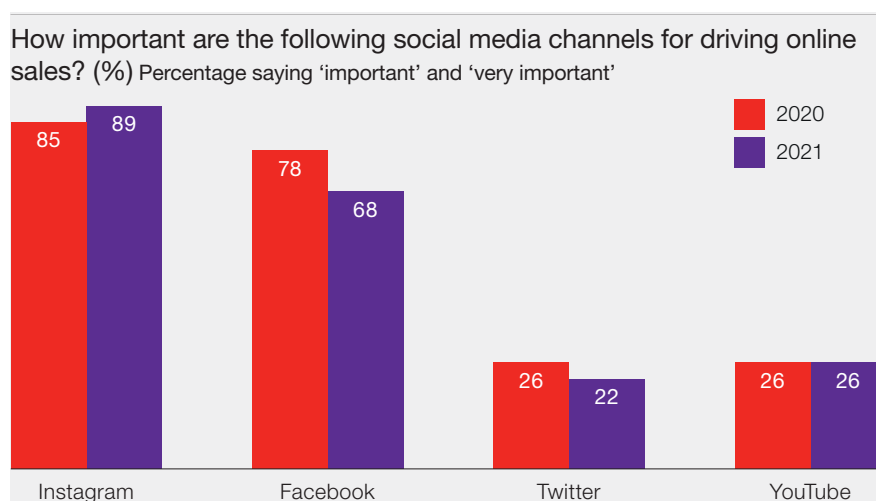
<sup>4</sup>[https://www.christies.com/presscenter/pdf/9913/REL\\_Christie's%202020%20Preliminary%20Results\\_9913\\_1.pdf](https://www.christies.com/presscenter/pdf/9913/REL_Christie's%202020%20Preliminary%20Results_9913_1.pdf).

## Online art sales (cont.)

How do you feel about the outlook for the online art market in the next 12 months? (%)



How important are the following social media channels for driving online sales? (%) Percentage saying 'important' and 'very important'



# Online-only auction sales



The pandemic has also triggered a major shift in the auction market, with Christie's, Sotheby's and Phillips raising \$1.1 billion in 2020<sup>5</sup> from online auctions, up from \$168 million in 2019. Online-only auction sales for these houses were up 70% in the first half of 2021 to \$671 million. Online-only sales in 2020 accounted for 14.2% of total auction sales by the three houses, compared to only 1.2% share in 2019.

benefitted the three auction houses, which made \$116 million in NFT sales in the first half of 2021. With further dedicated NFT sales pencilled in for the second half of the year, their popularity is sure to grow further.

Buyers now seem to have become more confident in purchasing artworks online – a key sticking point in the past that had held back the market. A clear indication of this is that the average online-only auction prices tripled in 18 months. The rapid escalation in online-only sales value at Christie's, Sotheby's and Phillips has not only been driven by an increase in the number of lots, but also a 202% increase in average online-only prices to \$24,921 in the first half of 2021 against 2019's average price of \$8,259.

The online art market's traditional price ceiling has been smashed during the Covid-19 pandemic, making online-only auctions an important sales channel across a range of collectibles.

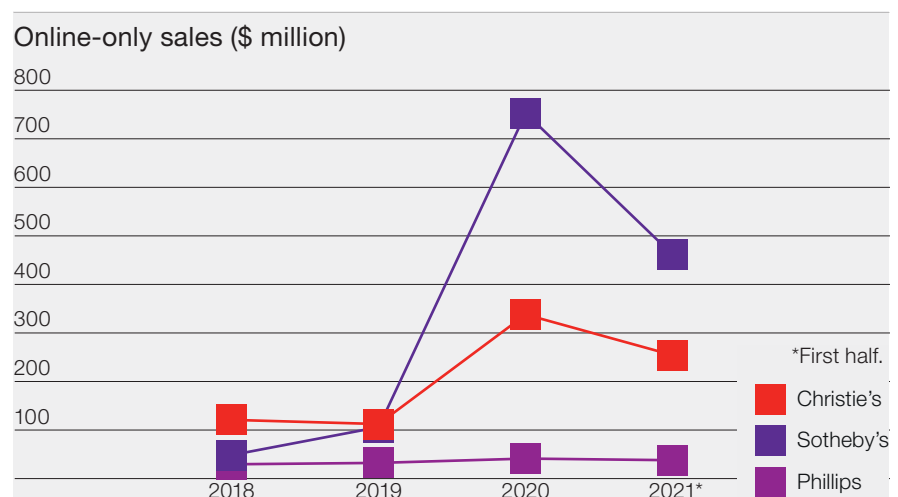


BUYERS NOW SEEM TO HAVE BECOME MORE CONFIDENT IN PURCHASING ARTWORKS ONLINE – A KEY STICKING POINT IN THE PAST THAT HAD HELD BACK THE MARKET.

They launched 238 online-only auctions in the first half of 2021, up from 216 in 2020 and 93 in 2019. A combination of more frequent events, as well as more curated and themed auctions across a larger number of collectible categories have re-energised the auction business and helped soften the pandemic's impact.

The growth in non-fungible tokens (NFT) as digital collectibles – which we investigate in greater detail later in this report – has also

Online-only sales (\$ million)



<sup>5</sup>ArtTactic – RawFacts  
Online-Only Auction Review  
2020 (published January 2021).



## Online-only auction sales (cont.)



THE ONLINE ART MARKET'S TRADITIONAL PRICE CEILING HAS BEEN SMASHED DURING THE COVID-19 PANDEMIC, MAKING ONLINE-ONLY AUCTIONS AN IMPORTANT SALES CHANNEL ACROSS A RANGE OF COLLECTIBLES.

### PRICE TRENDS

#### Fine art prices quadruple from 2019:

Average online-only auction prices for fine art hit \$42,000 in the first half of 2021, up from \$10,000 in 2019.

**Jewels and watches:** average online-only auction prices reached \$18,000, up from \$5,700 in 2019.

**Design, decorative arts and furniture:** average online-only auction prices were \$10,500, up from \$4,300 in 2019.

**Clothing and accessories:** average online-only auction prices rose to \$10,300, up from \$6,700 in 2019.

Other collecting categories such as books, manuscripts and wine have seen little or no change in online-only auction prices since 2019, while average auction prices for collectible cars went down in the first half of 2021.

### WHAT ARE PEOPLE BUYING?

Fine art dominates the major auction houses' online-only auctions, but other collecting categories also saw strong growth in the first half of 2021.

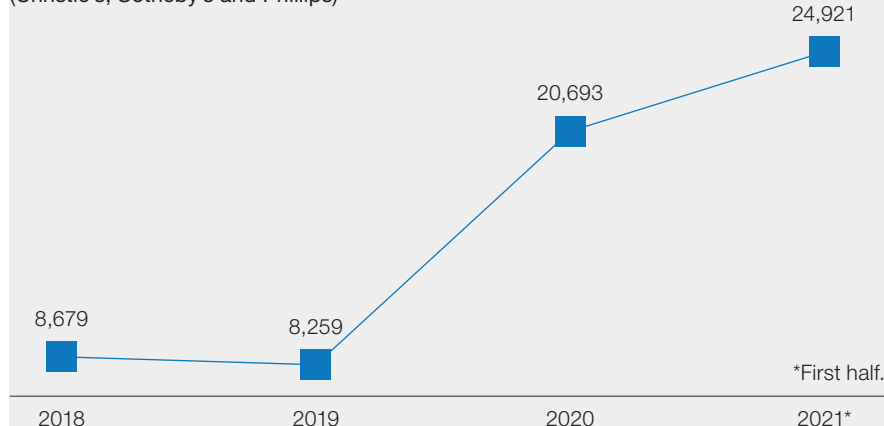
Fine art accounted for two-thirds

(66%) of online-only sales at Christie's, Sotheby's, and Phillips, up from 54% in 2020. Jewels and watches were the second largest collecting category, with 16% of market share (down from 22% in 2020), while design, decorative arts and furniture were in third place, with 5%. All categories, other than classic cars, saw a significant year-on-year increase in sales during the first six months of this year, signalling a broad interest in buying a wide-variety of collectibles online.

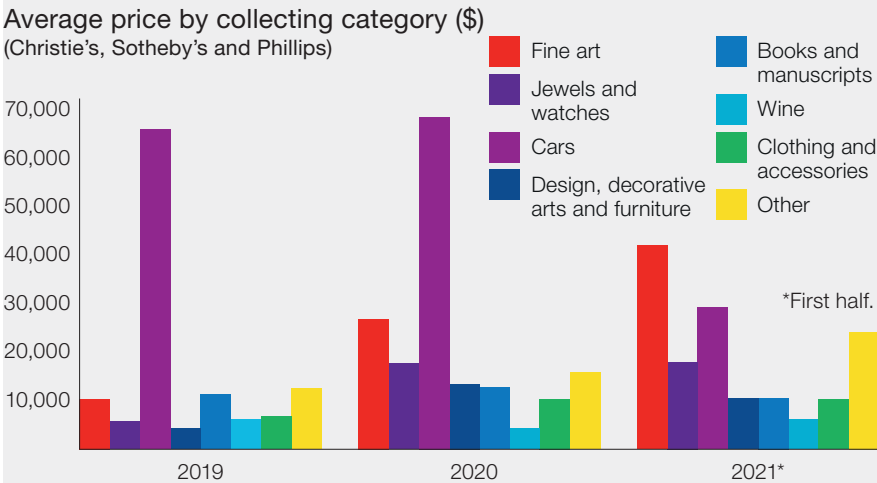
Other, quirkier collectibles, including sports and celebrity memorabilia, comics, skateboards, sneakers, costumes and dresses saw a jump in sales in the first half of 2021, to \$24.4 million up from \$7.5 million for the same period in 2020. This shows that Christie's, Sotheby's, and Phillips are using their online sales platforms to draw in a younger and more diverse generation of buyers.

Average prices of  
online-only auction sales (\$)

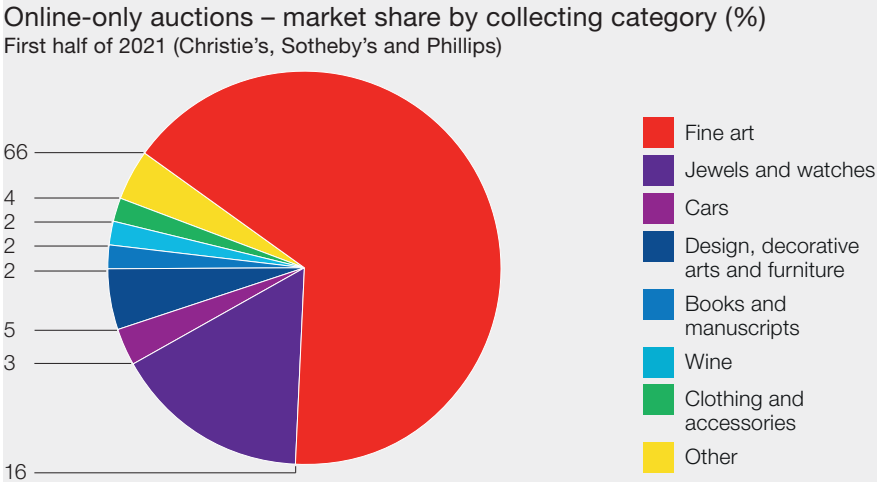
Average prices of online-only auction sales (\$)  
(Christie's, Sotheby's and Phillips)



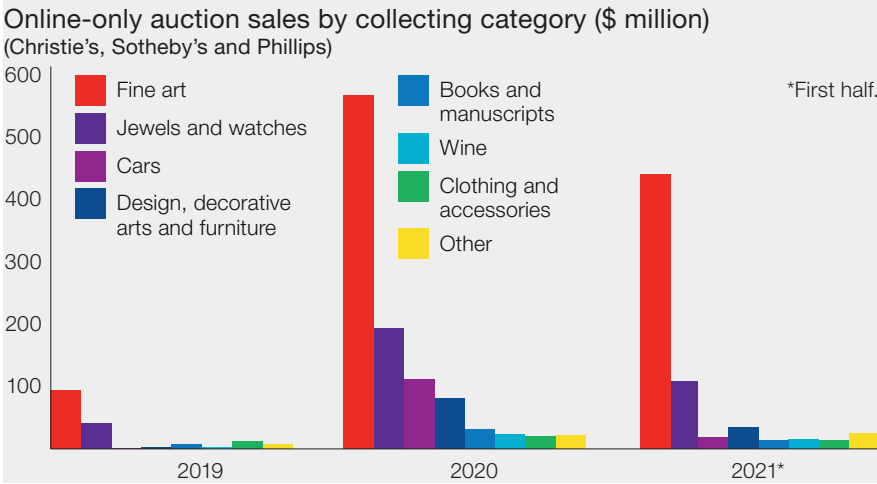
Average price by  
collecting category (\$)



Online-only auctions –  
market share by  
collecting category (%)



Online-only auction  
sales by collecting  
category (\$ million)



**FINE ART  
DOMINATES  
THE MAJOR  
AUCTION HOUSES'  
ONLINE-ONLY  
AUCTIONS, BUT  
OTHER COLLECTING  
CATEGORIES ALSO  
SAW STRONG  
GROWTH IN FIRST  
HALF OF 2021.**

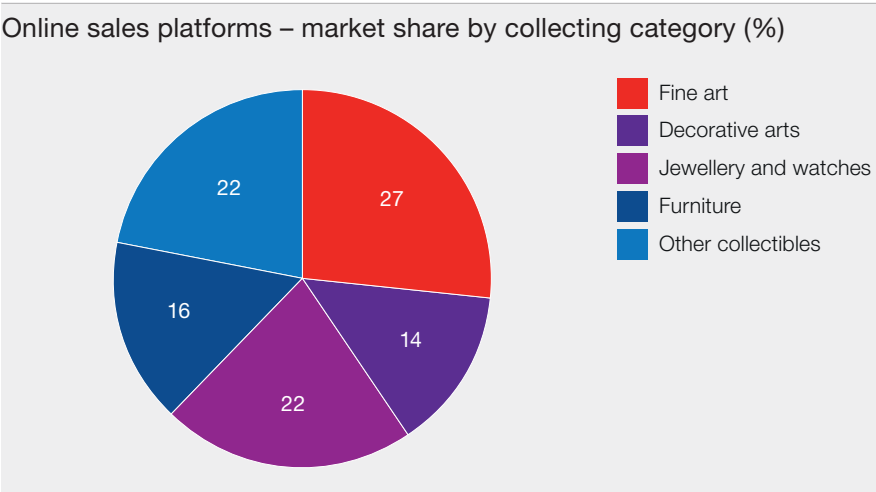


# Even spread of sales on online platforms

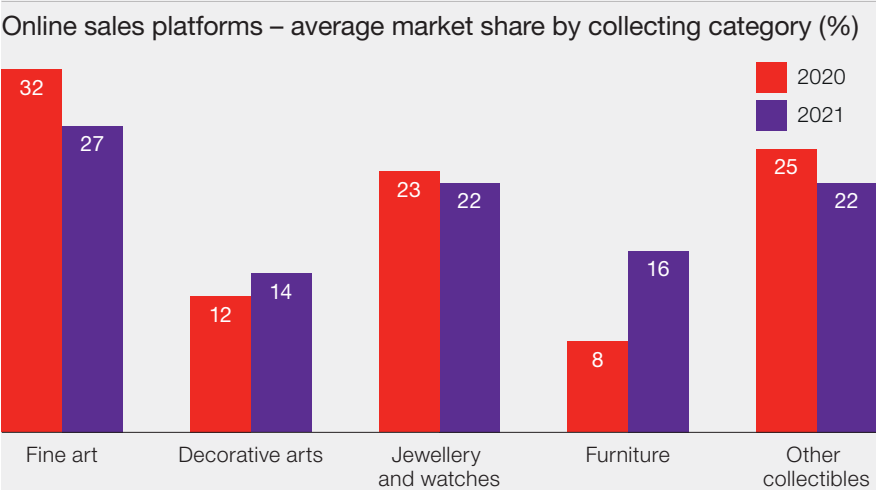
We see online sales more evenly distributed across the different collecting categories, based on our latest online art platform survey<sup>6</sup>. Fine art accounted for the largest share of online sales from the platforms surveyed, although down on last year at an estimated 27% from 32% in 2020). Other collectibles (such as coins, stamps, rare books, maps, and memorabilia) now account for 22%, down from 25%. Categories such as jewellery accounted for 22% (down from 23%), while sales of both furniture and decorative arts increased, at 16% and 14% respectively in the first half, up from 8% and 12% in 2020.

Our survey findings show a more evenly distributed sales pattern across different collecting categories compared to the global auction houses, where fine art accounted for 66% of online-only sales in the first half. In future, as traditional auction houses look to diversify their client base and attract younger collectors, we expect to see them focus on offering a wider range of collectibles.

Online sales platforms – market share by collecting category (%)



Online sales platforms – average market share by collecting category (%)



<sup>6</sup>This year’s report includes the survey feedback from management and key staff of the online art platforms participating in this research. In July and August 2021, ArtTactic conducted 48 one-to-one interviews and online surveys (from a sample of 63 online platforms).



Brea Souders, *Untitled #2 (from Vistas)*, 2019 | Unique archival pigment print with watercolour | 12 x 17 inches (30.5 x 43.2cm) | Signed on label verso  
© Brea Souders, Courtesy of Bruce Silverstein Gallery.





# Online art market timeline



## ONLINE EVENTS AND INITIATIVES

Acquisition  
Digital art  
Fundraising/investment  
Launch of online venture  
NFTs  
Online auctions  
Online sales

## 2020

### July

#### Phillips

— Phillips held its first major online live-streamed evening sale: 20th Century and Contemporary Art Evening Sale.

#### Culture Place Inc.

— The Dallas Art Fair announced the launch of Culture Place, Inc., a year-round website that will host a rotating group of Texas-based (and some Texas-adjacent) galleries.

#### Christie's

— Christie's held its first major online live-streamed evening sale event: ONE: A Global Sale of the 20th Century.

#### White Cube

— White Cube launched a series of online exhibitions titled Tomorrow: London. Works are by 20 graduates selected from London's most prestigious art schools by the gallery's curatorial team.

### August

#### Photo London

— Photo London announced it will run as a digital-only fair. Works will now be put up for sale on the online sales platform, Artsy, a fair partner.

### September

#### Art Car Boot Fair

— The Art Car Boot Fair launched its first online edition and then it crashed due to overwhelming demand.

### October

#### Greenhouse Auctions

— Launched a new online-only auction house designed to reduce speculation on emerging artists' markets. Founded by former Christie's vice president, Shlomi Rabi.

#### Daata fair

— Launch of Daata fair, a new platform for video and digital works. Twenty galleries took part in the inaugural edition with each dealer presenting up to six works by a single artist. The fair is an extension of Daata, a digital platform founded in 2015 by David Gryn.

### November

#### Fresh Goods

— The Bakehouse Art Complex in Miami, a non-profit organisation that provides studio spaces and other vital resources for emerging and mid-career artists, launched an online sales platform, Fresh Goods.

### December

#### Nifty Gateway

— Nifty Gateway, a marketplace for digital works of art, auctioned 20 pieces by Beeple for \$3.5 million.

## 2021

### January

#### Musée du Louvre

— Musée du Louvre launched own e-boutique in a bid to make up Covid deficit.

### February

#### South South

— South South, a new online platform devoted to art from the Global South and its diaspora, bringing together over 50 galleries spread across five continents, launched.

#### The V&A

— Launched a new digital platform that invites online users worldwide to delve into more than 1.2 million objects spanning 5,000 years of history from its collection.

#### Christie's

— Christie's accepted cryptocurrency for first time by accepting Ether (ETH), the currency of the Ethereum network, as payment option for Beeple – The First 5000 Days.

#### Auction Technology Group (ATG)

— Online bidding pioneer, Auction Technology Group (ATG) debuts on the London Stock Exchange with a market capitalisation of £600 million.

### March

#### Christie's

— The first major auction house to sell a standalone NFT work of art in the online sale Beeple – The First 5000 Days.

#### Metapurse

— The NFT fund started by the Singapore-based cryptocurrency Metakovan,

announced plans to build a virtual museum to house and publicly display Beeple's record-breaking digital work of art, Everydays – The First 5000 Days (2021).

#### Artsy, Intersect 21

— Intersect 21, a new invite-only online art fair, launched via Artsy with 21 galleries from southern California, the Middle East, and north Africa each presenting 21 works.

### April

#### Sotheby's

— Digital artist, Pak, collaborated with Sotheby's on the sale of a collection of works known as The Fungible Collection. The sale was hosted on NFT platform Niftygateway and achieved \$16.8 million in total sales value.

#### Outset Contemporary Art Fund

— Launched theVOV which brings together leading museums, galleries, and collections for the first time on one centralised platform to generate funds for the creative sector while making culture more accessible.

#### Daystrom, OpenSea

— An NFT of the 1986 mixed media work on paper, Free Comb with Pagoda by Jean-Michel Basquiat was sold on OpenSea marketplace/ sponsored by Daystrom, where bidding started at one Ethereum (the equivalent of approximately \$2,500).

### May

#### The Stand

— A new online auction platform launched and will donate

# Online art market timeline (cont.)

Acquisition  
Digital art  
Fundraising/investment  
Launch of online venture  
NFTs  
Online auctions  
Online sales

20% of every sale to chosen charities, give 70% to the artist and their gallery or agent and keep 10%.

## Sotheby's

— Sotheby's accepted cryptocurrency as payment for a physical work of art for the first time – for Banksy's protest image Love is in the Air (2005) in its Contemporary Art Evening Auction on 12th May in New York.

## Sotheby's

— Sotheby's launched a new virtual location in Decentraland, a decentralised virtual reality platform powered by the Ethereum blockchain, the auction house created a digital replica of its London headquarters on New Bond Street.

## Auction Technology Group (ATG), LiveAuctioneers

— E-commerce marketplace for auctions Auction Technology Group (ATG) agreed to acquire US competitor marketplace, LiveAuctioneers, from US private equity fund, Cove Hill Partners. The proposed acquisition was valued at \$525 million USD.

## Sotheby's

— Sold the source code for the world wide web application as an NFT.

## June

### The Art Exchange

— The Art Exchange, a company that specialises in the tokenisation of art, launched a contemporary art marketplace that trades specifically in NFTs.

### LiveArt

— Anonymous peer-to-peer online trading platform LiveArt Market began limited, invitation-only trading. Within its first week live, the platform made approximately \$5 million in sales, with over 1,000 contemporary works of art listed worth around \$120 million in total.

### Present the Future/Volta Art Fair

— A first-of-its-kind NFT art residency was organised by collector and Volta art fair director, Kamiar Maleki at Grand Hôtel du Cap-Ferrat in France.

### ArtSquare.io, Feral Horses

— ArtSquare.io, a fine art and collectibles tokenisation platform, acquired Feral Horses, a UK-based art crowdfunding platform previously funded by Seedrs. The merging operation was concluded partly in cash and partly in equity for an undisclosed amount.

## July

### HENI Leviathan, Palm

— Damien Hirst continued his NFT body of work 'The Currency' by offering 10,000 NFTs that correspond to 10,000 unique works on paper created in 2016. Offered on HENI Leviathan's new online platform Palm.

## August

### Visa

— Visa bought a CryptoPunk — one of 10,000 highly sought-after digital characters on the Ethereum blockchain — for 49.5 ETH, approximately \$150,000 USD. Within an hour of Visa's purchase, 90 other CryptoPunks sold on the market, representing

— about \$20 million USD in combined sales.

---

## September

### Institut

— The first NFT platform exclusively led by artworld professionals, launched. Founded by Joe Kennedy and Jonny Burt of Unit London. Sotheby's launched Gallery.



# Online art industry trends



... THE ONLINE ART MARKET IS NO LONGER CONSIDERED BY SELLERS TO BE A BARGAIN-BASEMENT SALES CHANNEL.

What do you foresee as being the key challenges to the growth of the online art market going forward? (%)

## TOP CHALLENGES FOR ONLINE PLATFORMS IN 2021

**Building consumer trust and brand recognition:** 50% of online platforms said this was the main challenge, although the percentage who said so has decreased (56% in 2020 and 64% in 2019). This could signal that the pandemic and the resulting move online have strengthened buyers' trust and increased brand recognition.

**Complex tax regimes for cross-border transactions:** 46% said this was the main challenge, an increase from previous years (30% in 2020, 21% in 2019). Several UK

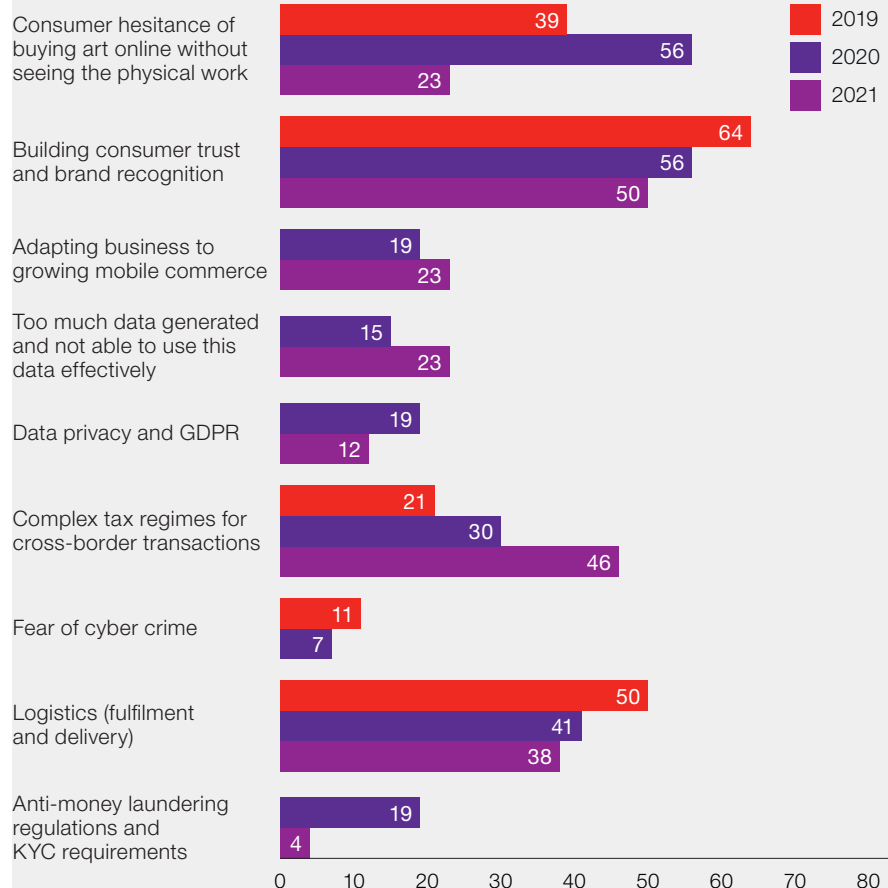
and EU based platforms mention Brexit as a key challenge.

**Logistics (fulfilment and delivery):** 38% said this was the main challenge, down from 41% in 2020 and 50% in 2019.

**Consumer hesitancy about buying online is diminishing:** 23% said this was important, compared to 56% in 2020, suggesting an increasing confidence among online buyers in buying artworks sight unseen.

**Adapting to m-commerce:** 23% of those surveyed said this is a big issue, up from 19% in 2020.

## What do you foresee as being the key challenges to the growth of the online art market going forward? (%)





**Data overload:** 23% said that they had too much data and were not able to use it effectively, up from 15% in 2020.

QUALITY, QUALITY, QUALITY

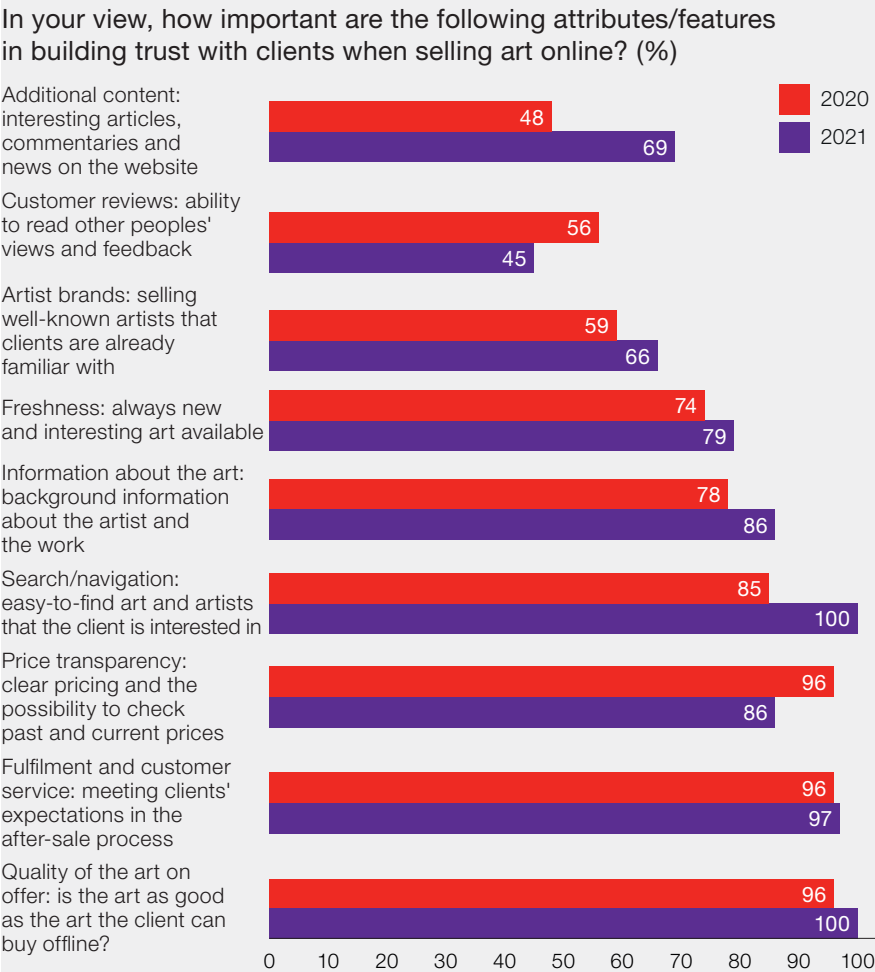
All the online platforms surveyed saw ‘quality of the art on offer’ as the main ingredient in building trust with online clients. This signals that the online art market is no longer considered by sellers to be a bargain-basement sales channel. Instead, it is now regarded as an important way of reaching more clients, who expect the artworks to be of the same quality as they would find in a gallery or from dealers.

Two-thirds (66%) of online sales platforms said that a way of ensuring quality is to focus on artist brands, which potential buyers already recognise and trust.

FINDING THE ART THAT CLIENTS ARE LOOKING FOR

All the online platforms regarded ‘search and navigation’ as vital in building trust with clients. With more art now for sale on the online market, it’s essential to help visitors find pieces that will interest them. A new generation of AI-powered engines that recommend works to people based on their viewing habits are sure to help in the future.

In your view, how important are the following attributes/features in building trust with clients when selling art online? (%)



## Online art industry trends (cont.)

Fulfilment and customer service  
Meeting clients' expectations for good after-sale service, was seen as being very important by 97% of survey respondents. While online art buyers' front-end experience is radically improving, the back-end processes involved in fulfilling orders remain challenging.

### PRICE TRANSPARENCY IS A MUST

---

Clear pricing and the ability to check past and current prices were seen by 86% as a key enabler in them building trust with clients online. The art industry's reluctance in publishing prices online is likely to become a thing of the past.

### INFORMATION IS KING

---

Providing background information about the artist and the work has become standard practice, with nearly nine-out-of-ten (86%) saying this was essential in encouraging sales. Although biographical information about the artists is readily available, the online art market would benefit from more detailed information about the artwork, such as condition reports and comparable prices. Two thirds (67%) also said that additional content, such as articles, videos, commentary, and news, keep visitors coming back.

### FRESHNESS

---

Most (79%) of online platforms said that keeping their website continuously updated is essential in encouraging repeat visitors. A stale website, updated monthly, is no longer fit for purpose. Again, technology that allows content to be tailored to the website visitor's user profile will become an increasingly powerful tool to help turn browsers into buyers.

# Consolidation and the online art market's future

## FURTHER INDUSTRY CONSOLIDATION IS UNLIKELY – FOR NOW

The prospects for mergers and acquisitions in the online art industry, which respondents had been expecting in previous reports, seems to be ebbing away. Nearly two-thirds (64%) said they expected more consolidation in the online art industry going forward, lower than in 2020 (67%) and in 2019 (71%). The number of don't knows has risen – over a third (36%) said they were unsure, up from 19% in 2020.

There has been relatively little consolidation over the past 18 months, with the notable exception of the merger between LiveAuctioneer and ATG (owner of the-saleroom.com) – two of the market's main online auction aggregators.

The lack of consolidation could be rooted in the recent surge in online sales – a rising tide floats all boats, no matter how leaky they are. Some might have decided to milk the current boom to boost their own valuation ahead of a sale, or it could be that the pandemic forced them

to focus on adapting their business to survive. But as the pandemic's effect recedes, we are likely to see more consolidation.

## WHAT WILL HAPPEN OVER THE NEXT FIVE YEARS?

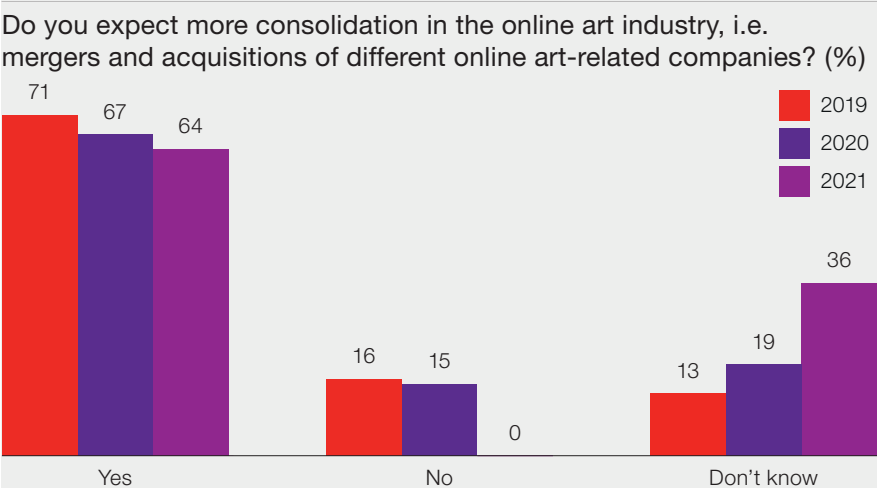
### TRADITIONAL ART PLAYERS ARE LIKELY TO REGAIN CONTROL OF THE ONLINE ART MARKET

Most (69%) believe existing art market players will emerge as the big online players – when they finally embrace the technology's potential. This feeling that the status quo will prevail is up from 63% in 2020. There is, as we've already noted, strong evidence that this is happening, with the major global auction houses seeing exponential growth in online sales over the past 18 months.

### NICHE MARKETS WILL REMAIN

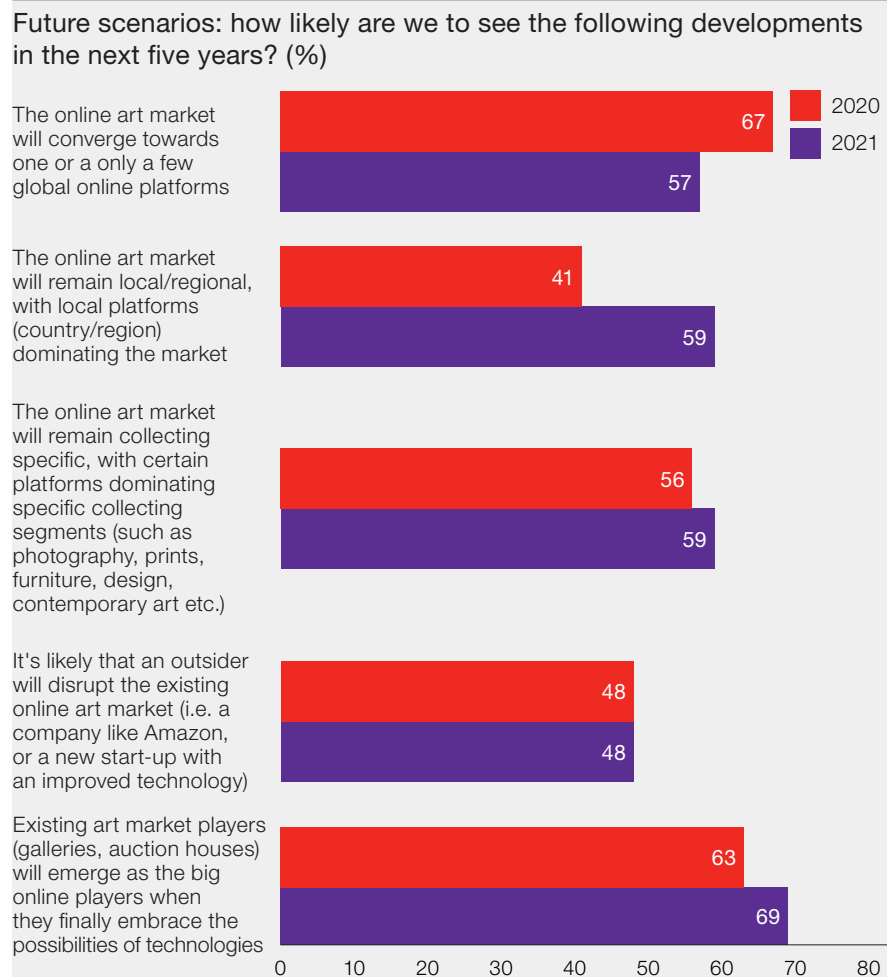
A majority (59%, up from 56% in 2020) said they believed that certain platforms would continue to dominate specific collecting segments, such as photography, prints, furniture, design, and contemporary art.

Do you expect more consolidation in the online art industry, i.e. mergers and acquisitions of different online art-related companies? (%)



## Consolidation and the online art market's future (cont.)

Future scenarios: how likely are we to see the following developments in the next five years? (%)



### THE ONLINE ART MARKET WILL REMAIN LOCAL

More than half (59%) said they believed that local platforms (by country or region) would dominate the market – a big increase from 2020 (41%).

### BELIEF IN CONVERGENCE TOWARDS A FEW GLOBAL PLAYERS IS DOWN

Over half (57%) said they believed the online art market will converge towards one or only a few global online platforms. But this was down from 67% in 2020, which could signal that they believe the online art

market will remain fragmented, with room for both local and niche online operators as well as global giants.

### STILL ROOM FOR A DISRUPTOR

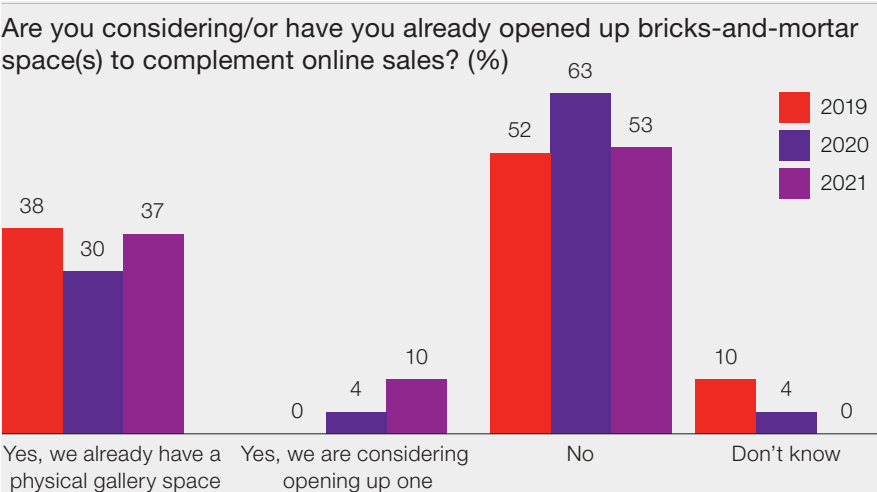
Nearly half (48%) thought it was likely that an outsider could upend the online art market (the same as in 2020). In 2021, we have got a taste of how quickly the market can change, with the boom in NFTs and digital collectibles – which most established art market players didn't see coming. They struggled to keep up with the fast pace of change, while new platforms have taken the opportunity to grab a share of this rapidly growing market.

BRICKS OR CLICKS?

HYBRID-SALES MODELS

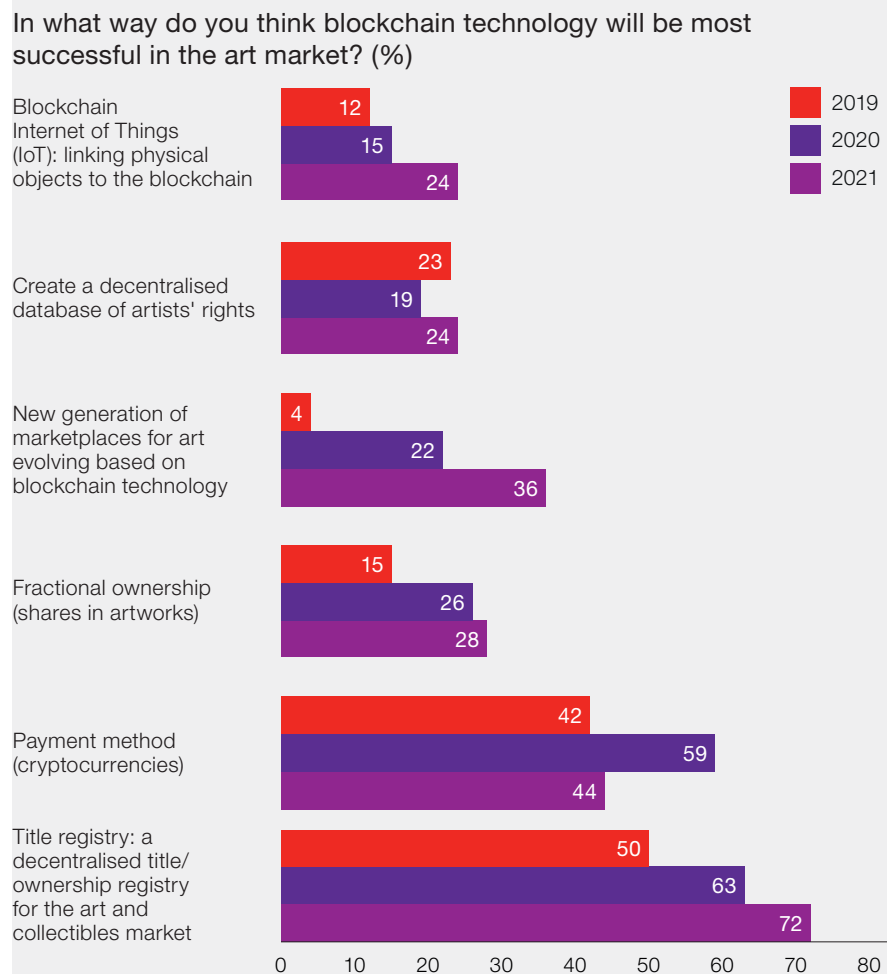
The physical art market is once again opening for business, and 37% of online platforms said they already had a physical space to show their art (up from 30% in 2020). A further 10% saying they were considering opening one (up from 4% in 2020).

Are you considering/or have you already opened up bricks-and-mortar space(s) to complement online sales? (%)



# Blockchain and crypto payments

In what way do you think blockchain technology will be most successful in the art market? (%)



Although only 10% of online sales platforms said they had embedded blockchain technology into their businesses, we have seen a significant rise in the number that intend to do so. Four-in-ten (41%) said they plan to use blockchain, up from 30% in 2020. The growth of the NFT market is one likely reason for this increase – NFTs rely on blockchain – as 14% say they have already included NFTs as part of what they offer, while a further 38% said they were considering doing so.

## TITLE REGISTRY

Nearly three-quarters (72%) said that blockchain technology would be most successful as a decentralised title/ownership registry for the art and collectibles market, up from 63% in 2020.

## PAYMENT METHOD (CRYPTOCURRENCIES)

Nearly half (44%) said that blockchain would be most successful in enabling cryptocurrencies as a payment method, down from 59% in 2020.

#### NEW-GENERATION ART MARKETPLACES, SUCH AS FOR NFTS

---

Over a third (36%) said blockchain's main purpose should be to develop a new generation of marketplaces, along the lines of the NFT market that's boomed in the past nine months.

#### FRACTIONAL OWNERSHIP OF ARTWORKS

---

Just over a quarter (28%) believed blockchain would be best used in allowing the fractional ownership and tokenisation of pieces, slightly higher than in 2020 (26%).

#### A DECENTRALISED DATABASE OF ARTISTS' RIGHTS

---

The NFT market has already provided a taster of what blockchain and smart contracts can do for artists, and a quarter (24%) believe this would be where blockchain could be of most success in the art market, up from 19% in 2020.

#### THE INTERNET OF THINGS (IOT)

---

The IoT phenomenon has revolutionised how we live, and one-in-four (24%) think linking physical objects to the blockchain will be of key importance, up from 15% in 2020.

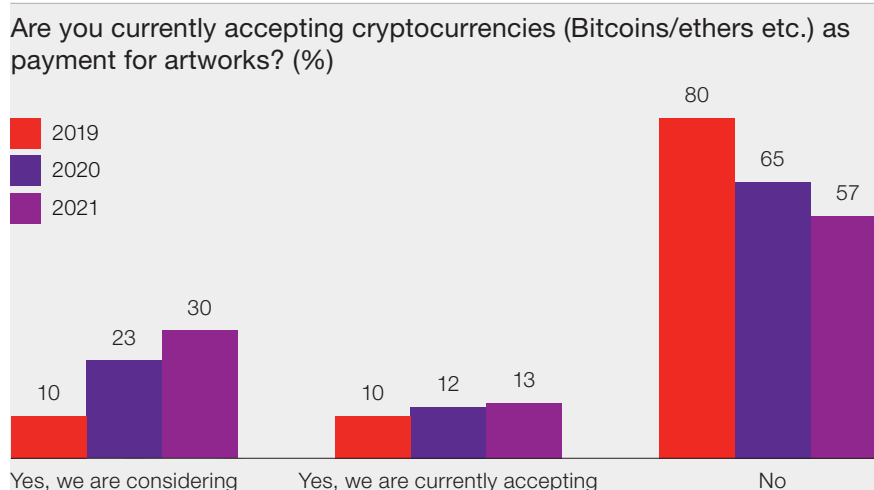
#### MORE ONLINE PLATFORMS ARE GOING TO ACCEPT CRYPTOCURRENCY PAYMENTS

---

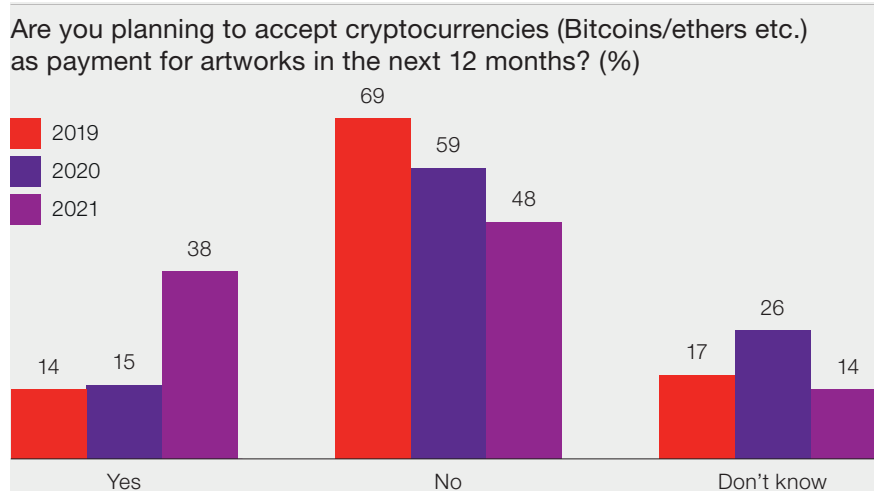
A slightly higher number of online platforms surveyed (13%, compared to 12% in 2020) said they were already accepting crypto payments, with a further 30% saying they were considering doing so (up from 23% in 2020). Nearly four-in-ten (38%) said they were planning to accept crypto payments within the next 12 months, a big rise on last year (15%).



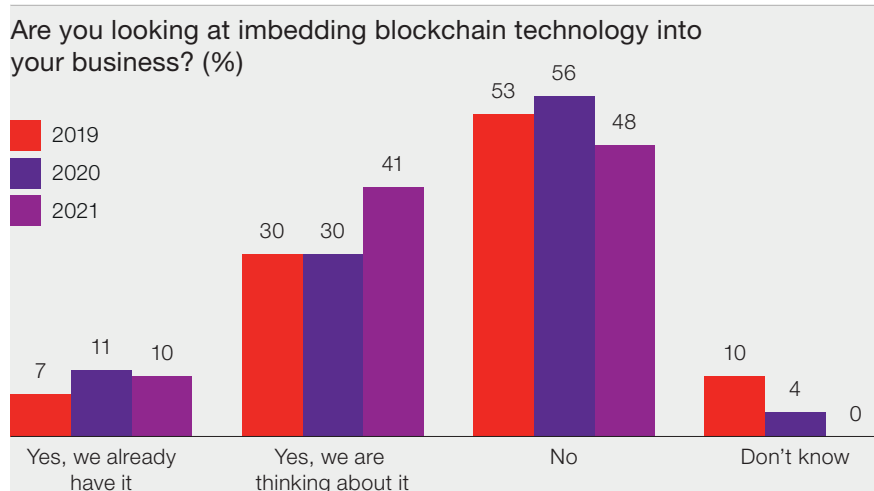
Are you currently accepting cryptocurrencies (Bitcoins/ethers etc.) as payment for artworks? (%)



Are you planning to accept cryptocurrencies (Bitcoins/ethers etc.) as payment for artworks in the next 12 months? (%)



Are you looking at imbedding blockchain technology into your business? (%)



# Patronage and philanthropy

Technology could be an effective way of redistributing resources and income to those in need, but only just over a tenth (11%) of online platforms allow artists or buyers to donate part of the sales price to a specific charitable cause, although a quarter (25%) are considering doing so.

Tech-enabled art patronage and philanthropy, coupled with the growth in the online art market could boost the amount of private donations to art and non-art related charitable causes in the future.

## CHARITY AUCTIONS

Nearly one-in-four (39%) said they supported non-commercial ventures through charity auctions, up from 26% in 2020. This seems to have become the main philanthropic vehicle for online platforms and could be an effective way of bringing in new audiences wanting to support arts organisations during this difficult time.

## ARTISTS PROJECTS AND INITIATIVES

However, only two-in-ten (21%) said they supported artists' projects, a big drop from 2020 (33%).

## ARTS ORGANISATIONS

Those who said they supported arts organisations remained level at 7%, the same as in 2020.

## PUBLIC ART MUSEUMS

Four-percent said they supported public museums. None did in 2020.

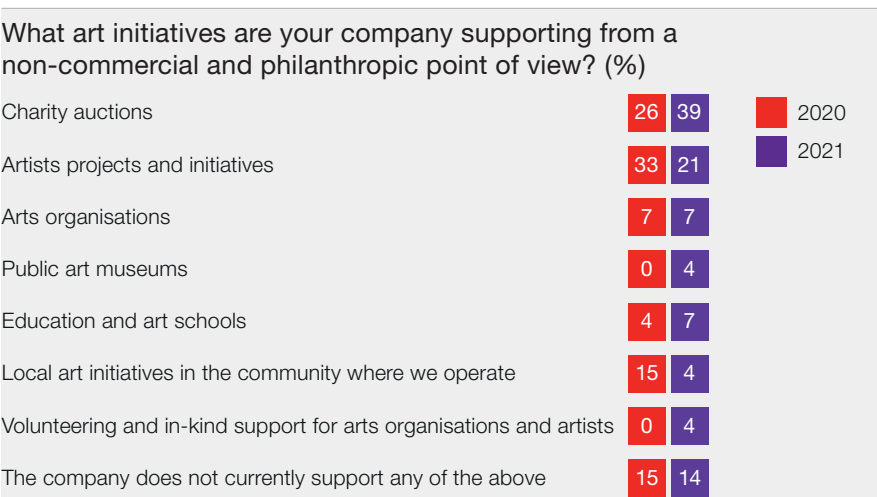
## EDUCATION AND ART SCHOOLS

Seven-percent said they supported education and art schools, compared to 4% in 2020.

Local community art initiatives 4% said they supported local art initiatives, down from 15% in 2020.

Volunteering and in-kind support for arts organisations and artists 4% of the online platforms surveyed said they supported volunteering and in-kind support, compared to none in 2020.

What art initiatives are your company supporting from a non-commercial and philanthropic point of view? (%)



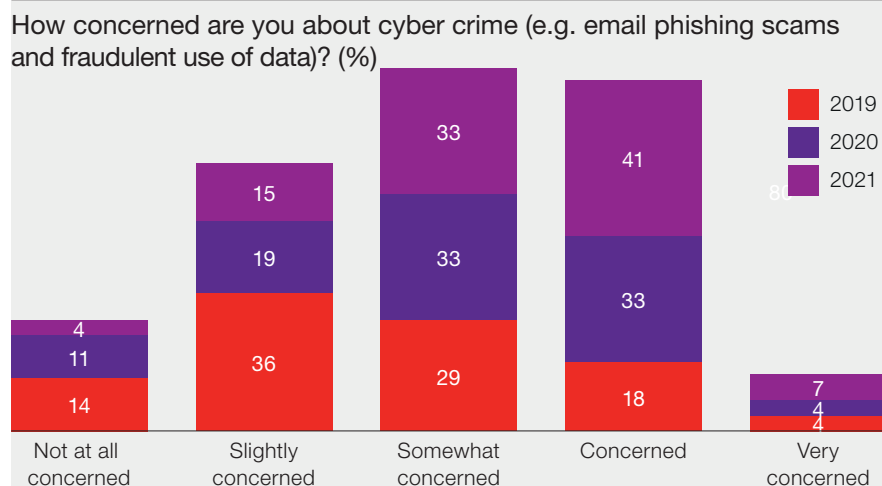
# A growing fear of cybercrime



ONLINE ART PLATFORMS EXPRESSED ANXIETY OF FALLING VICTIM TO HACKERS AND SCAMMERS, WITH NEARLY HALF (48%) SAYING THEY WERE CONCERNED OR VERY CONCERNED, AN INCREASE ON PREVIOUS YEARS (37% IN 2020 AND 22% IN 2019).

Online art platforms expressed anxiety of falling victim to hackers and scammers, with nearly half (48%) saying they were concerned or very concerned, an increase on previous years (37% in 2020 and 22% in 2019). As more of the global art market moves online, sometimes in haste as businesses switch to doing business digitally in the Covid crisis, the fear of criminals exploiting vulnerabilities is a real worry, vividly illustrated recently when a hacker tricked a British collector into spending \$336,000 on a fake Banksy NFT advertised through the artist's official website, by exploiting a security flaw<sup>7</sup>.

How concerned are you about cyber crime (e.g. email phishing scams and fraudulent use of data)? (%)



<sup>7</sup><https://www.bbc.co.uk/news/technology-58437753>.

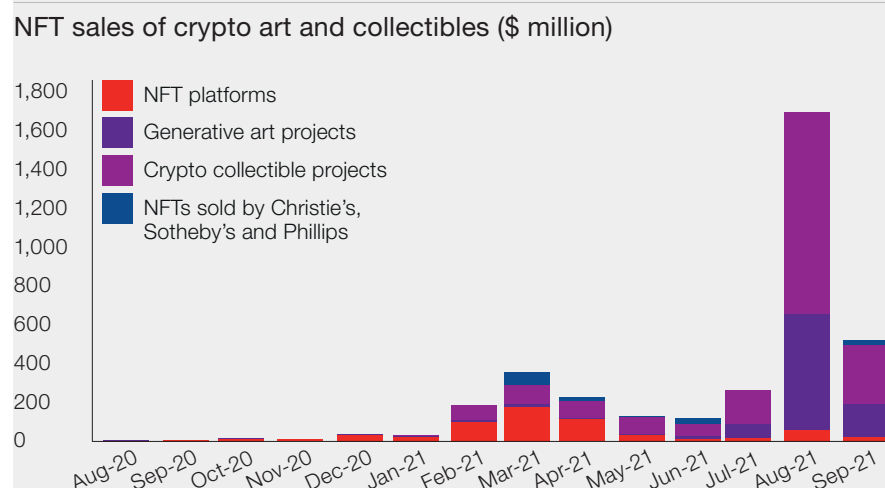
# A ‘nifty’ way to make money: the NFT art and collectible market

Buying and selling art has always been done in the flesh – at times an all-too physical experience in a frenetic saleroom buzzing with adrenaline – until the dawn of the online art market. But while buying and selling physical artwork over the internet has grown, collecting digital art had remained a niche market with only a small number of dedicated collectors. That is until the surge of the NFT market, into which speculators have now piled. NFTs have quickly filled a hole in the art world, which has for a long time lacked a new way of consuming collectibles. NFTs are an evolution in traditional collecting, albeit with works that you can’t touch or hold. NFTs also provide a solution to problems that have plagued artists for generations, like royalty collection. While for collectors and investors they offer the advantages of being able to value and trade them in real-time.

Blockchain has enabled an entirely new financial model for digital

collectibles. This has allowed the artists to take a larger slice of the profits made on their works, by putting them firmly in the driving seat by allowing them to sell their pieces directly. Blockchain also offers another crucial advantage that has been missing in the past: independent, verifiable cast-iron proof of ownership, as all transactions are conducted and recorded on a decentralised ledger with many witnesses that can’t be tampered with by one party without everyone else’s knowledge. This has created an entirely new collector base, who were originally part of the crypto community, but now include many mainstream art enthusiasts. Sceptics who said the NFT market was a bubble that was bound to pop soon were proven partly correct in April. But the recent surge in demand for code-generated crypto-collectibles, such as CryptoPunks, Bored Apes Yacht Club, and ArtBlocks, shows that the NFT market is moving into a new phase, fuelled by new innovations, projects, formats and

NFT sales of crypto art and collectibles (\$ million)



<sup>1</sup>Methodology: Data sources are collected from ArtTactic and Non-fungible.com and CryptoSlam. NFT sales in this analysis are based on some of the key curated NFT platforms such as; Superrare, Rarible, Nifty Gateway, MakersPlace, KnownOrigin, Foundation, BlockArt, AsyncArt as well as NFT sales through Christie's, Sotheby's and Phillips. Crypto collectibles are based on data from sales of CryptoPunks and Bored Apes Yacht Club and PUNKS Comic. Generative art is based on sales of Cryptokitties, ArtBlocks and BlockArt.

## A ‘nifty’ way to make money: the NFT art and collectible market (cont.)

models aimed at generating vibrant communities and marketplaces around digital art and collectibles.

### NFT MARKET SALES – 12 MONTHS (AUGUST 2020 TO AUGUST 2021)

**\$3.5 BILLION OF NFT CRYPTO ART AND COLLECTIBLES HAVE SO FAR BEEN SOLD IN 2021**

In August, NFT sales of crypto art and collectibles went through the roof, with an estimated \$1.7 billion in sales, totally eclipsing the previous peak in March of \$356 million, when Mike Winkelmann’s, aka Beeple, sale of the NFT of his work ‘Everydays – The First 5000 Days’ sold for \$69 million through Christie’s. However, the volatility in the NFT market is evident, as NFT sales dropped 69% in September 2021.

### THE NFT ART AND COLLECTIBLE SPACE IS SHIFTING

Whereas the first NFT boom was largely focusing on art by single artists, the recent boom in crypto collectibles, such as Crypto Punks and Bored Apes Yacht Club (BAYC), suggests that collecting habits are moving towards code-generated art (algorithmic art) aimed at generating communities of followers, buyers and investors. Although the art itself might be perceived by critics as trivial, the combination of uniqueness, ownership, gamification, and storytelling is fuelling sales among a new generation of collectors and investors.

### GLOBAL AUCTION HOUSES QUICK TO EMBRACE NFTS

Christie’s, Sotheby’s, and Phillips swiftly embraced the NFT phenomenon in March 2021.

After a year spent adopting new technologies, the auction houses were already primed and ready to exploit the potential of NFTs, both as a new revenue source but, more importantly, to engage new audiences, particularly among those who had amassed millions in crypto wealth on the back of the rising value of Bitcoin. Christie’s acceptance of cryptocurrencies from March, followed by Sotheby’s in May, clearly signalled their intention.

### ART AND NFTS ARE HERE TO STAY

NFTs have opened new possibilities in collecting both digital and physical art, and, in the process, enhance the collecting experience and the artwork’s value. Although the traditional art world was initially reluctant to embrace NFTs, this is clearly changing. Besides the auction houses, we have also seen PACE announce the creation of a dedicated NFT platform in July 2021, with two major NFT projects launched in collaboration with artists Simon Denny and Urs Fischer.

### MOST ONLINE ART PLATFORMS ARE OFFERING NFTS OR WILL DO SO SOON

The adoption of NFTs is already well underway: 14% said they already offer NFTs through their platform, with another 38% planning to do so soon. In August, two online platforms, Artnet and 1stdibs, announced the launch of proprietary NFT platforms, with 1stdibs’ platform based on an auction model, featuring semi-monthly auctions of NFTs.

### IS THE RISE OF DEDICATED NFT GALLERIES SUSTAINABLE?

As NFT art mushrooms, a new trend

is quickly emerging, with physical NFT galleries featuring unique pieces of digital NFT artwork. The Bitcoin 2021 conference – the largest event in the cryptocurrency's history – featured a pop-up NFT art gallery, with work from over 30 crypto artists. NFT art galleries are no different than traditional galleries but have emerged because traditional art galleries have failed to meet the needs of digital artists and the NFT market. But as more traditional galleries move into NFTs, it is questionable whether more physical NFT galleries will open, or whether the NFT and traditional art world will gradually merge.

#### THE NFT MARKET IS ENTERING A NEW GROWTH PHASE

The initial boom in NFT art sales, focusing primarily on digital art, such as animations, still images of digital works, and still images of physical works, have slowed significantly since their peak in March 2021. But in recent months the market has picked up again, and will likely benefit from the recent boom in other crypto collectibles, such as code art, also known as generative art or algorithmic art.

#### WHERE THE NFT MARKET GOES, THE ART MARKET FOLLOWS

Sotheby's and Christie's success in generating record prices for NFTs has meant that auction houses are bringing NFTs into the premium end of the art market, and four of the top-ten NFT prices recorded to date<sup>8</sup> have been achieved through the traditional auction houses – a sign that the auction houses' old-world reputation and credibility is still a valuable currency in the fast-moving and ever-evolving world of NFTs.

#### TOP-TEN NFT ART AND COLLECTIBLE PRICES IN 2021<sup>9</sup>

1	<b>Beeple, Everydays – The First 5000 Days:</b>	Christie's
	\$69.3 million	
2	<b>Yuga Labs, 101 Bored Ape Yacht Club:</b>	Sotheby's
	\$24.4 million	
3	<b>CryptoPunk #7523:</b>	Sotheby's
	\$11.8 million	
4	<b>CryptoPunk #7804:</b>	OpenSea
	\$7.56 million	
5	<b>CryptoPunk #3100:</b>	OpenSea
	\$7.51 million	
6	<b>Beeple, CROSSROAD:</b>	Nifty Gateway
	\$6.66 million	
7	<b>Beeple, Ocean Front:</b>	Nifty Gateway
	\$6 million	
8	<b>CryptoPunk #5217:</b>	OpenSea
	\$5.44 million	
9	<b>World Wide Web source code:</b>	Sotheby's
	\$5.43 million	
10	<b>CryptoPunk #7252:</b>	OpenSea
	\$5.3 million	

<sup>8</sup>As of 23rd September 2021.

<sup>9</sup>As of 9th September 2021.

## Recent market trends

### THE MARCH BOOM HAS BEEN DWARFED BY RECENT SALES OF CRYPTO COLLECTIBLES

The recent trend in collecting NFTs is moving from purchases of single NFT artworks by artists to join larger communities built around specific NFT projects.

### CRYPTOPUNKS REACH \$680 MILLION IN AUGUST 2021

This blue-chip collectible, which is one of the oldest NFT projects around, has surged in recent months. CryptoPunks, which consists of 10,000 unique collectible characters, was created by Larva Labs in 2017 as an experiment. A record \$680 million in CryptoPunk sales occurred in August alone, accounting for more than half of the \$1.2 billion in sales since January 2017, according to CryptoSlam. The average sale price in August for the pixelated punks was around \$214,000, but lot number 7523 at Sotheby's auction in June, a rare alien punk wearing a face mask, went for a whopping \$11.8 million. Credit card giant Visa announced that it had purchased its own CryptoPunk for 49.5 Ether (ETH), worth just under \$150,000 at the time of purchase.

### BORED APE YACHT CLUB

CryptoPunks aren't the only NFT characters grabbing attention. In August, a new craze in digital collectibles called the Bored Ape Yacht Club, a series of computer-generated monkey-themed avatars, generated \$297 million in sales, according to CryptoSlam. Sotheby's hosted a dedicated, two-lot online sale in September 2021, at which one, Bored Ape #7090, sold for a record

\$2.25 million. The sale of 101 Bored Ape Yacht Club (BAYC) NFTs at Sotheby's fetched \$24.4 million, smashing a pre-sale estimate of \$13.5 million-\$20 million<sup>10</sup>. Sotheby's marketed this as a 'unique opportunity to own 1% of the entire BAYC output and become the third biggest owner of this NFT phenomenon'. Collectors include basketball star Stephen Curry and musician Jermaine Dupri.

### MERGING THE WORLDS OF CRYPTO AND ART

Another popular new NFT project is PUNKS Comics, which chronicles Beanie's journey from a humble auction house assistant to digital art kingpin. The PUNKS Comic #1, 'The Hunt for the Lost Robbies', is a full-colour 24-page comic drawn by Marvel and DC comics artist Chris Wahl, created and written by the Pixel Vault team, 'a media group focused on elevating crypto-native assets across a variety of mediums'. It is loosely based on the famed early crypto art given out at the inaugural Christie's Tech Summit in London in 2018. PUNKS Comics provides the backstory and personalities to accompany the generatively assigned traits of 16 of the original Punks, the main characters in the comic. PUNKS Comics is not simply an NFT, but buyers of the comics have the option to stake their comic for fractional ownership in the collection of the 16 Punks, or they can burn their NFT to participate in the Pixel Vault Founder's Vault DAO, a sort of venture capital fund based on open-source code which contains artworks by some of the most prominent artists in the NFT space. PUNKS Comic is about much more than just buying an NFT, it's an opportunity to become part of an evolving community.

<sup>10</sup><https://www.sothebys.com/en/buy/auction/2021/ape-in/101-bored-ape-yacht-club>.



## A SURGE IN DEMAND FOR GENERATIVE ART

CryptoKitties, released in 2017, were one of the early experiments with generative art and NFTs. Created by computer code that randomises their cartoon appearances, and with potential input for future generations of kitties, the most expensive CryptoKitty was sold for ETH 600 in September 2018 (the equivalent of \$170,000 at the time).

Other new platforms for generative art have recently emerged. One is Art Blocks. Launched in November 2020, this platform is dedicated to generative art that transforms hashes (the alphanumeric strings that identify blocks on the blockchain) into colourful abstractions. By the end of August 2021, ArtBlocks had generated sales of \$695 million, with the highest price paid for Ringers #879, which was bought for approximately \$5.7 million in August by Singapore-based crypto investment firm Three Arrow Capital through the NFT platform OpenSea<sup>11</sup>.

## THE FUTURE ROLE OF NFTS IN THE ART WORLD

Many in the art world are dumbfounded by the prices fetched by crypto collectibles, and if it was hard to comprehend the prices achieved for NFT art in March 2021, such as the \$69 million Beeple sale, it has become even harder for many art veterans to understand the recent values of CryptoPunks and Bored Ape Yacht Club (BAYC). The warp speed at which the crypto art world is developing, makes it hard for the traditional art market to differentiate between hype and reality, which, in turn, risk paralysing large parts of the market. How

should the traditional art market interact with the NFT market and what can it learn from it?

NFTs fill a gap that has existed in the art world for a long time – a new way of collecting art. NFTs fulfil the same urge for collectors to own something desirable, only this time in a digital, rather than physical form. This market will have its ups and downs, but the art world should pay attention, if it is to remain relevant in the future.

Individual artists launching NFTs during the first three months of this year enjoyed huge commercial success, but now the momentum has shifted to projects focusing on code-generated art which has a hyper-enthusiastic following. It is these communities who now drive the market, developing their own rules for what is considered valuable. The hype and fear of missing out (FOMO) created by social media and discussion forums have led to computer-generated pixelated images selling for millions of dollars. Rather than sitting on the side lines frowning, the art world should think carefully how to take part in the NFT boom. The art market's digital transformation is already underway, so conceptually, NFTs should be an ideal fit for the 21st century online art market. They shouldn't be ignored, as they represent an attractive new source of revenue and a tool for reaching out to new audiences to increase the collector base.

Based on some of the trends we see in NFT market, there might be some important takeaways for the art world.

<sup>11</sup><https://blockcast.cc/news/why-does-art-blocks-the-nft-platform-of-generative-art-continue-to-dominate-opensea/>.

## Recent market trends (cont.)

### DON'T THINK ABOUT NFTS AS SINGLE ARTWORKS BUT AS MASS PARTICIPATION PROJECTS

Although the traditional art world is obsessed with a piece's value deriving from its rarity, there is also strength in numbers. To build a market around a few rare works of art is great for the individuals who happen to buy these, but does not build communities, or a growing market. Most of the successful NFT projects, such as CryptoPunks and Bored Ape Yacht Club, aim to create a large number of unique digital artworks and then build a large community that aspire to owning these. In August alone, more than 1,200 individual buyers bought CryptoPunks.

### THEY CHALLENGE THE TRADITIONAL MODEL OF ART OWNERSHIP

Many NFT projects experiment with various forms of engagement and ownership, such as linking the NFT to a physical artwork. But the NFT itself can also be collectible. In July, Damien Hirst and HENI announced they would release 'The Currency', Hirst's first NFT collection. It comprises 10,000 NFTs which correspond to 10,000 unique physical artworks stored in a secure vault in the UK. The works are now brought to life through their launch on blockchain. Successful applicants will all initially receive NFTs. Ultimately, they must decide between owning the digital NFT or the physical artwork, both of which are artworks in themselves. Whichever they pick, the other gets burned.

### INVESTING IN THE STORY

In art collecting, people don't just buy objects, they buy the stories behind them. One lesson from the crypto-collectibles boom is the importance of storytelling in building a large community. Bored Ape Yacht Club (BAYC) is a good example of this, where buying an ape automatically offers you membership of the club, which can be used to unlock new perks, and participate in the evolution of the BAYC community, including access to new NFT collections, such as Mutant Ape Yacht Club (MAYC) and Bored Ape Kennel Club (BAKC). The value of the BAYC NFTs isn't simply tied to the digital collectible itself, but to the exclusive access that come from being members of the club.

### BRING THE DIGITAL BACK TO PHYSICAL

Ultimately, a hybrid ownership and experience model, where NFTs exist both as digital collectibles and as physical objects, might be the one that lasts longest. Infinite Objects makes physical frames for NFTs called 'video prints', while Samsung and Netgear also offer similar NFT display solutions. Institut, a new art-world-led NFT platform, organised its first physical exhibition in London in September, offering a bridge between the digital and physical worlds.



Gabriel Hartley, *Sea Mountain*, 2020 | Ink, acrylic and burn marks on carved plywood | 62 x 51.9cm | Courtesy of Seventeen, London.





# Methodology



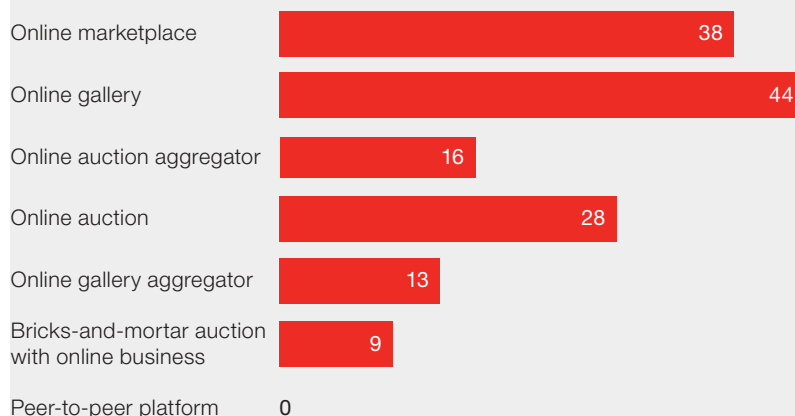
## ONLINE PLATFORM SURVEY FINDINGS

### Sample structure

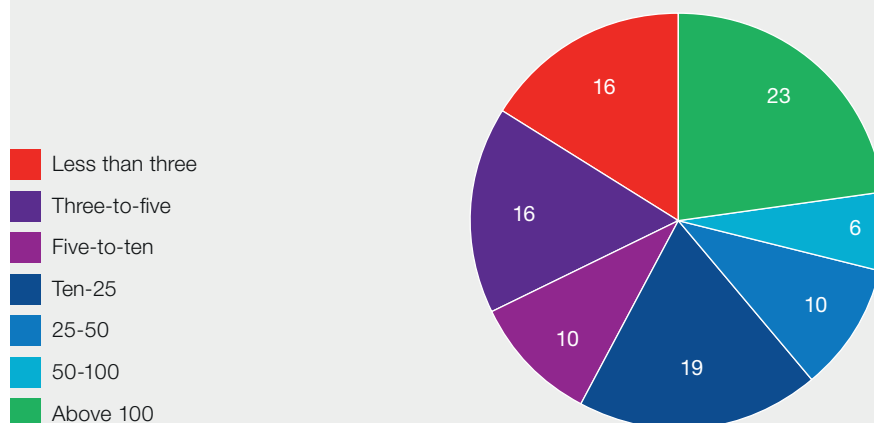
This year's report also includes the survey feedback from management and key staff of the online art platforms participating in this research. In July and August 2021, ArtTactic conducted 48 one-to-one interviews and online surveys with major online art platforms.

### Type of online platforms

#### Business models – online platforms surveyed (%)



#### Number of employees – online platforms surveyed (%)



#### Annual online sales 2021 – online platforms surveyed (%)



**Hiscox**

1 Great St Helen's  
London EC3A 6HX  
United Kingdom

T +44 (0)20 7448 6000  
E [enquiries@hiscox.com](mailto:enquiries@hiscox.com)  
[www.hiscoxgroup.com](http://www.hiscoxgroup.com)

